

THOLOANA ENTERPRISE PROGRAMME



Impact report
January 2015 to December 2017

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1. ABOUT THIS REPORT

This report was prepared by Greater Impact, trusted impact advisors who specialise in impact assessment and evaluation. The report stems from their three-phased assessment process which includes determining what should be measured and how success should be defined, analysing or empirically testing whether an organisation or programme has had an impact and evaluating or interpreting outcomes in a way that has meaning or value.

For any queries or points of clarification, please feel free to get in touch with Sekai Chiwandamira or Salma Seedat directly on the following:

Sekai.chiwandamira@greaterimpact.co.za or salma@seedat.biz

+27 (0)11 219 5000



2. A NOTE FROM BRIDGIT EVANS, SAB FOUNDATION DIRECTOR

I'm passionate about measurement and believe that understanding what we've achieved is vital to effectively plan for our future. Knowing our impact, and where there is room for improvement, helps us design and implement more effective interventions, a process which the SAB Foundation is 100% committed to.

With this in mind, we commissioned experts to analyse the impact of our Tholoana Enterprise Programme. Research was conducted on participants of the 2015, 2016 and 2017 programme to help us understand the programme's strengths and weaknesses so that we can better assist future entrepreneurs in the development of successful, thriving enterprises. To enhance transparency and encourage others to measure their impact, we have chosen to share the results of this research with you.

SOME KEY FINDINGS

I was encouraged to note that, since participation in the Tholoana Enterprise Programme, there has been a marked decline in the entrepreneurs' experience of various poverty indicators. This includes improvements in access to food, fuel, electricity and shelter. Notably, there was a significant increase in entrepreneurs who received a regular and reliable cash income, amounting to 50% in the 2015 group and 41% in the 2016 group.

Living arrangements also improved with a 6% increase in entrepreneurs living in free standing homes and an average increase of 125% in those who live in apartments.

It is pleasing to note that the entrepreneurs' socio economic status has improved. 80% of the entrepreneurs are parents or guardians and progress in this area often extends to future generations, creating lasting upliftment.

51% of the entrepreneurs reported that their income was solely obtained through their businesses. This is a 39% increase which might be attributed to growth in the entrepreneurs' businesses over the past year.

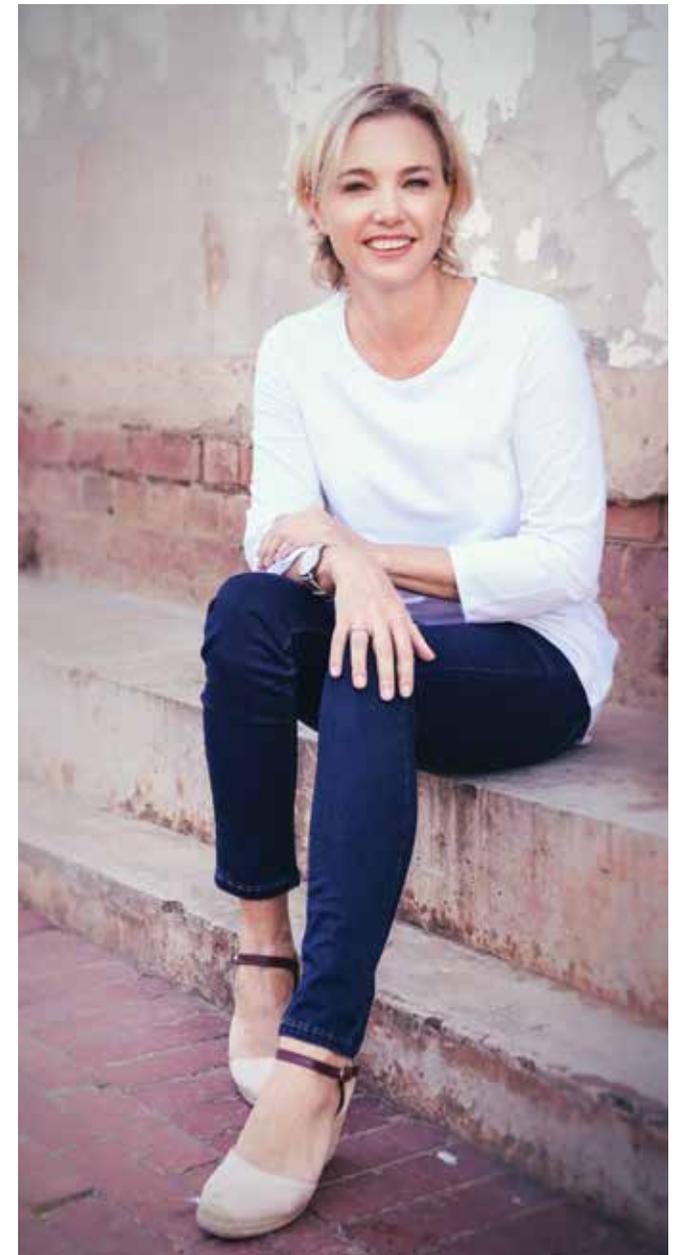
The majority of entrepreneurs earn an average of between R20 000 and R250 000 a month in revenue and there was an increase in average revenue for both the 2015 and 2016 participants. This is an encouraging result that implies that the SAB Foundation's investment seems to be having a positive effect. Overall turnover has increased by 18% from R164 million to 194 million per annum.

Another encouraging finding is that all the entrepreneurs' businesses are currently still in operation. This is particularly pleasing considering that South Africa has one of the highest failure rates for small, medium and micro sized enterprises compared to other developing countries, with most start-ups failing within the first year of establishment.

A significant challenge for most entrepreneurs is effective cash flow management. Many start-ups have small budgets and lack financial reserves and, as a result, poorly managed cash flow can easily result in the failure of a business.

While all of the 2016 programme participants claimed to prepare financial statements on a regular basis, it is concerning to note a decline in the time the 2015 participants are spending on their finances. It is important to understand why this is happening so that we can promote better financial management practices to future participants.

Employment is one of the SAB Foundation's key focus areas and I am pleased to see that currently the Tholoana Enterprise Programme participants employ 1 336 people which is up from 1 174 at inception, an increase of 162 jobs. This is obviously a critical factor in South Africa given our high unemployment rates. In terms of customer numbers, it was great to see a 9% increase in customers served by the businesses.



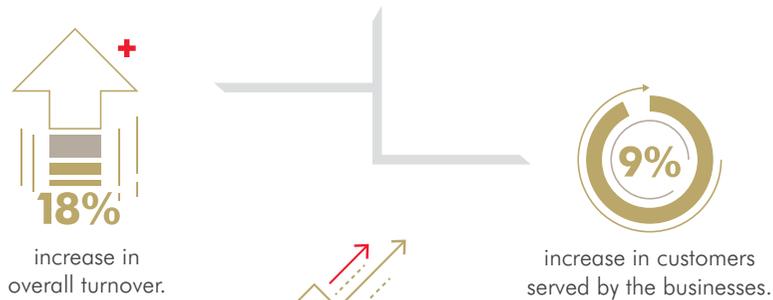
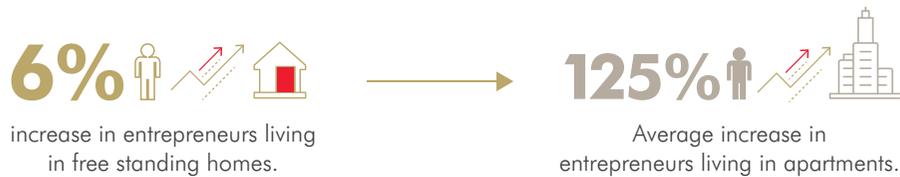


However, most entrepreneurs reported being concerned with the amount of money that clients were spending. Unfortunately, it's likely that this is symptomatic of wider economic issues rather than problems specifically relating to our entrepreneurs' businesses. 76% of the entrepreneurs reported that, due to an increase in revenue and client base, their current financial and strategic position was either better or much better. Of the 13% that indicated that things were either worse or much worse financial challenges and adequate revenue were cited as the main reasons. Despite this, entrepreneurs are overwhelmingly positive about the future financial and strategic positioning of their businesses with 80% indicating that they believe they will be in a much better position within the next year.

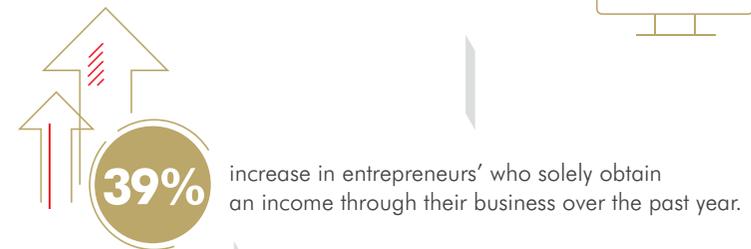
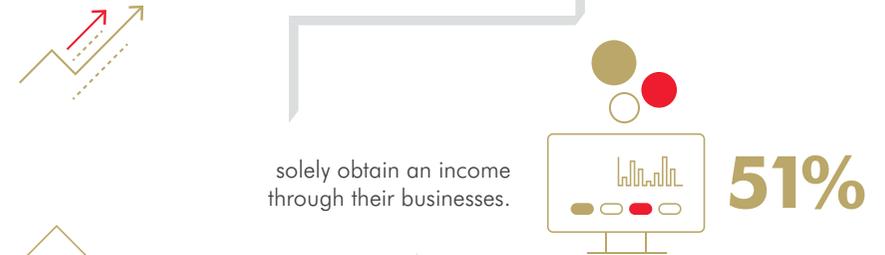
A key aspect of the Tholoana Enterprise Programme is intensive training and mentorship to improve entrepreneurs' skills, knowledge and capabilities in various aspects of their business. As a result, most entrepreneurs indicated that, since participating in the programme, their knowledge and ability to lead and grow their businesses had improved. The majority showed improved confidence in their ability to deal with work-related stress, sell products, market their businesses, manage HR related issues, manage their finances and establish financial systems, find business resources and develop business networks. However there is room for improvement in a number of areas including the use of social media for online marketing, establishing operational policies and procedures, acquiring and managing talent and identifying and securing funding opportunities. While it is encouraging to see that our intensive business skills training and mentorship programme has contributed to progress in a number of areas, it is also beneficial to note any shortcomings. This gives us the opportunity to enhance our offering and work on our weaknesses. We hold ourselves to a very high standard and must always strive for improvements to be the best we can be. As such, it is vital that we keep measuring our impact with the goal of finding more effective ways to assist entrepreneurs, because their success contributes to the development of a thriving and inclusive economy for all.

3. THE IMPACT OF THE SAB FOUNDATION THOLOANA ENTERPRISE PROGRAMME

KEY FINDINGS: Of the SAB Foundation Tholoana Enterprise Programme participants who took part in the study,



There was a marked decline in the entrepreneurs' experience of various poverty indicators including improvements in access to food, fuel, electricity and shelter.



The Tholoana Enterprise Programme participants now employ.

1 336 PEOPLE, AN INCREASE OF 162 JOBS



4. THE SAB FOUNDATION'S PROFILE

The SAB Foundation is an independently registered trust that is one element of the broad-based black economic empowerment transaction conducted by the South African Breweries Ltd (SAB). The foundation provides funding and mentorship support for small, medium and micro-sized enterprises (SMMEs) with the aim of contributing to the economic and social empowerment of historically disadvantaged persons in South Africa. It supports entrepreneurship development and social innovation through a series of programmes, with a priority focus on providing opportunities for women, youth, people in rural areas, and persons with disabilities. This includes the Social Innovation and Disability Empowerment Awards, the Social Innovation Fund, the Tholoana Enterprise Programme and the Rural Catalyst Programme.

5. OUR DEVELOPMENT IMPACT

5.1 THOLOANA ENTERPRISE PROGRAMME

The Tholoana Enterprise Programme is two-year enterprise development programme. It was carefully designed to support the growth of small, micro and medium sized enterprises (SMMEs) through the provision of extensive entrepreneurial skills development, mentorship, access to business support, access to peers, and access to finance and markets. The programme focuses on:

- Businesses run by, or benefitting, people with disabilities.
- Women and youth-owned businesses.
- Peri-urban and rural businesses.
- Businesses that create jobs in areas that lack employment opportunities.

Enterprises with long-term growth and high impact potential are sourced from identified growth areas in almost all sectors.



There is an emphasis on finding businesses outside the major metropolitan areas.

Applicants must fit the following eligibility criteria:

- Businesses must be operational, as well as black-owned¹ and managed.
- Businesses must be headquartered and (if applicable) registered within the borders of South Africa.
- Businesses should be a going concern, commercially sustainable and viable.
- Applicants are involved in the businesses' operations and management on a full-time basis and are not employed by any other organisations.
- Applicants must have the skills and experience necessary for their businesses.
- The businesses must be in the early stages of growth (between six months and five years old).



Participants are expected to undergo a process of self-assessment, goal setting and growth during which the performance of their businesses are closely monitored. Mentors assist in setting milestones intended to set the foundations for growth and development of the businesses. The programme includes five compulsory business-skills workshops and a range of elective support tailored to the needs of each participant.

Seven key elements of the programme include:

1. Business skills workshops
2. E-learning programmes
3. Mentoring and coaching
4. Nip 'n tuck interventions
5. Peer to peer community and networking
6. Performance indicators
7. Access to resources

¹ As defined in the Broad-Based Black Economic Empowerment Amendment Bill, 2011

5.2 METHODOLOGY

This report reflects on the survey responses of 137 participants of the Tholoana Enterprise Development Programme from 2015 to 2017. Each entrepreneur was asked to complete an annual survey with questions that pertained to:

- Personal socio-economic information on the entrepreneurs and their household circumstances.
- Information on their businesses including financial status, employment and job creation details.
- Feedback on the entrepreneurs' confidence in their knowledge and skills pertaining to accessing alternative funding options, governance compliance and ability to develop networks and access markets.
- Details on investments, finance and shareholder composition.
- Reflections on the past year, as well as ongoing business confidence and perceived threats to their business operations.

A baseline survey was conducted with the entrepreneur cohorts from each year, with subsequent annual surveys being conducted until 2017. By June 2018, 133 out of 138 entrepreneurs had completed the survey. The insights gained from the survey responses will assist the SAB Foundation in understanding the value of the Tholoana Enterprise Programme, and provide insights on the ways in which the foundation can improve its offering so that it is relevant to the needs of the entrepreneurs.

5.3 THE NATIONAL CONTEXT

Chronically high unemployment is a major socio-economic problem in South Africa with the current unemployment rate sitting at 28% and the unofficial 'realistic' unemployment rate reported to be closer to 37%.² Many factors contribute to the high unemployment rate in South Africa, and most of these are

structural in nature. Historically, South Africa's labour market has had various forms of discrimination, most notably on race, but also on gender, age and disability. South Africa's economy is still exclusionary of black people, especially those who are African and female, and the country needs radical social transformation and sustained economic growth, as well as government policies and programmes that prioritise the equitable sharing of the country's economy.

A major contributor to job creation in South Africa is self-employment and the creation of SMMEs. SMME development is a government imperative that forms part of the core strategy for economic development, through poverty alleviation and job creation initiatives. The development of enterprises aid in the advancement of sustainability and financial autonomy for the beneficiaries and subsequently contributes to economic growth. However, if these enterprises are to increase their contribution to the economy, and increase the number of jobs they create, South Africa will need to have an enabling environment and entrepreneurial ecosystem that allows entrepreneurs to thrive.

According to the Global Entrepreneurship Monitor (GEM), entrepreneurs in South Africa need support through all levels of their business cycle to grow from the start-up phase to an established, thriving enterprise. Part of the South African Government's National Development Plan is to ensure that 90% of new jobs are created by SMMEs by 2030. To achieve this, it is essential that policies and programmes that support entrepreneurs are a national priority.

It is within this purview that government and businesses in the private sector have developed initiatives that aim to encourage entrepreneurship and contribute to the stimulation of the economy. The SAB Foundation is a key player with its focus on identifying and funding new ideas and innovations, grooming entrepreneurs, and providing business support services and mentorship aimed at boosting start-ups in South Africa. Besides the direct link to fulfilling the goal of job creation by SMMEs in the National Development Plan, the SAB Foundation's

programmes impact on the United Nation's global Sustainable Development Goals³ based on the indicators on the next page.

Despite the vital role that SMMEs play in the growth of developing countries, South Africa faces one of the highest SMME failure rates compared to developing counterparts, with most start-ups failing within the first year of establishment.

The SAB Foundation's enterprise development initiatives aim to address the challenges that contribute to these failures, namely access to finance, markets, skills and networks.



² Stats SA (2017)

³ Sustainable Development Goals, <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

UNITED NATION'S GLOBAL SUSTAINABLE DEVELOPMENT GOALS



1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.



2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.

3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.



5.1 End all forms of discrimination against all women and girls everywhere.

5.B Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.





DECENT WORK AND ECONOMIC GROWTH

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.



INDUSTRY INNOVATION AND INFRASTRUCTURE

9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.



REDUCED INEQUALITIES

10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



PARTNERSHIP FOR THE GOALS

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.



5.4 THOLOANA ENTERPRISE PROGRAMME IMPACT

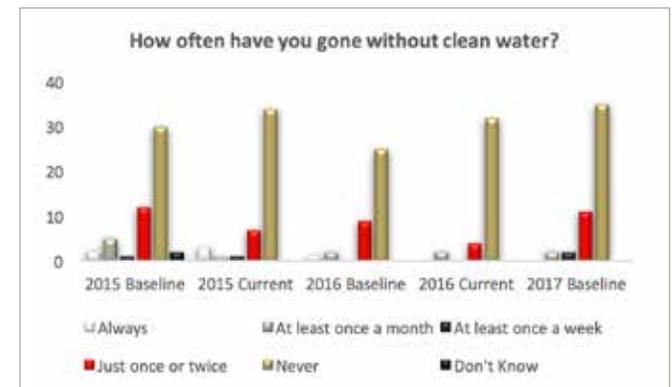
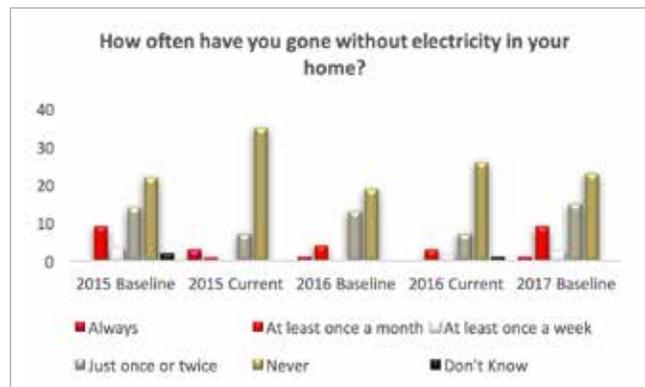
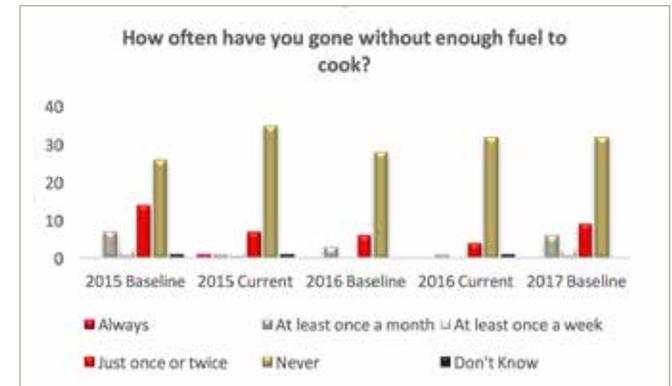
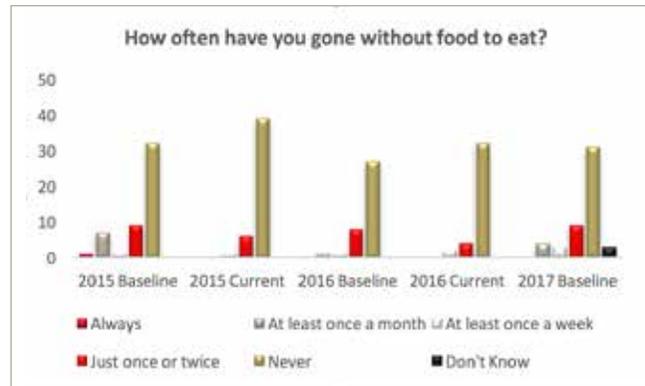
5.4.1 SOCIO-ECONOMIC STATUS OF ENTREPRENEURS

The first set of survey questions sought to understand the impact on the personal circumstances of the entrepreneurs who participated in the Tholoana Enterprise Programme. Entrepreneurs were asked a series of poverty indicator questions aimed at determining whether there was any improvement in their standard of living. A comparison was undertaken between baseline reporting for entrepreneurs from the 2015 and 2016 cohorts, and their current socio-economic status in 2017/18.

There has been a 22% increase in the number of 2015 entrepreneurs who have never gone without food and a 16% increase in those from the 2016 cohort. Similarly, there was a 26% increase in the 2015 cohort and a 13% increase in the 2016 cohort who stated that they had never gone without having enough fuel to cook. The majority of the 2017 cohort (62% and 64% respectively) indicated that they had never gone without food to eat or enough fuel to cook. Encouragingly, across all cohorts, none indicated that they had always gone without either food or fuel over the past year.

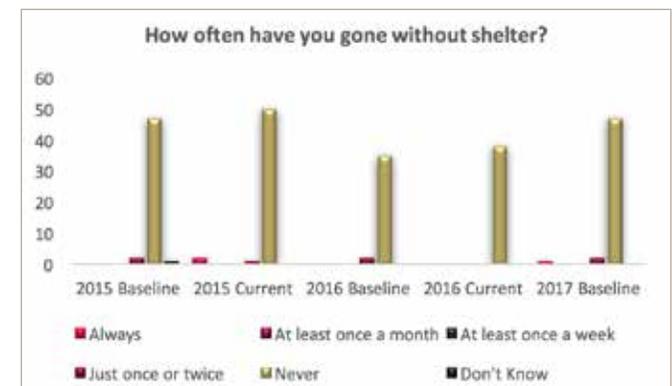
In addition, the 2015 cohort reported a 37% increase and the 2016 cohort reported a 27% increase in never having gone without electricity. The 2015 cohort reported a 12% increase and the 2016 cohort reported a 22% increase in never having gone without any clean water.

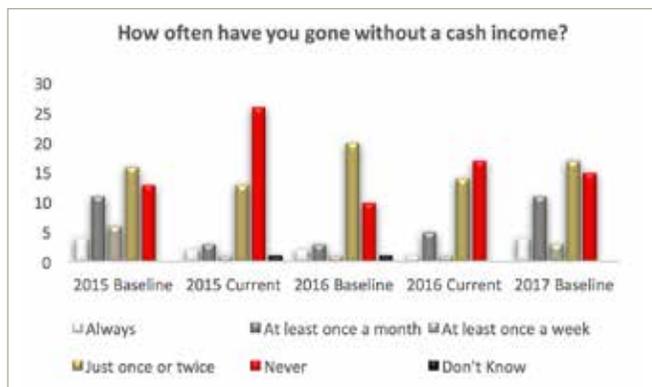
Of the 2015 cohort, there was a 6% increase in those who had never gone without shelter, a 50% increase in those who had never gone without a cash income, and a 23% increase in entrepreneurs who have never gone without medicines or medical treatment. Similarly, for the 2016 cohort, there was a reported 8% increase in those who have never gone without shelter, a 41% increase in those who have never gone without a cash income, and a 21% increase in entrepreneurs who have never gone without medicines or medical treatment.



Overall, the results showed a marked decline in the entrepreneurs' experience of various poverty indicators.

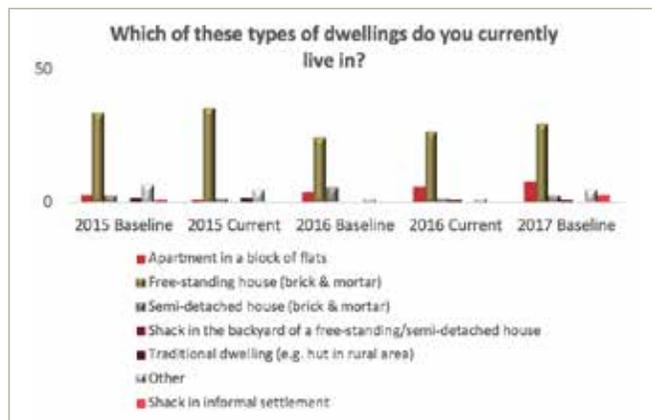
The positive results could be attributed to the increased income through the entrepreneurs' businesses, which could be influenced by their experience of being on the programme. This will be unpacked further in the report where an analysis is undertaken of the impact of the programme on the entrepreneurs' businesses and ability to generate income for themselves and their families. However, given South Africa's huge challenge with poverty and inequality, the ongoing decrease of entrepreneurs facing poverty challenges is extremely positive for the country.





5.4.2 LIVING ARRANGEMENTS AND RESPONSIBILITIES OF ENTREPRENEURS

From the 2015 cohort, there has been a 6% increase in the number of entrepreneurs who live in freestanding, brick and mortar homes as well as a 200% increase in those who reported living in an apartment. Similarly, in the 2016 cohort, there has been a 7% increase in those who reported living in a freestanding home, and an increase of 50% of those who reported living in an apartment. In both cohorts, none reported living in a shack in an informal settlement.



From the baseline for the 2017 cohort, 60% reported living in freestanding homes, and 16% reported living in an apartment. Three entrepreneurs (6%) reported living in a shack in an informal settlement. More entrepreneurs are now able to afford to live in freestanding homes or apartments signalling an improvement in their living conditions.

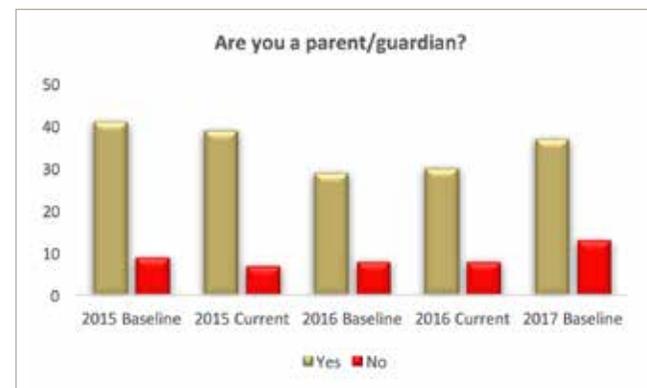
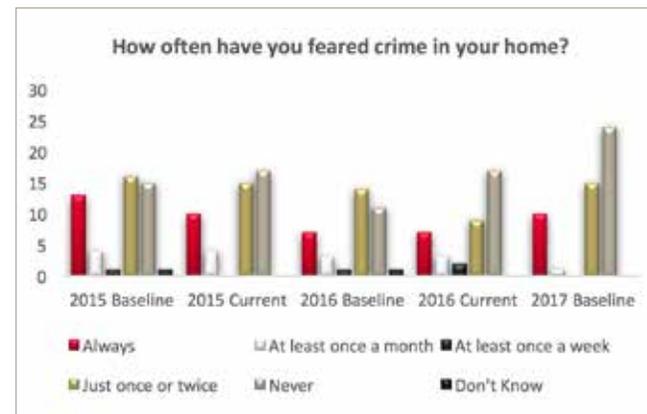
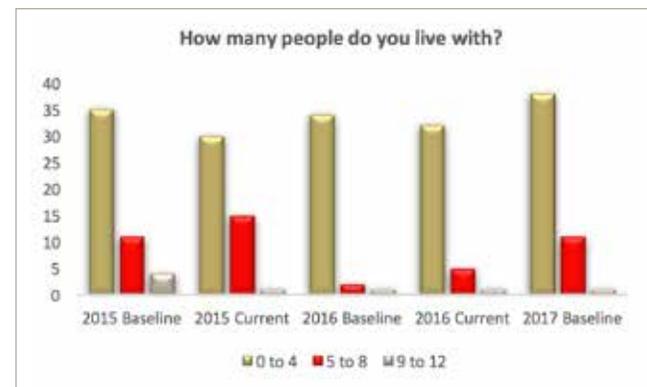
In relation to the fear of crime in their homes, the 2015 cohort indicated a 12% increase in those who have never feared crime and the 2016 cohort reported a 35% increase in never fearing crime in their homes. From the 2017 cohort, just under half (48%) indicated that they never fear crime in their homes, while 30% indicated that they have these fears just once or twice a year. The majority of entrepreneurs across all cohorts live with up to four people.

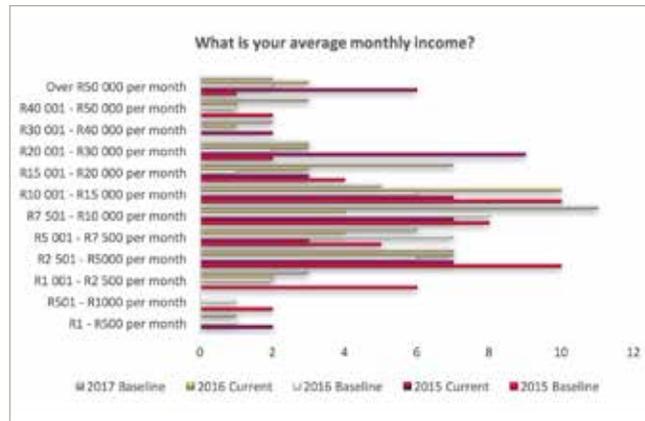
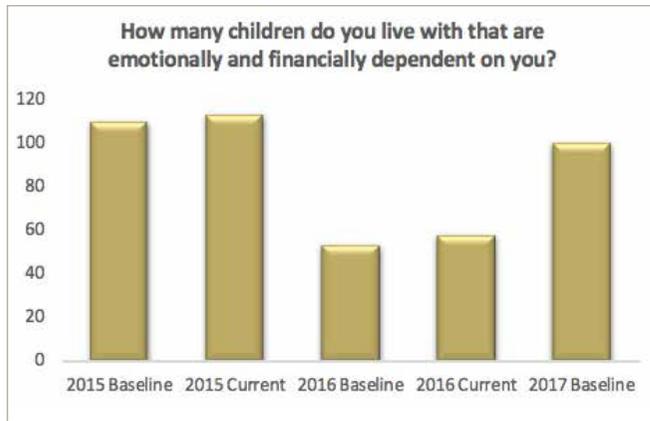
About 80% of the entrepreneurs are parents or guardians who are, collectively, caring for 271 children. 63% of these children attend school and 56% of those that attend school are female. 17% of children are below the school-going age.

5% of entrepreneurs indicated that they have always gone without the funds required to send their children to school, while 59% indicated that they have never had this particular challenge. There was a 15% decrease in entrepreneurs who indicated they did not have funds for schooling just once or twice over the past year.

The trends observed in all poverty indicator responses show that the living standards of entrepreneurs have improved compared to previous years. It is important to note that the success of an entrepreneur cannot be measured solely through their businesses and the positive effect that success has on the personal socio-economic status of the entrepreneur should be taken into consideration.

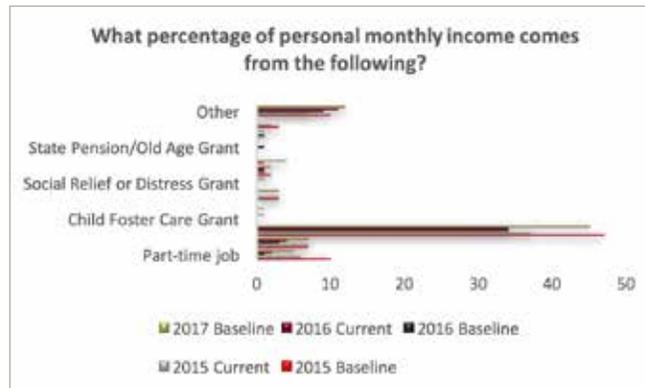
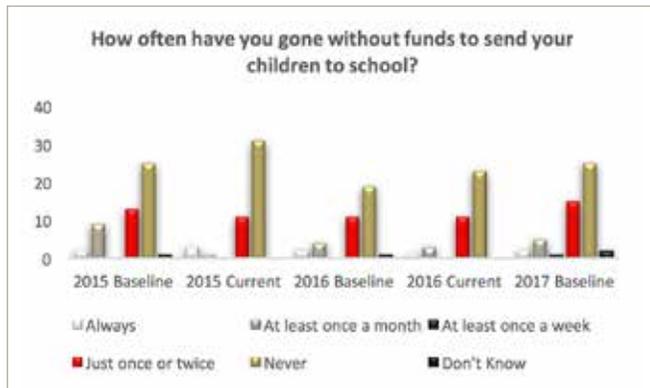
Supporting entrepreneurs to become successful business owners is regarded as one of the cornerstones of poverty alleviation in sub-Saharan Africa.





5.4.4 OPERATIONAL STATUS OF ENTREPRENEURS' BUSINESSES

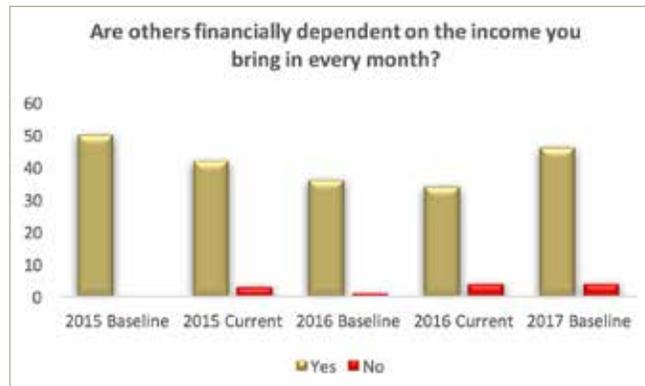
74% of entrepreneurs reported being very confident in their abilities to start and run a successful business, representing a slight increase compared to 2016. A further 23% indicated that they were confident in their abilities, with 4% indicating that they were somewhat confident in their abilities to start and run a successful business. All the entrepreneurs indicated that their businesses were still in operation, with only one entrepreneur indicating that he/she owned the business but was not responsible for the daily operations of the entity.



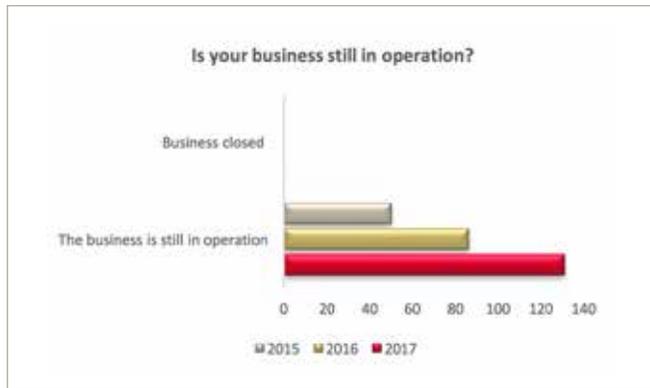
Compared to previous years, there has been a slight increase in entrepreneurs working from a formal office building, with the most significant increase (57%) being those who now operate from a factory. There was a 53% decrease in entrepreneurs working from home. Most of the entrepreneurs who indicated that they worked in 'other' facilities were referring to farms or farming operations. The increased demand and move towards formal business premises, as well as the shift towards inclusion in the formal economy has many benefits for entrepreneurs such as access to capital, access to markets, legal protection and increased social upliftment.⁴

5.4.3 PERSONAL FINANCIAL STATUS OF ENTREPRENEURS

The majority of entrepreneurs (79%) earn between R2 500 and R30 000 per month on average, while 8% of entrepreneurs indicated that they earn over R50 000 per month. None of the entrepreneurs reported not receiving any personal monthly income. 51% of entrepreneurs reported that their income was solely obtained through their businesses, an increase of 39% compared to 2016. This increase could be attributed to growth in the entrepreneurs' businesses over the past year. In addition, 92% of entrepreneurs indicated that others were financially dependent on the income that they brought in each month.



⁴ National Skills Network: "How the informal sector can move towards the formal sector and why it is important"



5.4.5 FINANCIAL PERFORMANCE OF THE BUSINESS

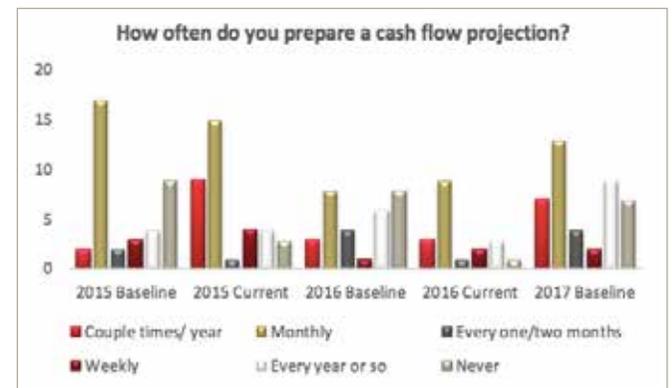
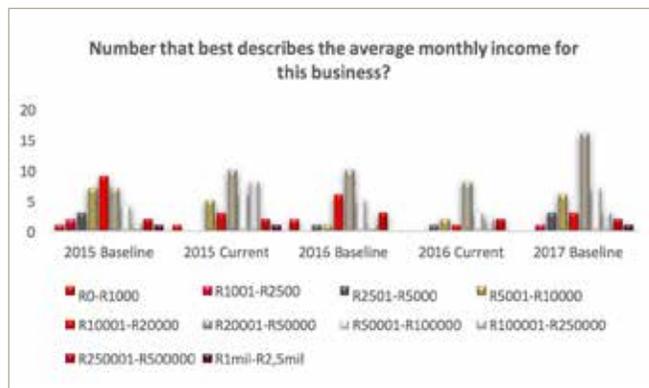
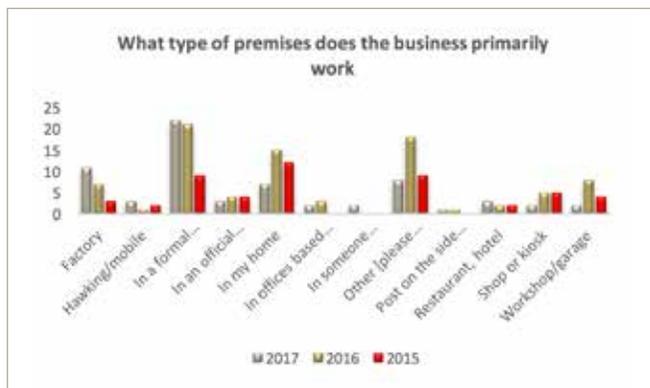
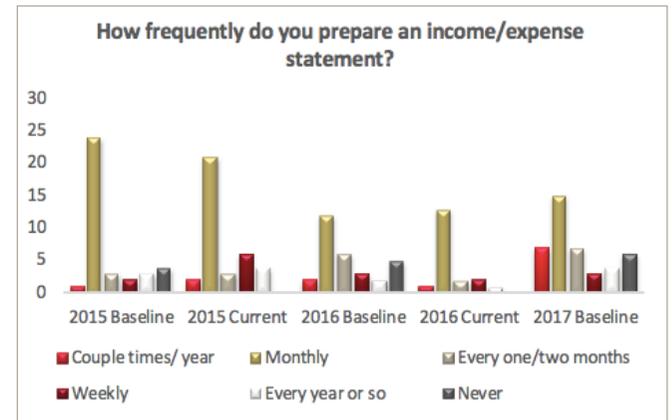
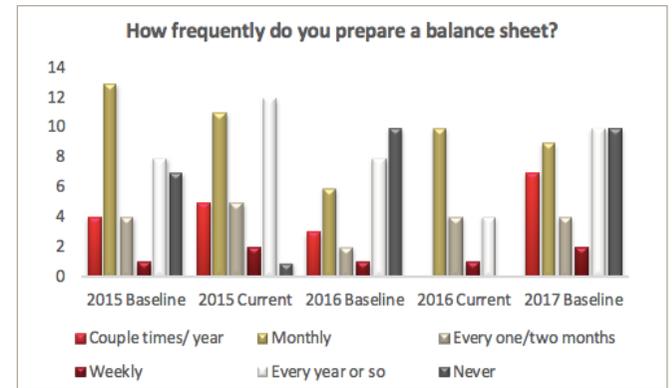
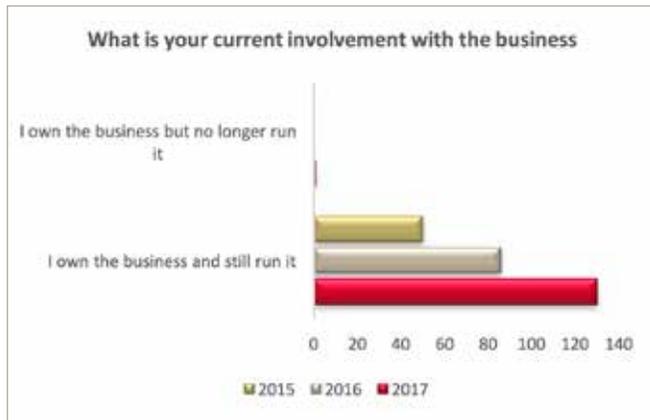
The majority of entrepreneurs (67%) reported earning between R20 000 and R250 000 of average monthly revenue in their businesses for 2017/18. 22% of entrepreneurs indicated that their average monthly revenue was between R2 500 and just below R20 000.

A further 8% reported earning over R250 000 per month, and the remainder (5%) earned below R2 500 per month.

In all cohorts, the entrepreneurs showed an increase in revenue compared to previous years with the biggest jump in revenue being noted in the R20 000 to R50 000 category. Turnover, overall has increased from R164 million per annum to R194 million per annum, an increase of 18%.

The growth observed in the entrepreneurs' businesses in the year-on-year comparison shows that the investment from the SAB Foundation is having a positive effect.

Specifically, entrepreneurs cited the focus on financial management, pricing and costing, and marketing as being most beneficial to the way in which they had shifted their strategic thinking and decision making in relation to their businesses.



Of great concern is the decline in the time the 2015 cohort is spending on understanding the financial position of their company through the preparation of cash flow projections, income/expenditure statements and balance sheet statements. While the entrepreneurs have indicated that they understand the importance of preparing these statements, and that this was emphasised by the SAB Foundation's training, the practice is declining amongst this cohort. The 2016 cohort has shown a marked improvement from their baseline observations in preparing their financial statements on a regular basis. At baseline, 33% had indicated that they never prepared financial statements and in the current survey (2017/18), none indicated that they no longer prepare financial statements for their businesses.

A significant challenge for most entrepreneurs is effective cash flow management as this is the lifeline for any business. Often, entrepreneurs do not have financial cushions and operate on a shoestring budget. As a result, poorly managed cash flow will inevitably result in the failure of an entrepreneur's business. It is therefore important to understand why entrepreneurs are failing to utilise the finance management tools given to them during their training.

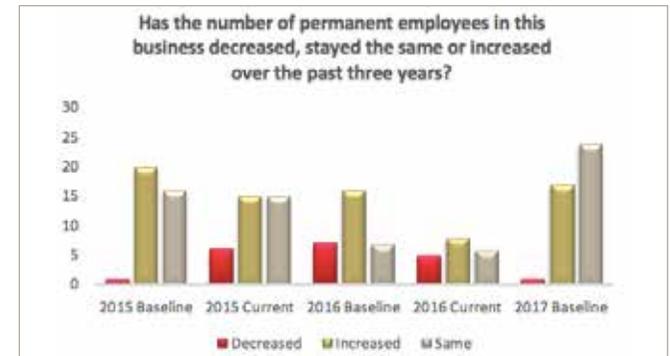
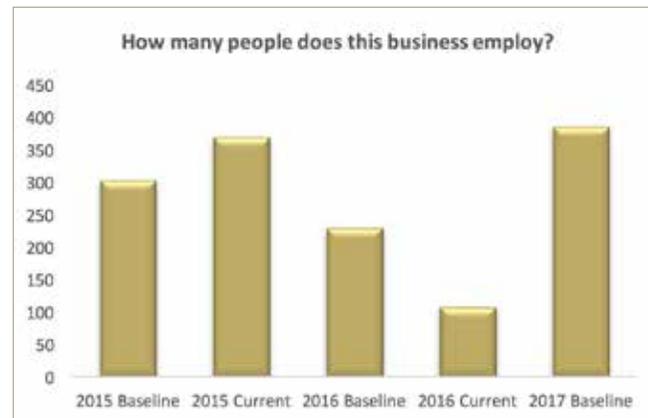
5.4.5.1 EMPLOYMENT AND JOB CREATION

Upon entry onto the Tholoana Enterprise Programme, entrepreneurs from the different cohorts employed a total of 1 174 people (873 permanent employees and 301 casual employees). The data shows that entrepreneurs currently employ a total of 1 336 people (1 037 permanent and 299 casual). This is an increase of 162 jobs and 13%.

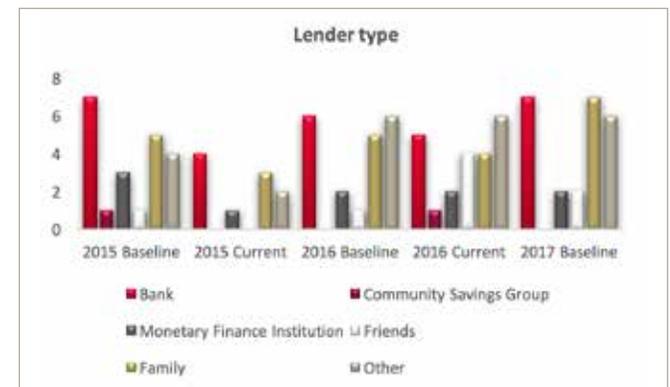
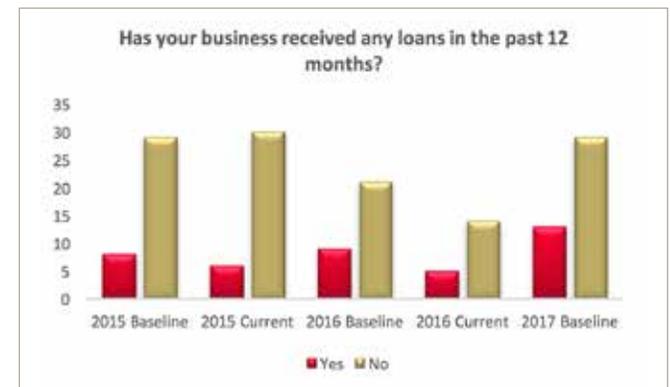
The average salary/wage bill has also shown signs of improvement over the past year, with marked increases being noted in the R10 000 to R50 000 ranges for the 2015 cohort. Other increases were noted in the higher salary range of R50 000 to R100 000 (200%) per month. The increase in the average monthly salary/wage bill is to be expected given the increase in

jobs within the businesses over the past three years. This could also indicate that businesses were able to increase employee salaries/wages over the past year. Fewer entrepreneurs from the 2016 cohort reported on the current average salary/wage bill for their businesses compared to the baseline reporting, however none of the entrepreneurs indicated that the wage bill was less than R2 500 per month. There was, however, a decrease of 62% in those that reported a salary/wage bill of between R2 500 to R10 000. Interestingly, the 2017 cohort shows a higher average salary/wage bill than previous cohorts with 31% indicating that the current figures are in the R20 000 to R50 000 range.

Despite the contracting economy and the rise in the Value Added Tax rate, many entrepreneurs have managed to increase the monthly revenue earned through their businesses and, in some cases, increased their ability to create jobs within their businesses. In a country like South Africa where there is a desperate need for economic growth and job creation through SMMEs, it is essential that interventions like the Tholoana Enterprise Programme enable entrepreneurs to avoid the challenges that often lead to the failure of their ventures. Given the positive trends noted in both revenue generation and job retention/creation, as well as the increases in the salary/wage bill, this shows that entrepreneurs are succeeding in the areas that are key to economic growth in South Africa.

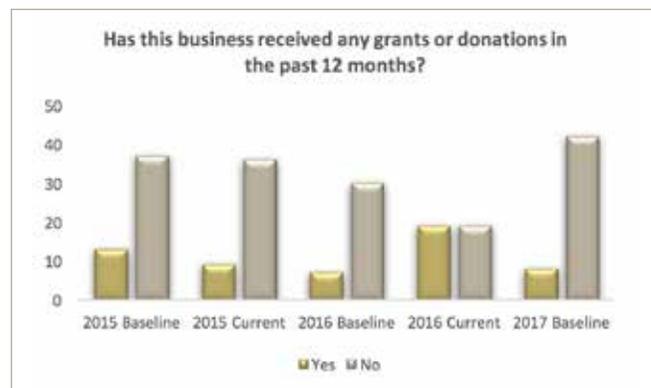


5.4.5.2 BUSINESS FINANCE AND INVESTMENTS

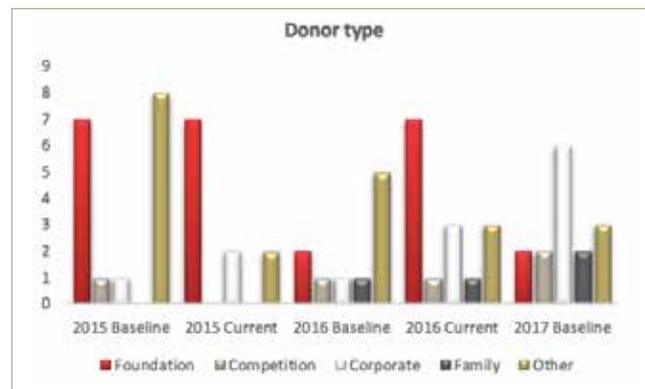


26% of entrepreneurs indicated that they had obtained business loans over the past year, a 169% increase compared to entrepreneurs who accessed business loans in 2016. 38% accessed loans from banks such as First National Bank, Standard Bank, Nedbank and VBS Bank, with an equal percentage accessing loans from family members. A further 13% accessed loans from other financial institutions such as Old Mutual, Anglo Zimele, Edge Action, Rainfin Credit Solutions and Polen Finance. Other businesses that have given loans to the entrepreneurs are angel investors who back the entrepreneur but expect the capital to be repaid when the business is making a profit, other companies that the entrepreneur is affiliated with, and personal loans from the owners' personal savings account to the business. Entrepreneurs used the loans they received to; purchase materials, for operational costs, expansion purposes, and to purchase business assets such as equipment, property and vehicles. None of the loans were reported to be used for personal financing purposes indicating a healthy separation of personal and business finances.

An analysis of donors, other than the SAB Foundation, showed that 31% of entrepreneurs accessed grant funding from companies such as Bidvest, BDO South Africa and the Raymond Ackerman Academy. A further 23% accessed funding from foundations and another 23% from government entities.

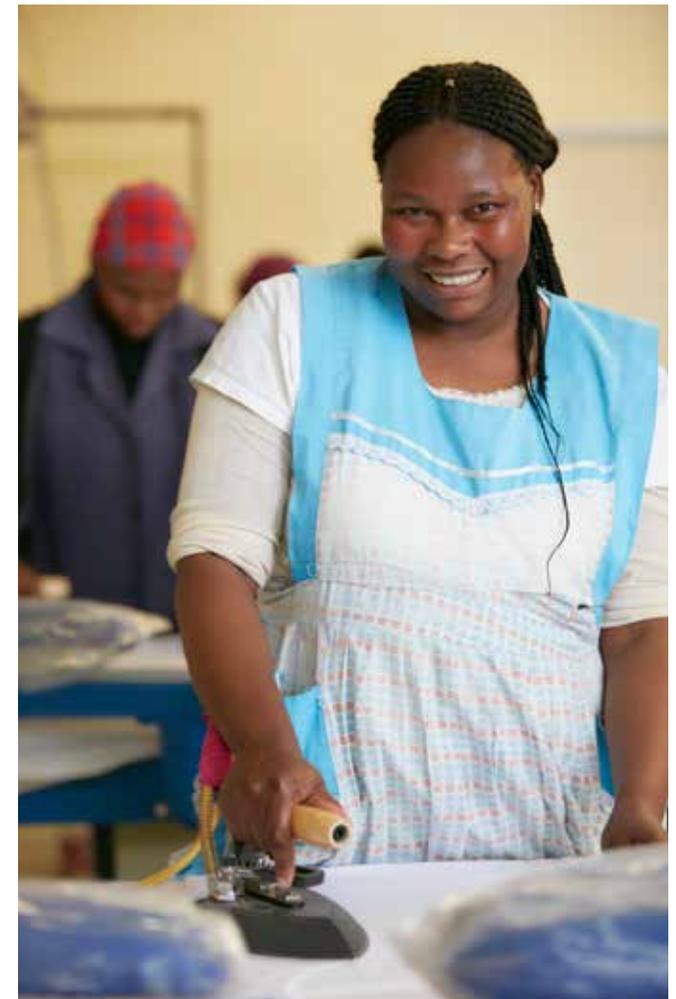


The funders were listed as Eskom, Letsatsi, Thabo Trust, SEDA, Department of Agriculture and the Polystyrene Packaging Council. 11% accessed funds through competitions that were run by the Durban Chamber of Commerce and Industry, the Department of Economic Development in Kwa-Zulu Natal and the Department of Agriculture in the Western Cape, while the remaining 12% received funds from family members. Once again, these funds were used to purchase materials, stock, business assets or to expand the business.



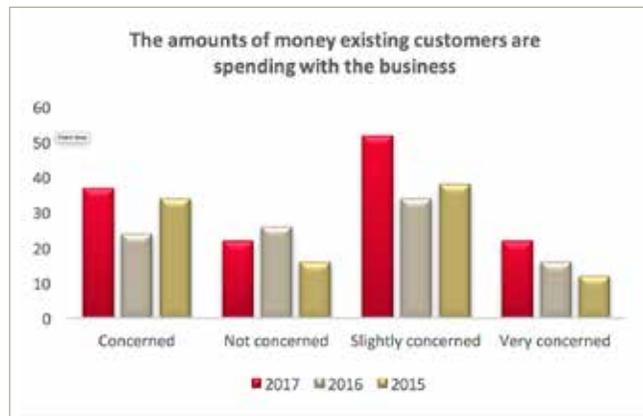
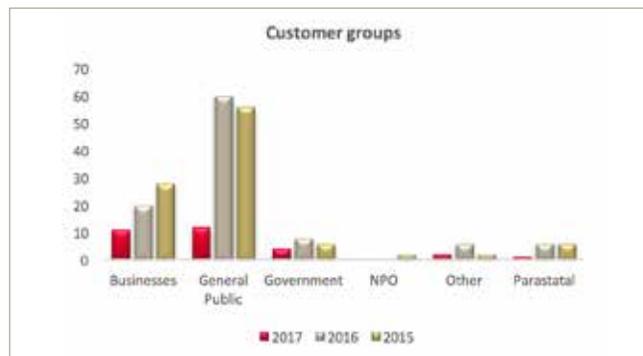
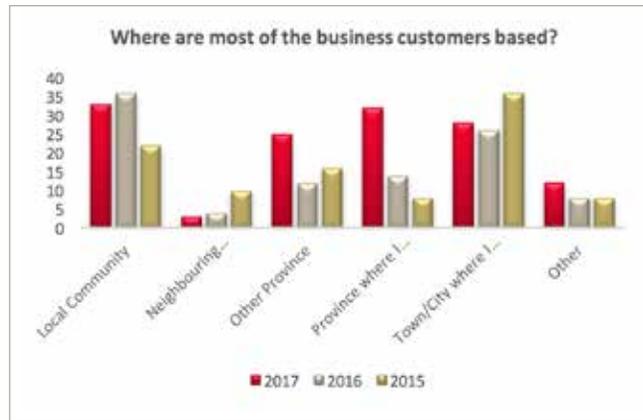
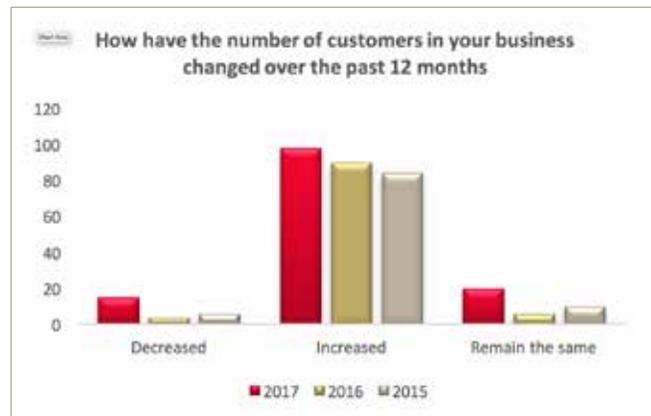
Financing business operational requirements and expansion efforts through loans and grants are a useful option for entrepreneurs, especially as these do not require giving up any equity in the business. In this way, entrepreneurs are able to retain their ownership structures and continue operating or growing their companies in accordance with the needs of the business. Most grant facilities in South Africa offer additional benefits such as business mentorship, which is highly beneficial for entrepreneurs, and in some cases, the mentorship is tailored for the entrepreneur's needs. Bank loans are only granted if the entrepreneur is able to prove to the bank that the business is viable and that there is a high probability that the loan will be repaid within the stipulated timeframe. Typically, a bank or financial institution will look for a business plan, collateral, cash flow information and consider the character of the loan

applicant before granting a loan for the business. Despite an arduous application process, bank loans generally have a lower interest rate than alternative lenders; however, bank fees are relatively high. According to research published by South African banks on funding for small businesses, about 70% of bank loan applications made by small businesses are rejected.



5.4.5.3 CUSTOMER PROFILE

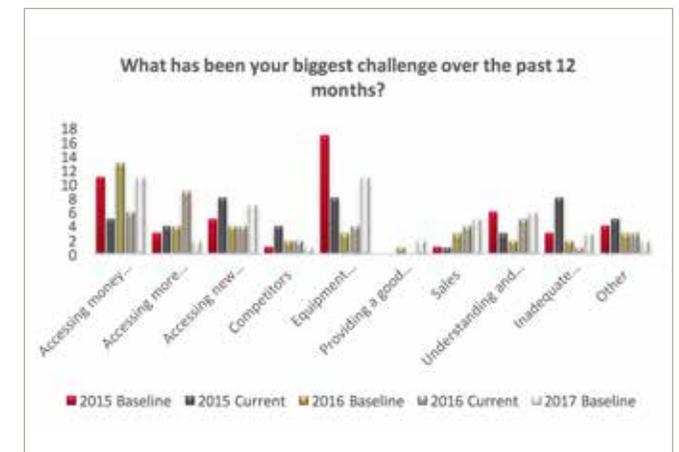
There was a 9% increase in the number of customers served by the businesses compared to 2016, and a marked increase in those that reported that the customer base had either stayed the same or decreased. There was an 8% decrease in customers from local communities, and an 8% increase in customers from the town or city. The biggest increases were reported in customer groups that were either from the local province or from other provinces. Some entrepreneurs reported having a national presence and/or an international client base. A smaller number of entrepreneurs reported on their customer groups compared to previous years, so an adequate comparison could not be undertaken; however, most entrepreneurs indicated that their main customer groups were other businesses or the public. Most entrepreneurs reported being very concerned (17%), concerned (28%), or slightly concerned (39%) with the amount of money that existing clients were spending within their businesses. According to Statistics South Africa, the South African economy has contracted significantly during the first quarter of 2018, with growth in 2017 being largely driven by the agriculture and mining sectors. Trade is reported to have shown negative growth in 2017, which will have had an effect on the ability of the entrepreneurs' clients to increase spending during this period.



5.4.5.4 BUSINESS CONFIDENCE AND REFLECTIONS

The biggest challenges highlighted by entrepreneurs were issues with accessing funding for growth, inadequate or not enough equipment for their businesses and accessing new markets. While the Tholoana Enterprise Programme provides funding for business growth that often includes the purchasing of equipment for entrepreneurs, this rise in the challenge experienced by the cohort is concerning as it directly affects their operational ability.

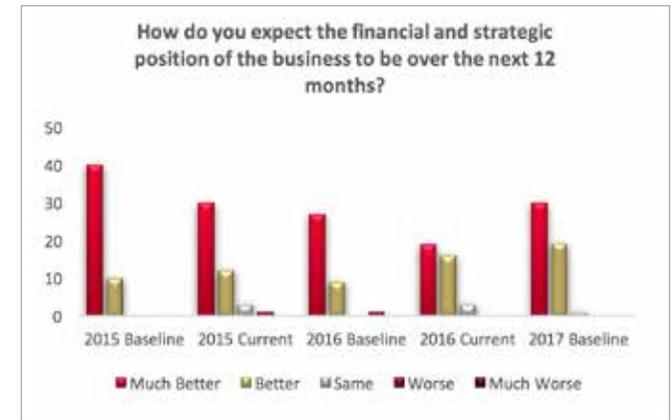
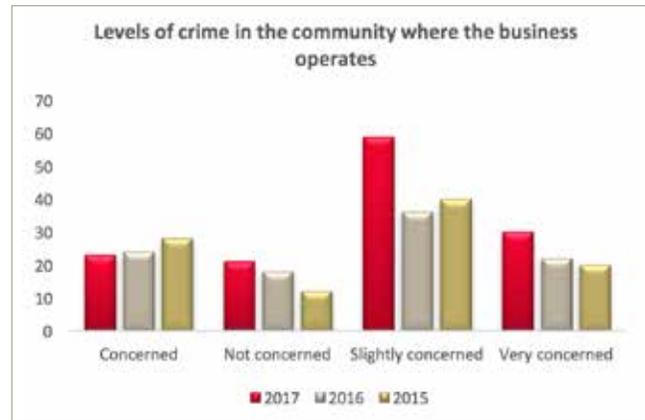
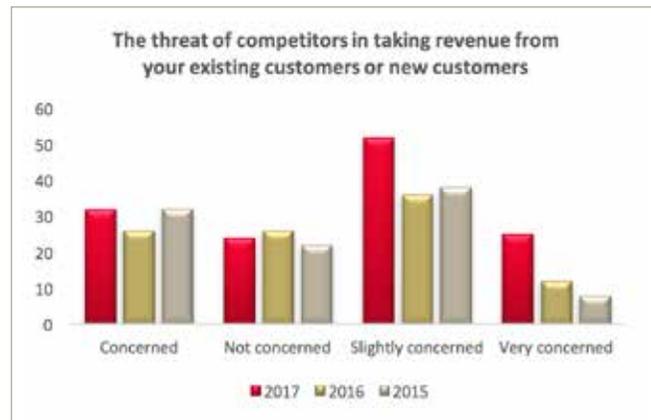
Additional concerns related to inadequate working space, volume of sales, the threat of competitors and accessing more clients. In 2016, accessing more clients was the biggest challenge faced by entrepreneurs followed by limited workspace and managing cash flow.



The majority of entrepreneurs expressed concern relating to the changes in legislation that would affect their businesses, as well as with service delivery related issues like supply of electricity and water. This threat presented the most cause for concern compared to the threat of competitors or crime levels within their operating areas. Statistics South Africa reported a 2.2% contraction of the economy in the first quarter of 2018 and the country's consumer inflation rate rose to 4.5% in April 2018.

With the rise in various taxes, the water crisis and the rising costs of electricity and fuel in the country, these concerns are to be expected and are applicable to all businesses in the South African economy. These circumstances also lead to the slight increase in concern regarding competition and crime levels that affect the entrepreneurs' businesses.

The entrepreneurs reported that their current financial and strategic position was better (43%) or much better (33%) than 12 months ago due to an increase in revenue and client base. 13% indicated that things were worse or much worse.

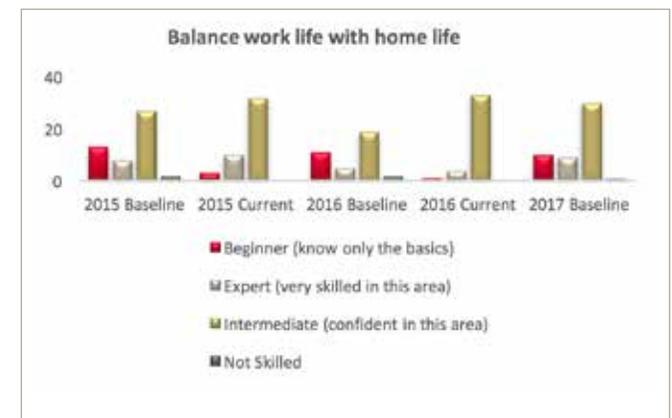
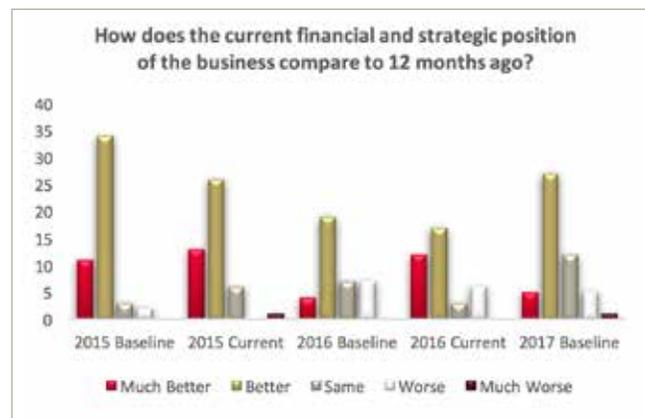
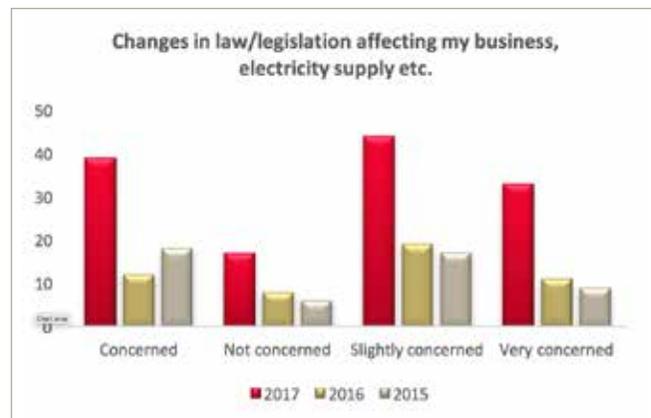


These entrepreneurs cited financial challenges and the inability to generate adequate revenue as the main reasons for their responses. Despite the concerns, the entrepreneurs are very positive about the financial and strategic positioning of their businesses over the next 12 months, with the majority (80%) indicating that they believe they will be in a much better position within the next year. Most of the entrepreneurs indicated that they would focus on accessing new clients, accessing additional funding for growth, implementing financial management systems and improving on their products and services.

5.4.6 KNOWLEDGE AND SKILLS OF THE ENTREPRENEURS

A key part of the Tholoana Enterprise Programme is intensive business skills training along with mentorship that aims to improve the entrepreneurs' skills, knowledge and capabilities in dealing with the various aspects of their business.

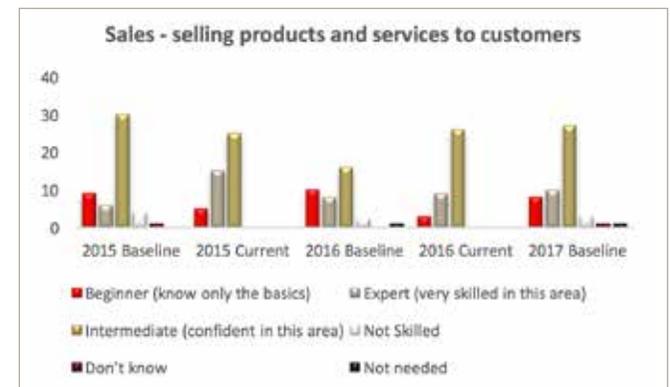
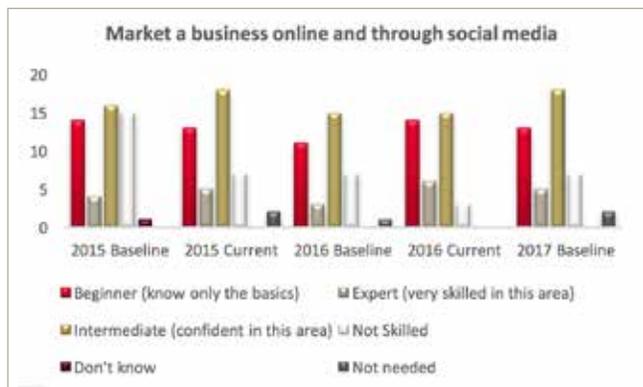
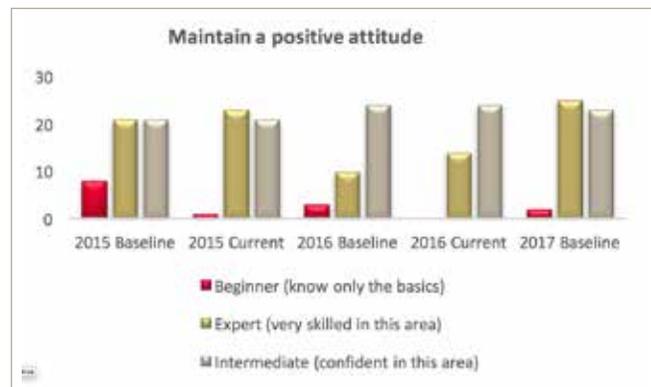
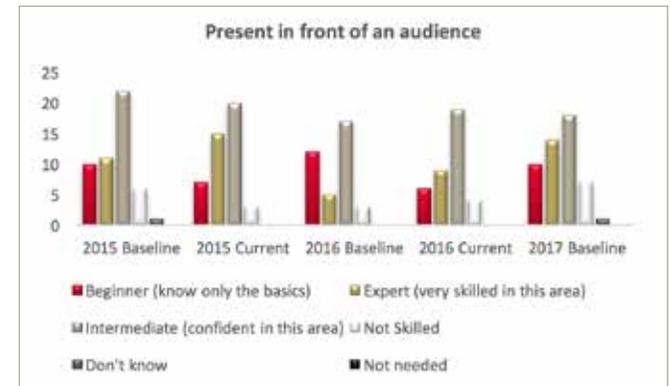
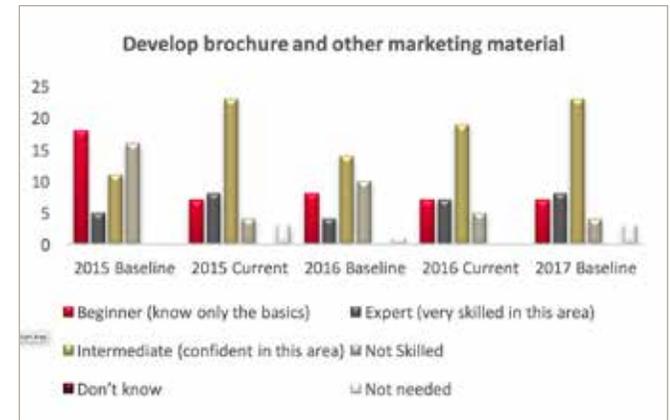
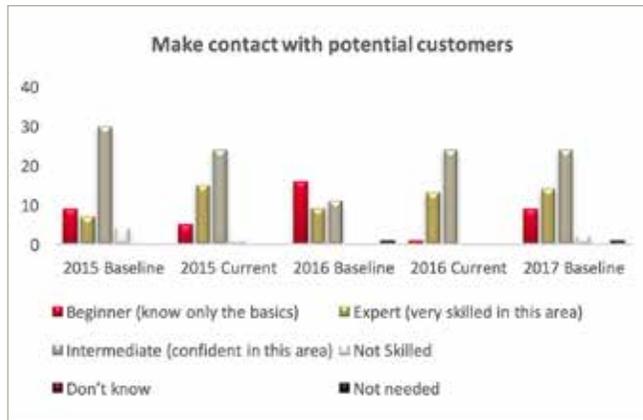
The entrepreneurs from all cohorts rated their ability across a number of business focal areas, which provided insight into how they react or manage the various aspects of their business.

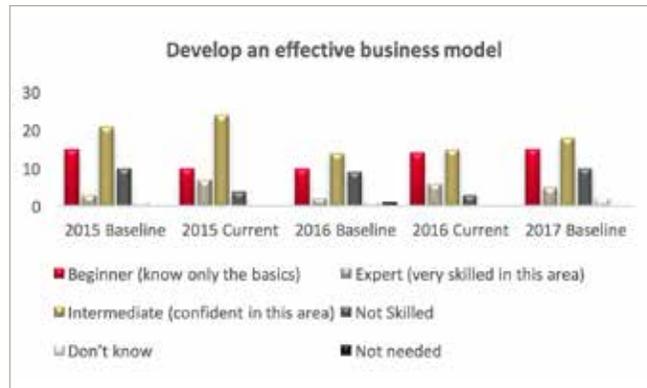
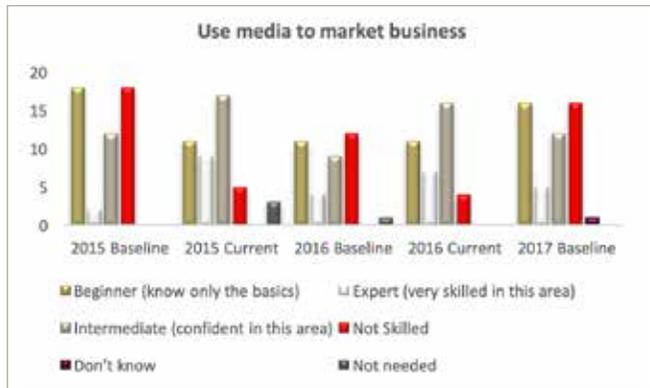


When asked to rate their ability to cope with stress at work, both the 2015 and 2016 cohorts showed improved confidence in their ability to manage work-related stress and balance work and personal lives.

The ability to manage stress and maintain a positive attitude in a volatile business environment is a key skill for successful entrepreneurs.

This importance is emphasised during the business skills training that the entrepreneurs undertake.

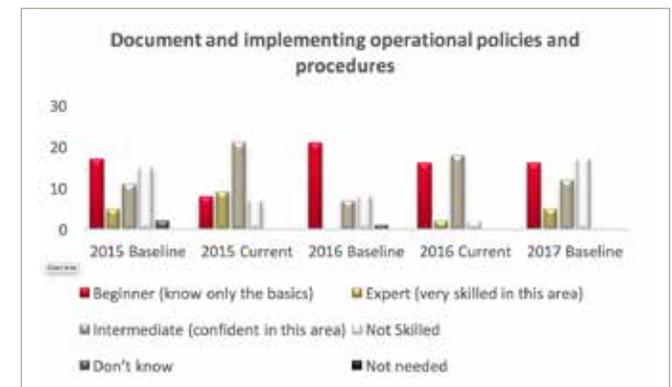
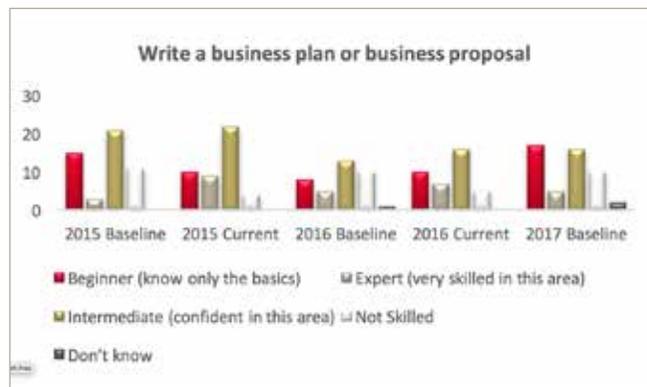
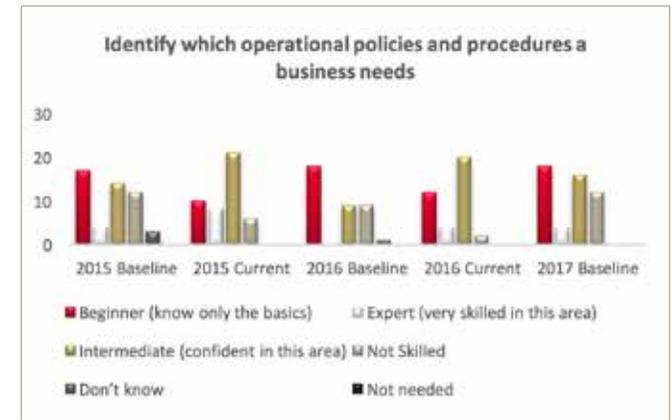
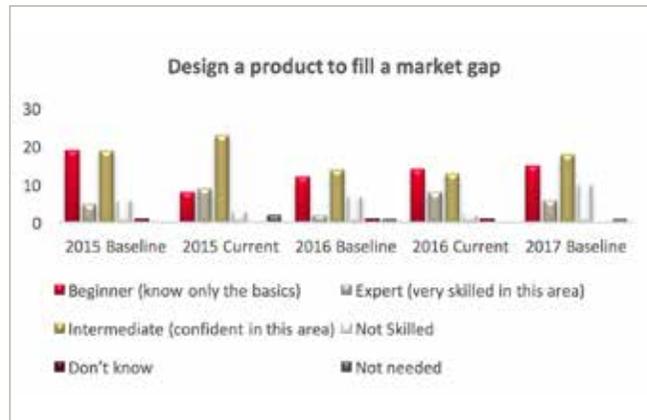




When asked to rate their ability in areas required to develop a strategy and business plan, the majority of entrepreneurs responded that they were confident in the area with some indicating that they only knew the basics.

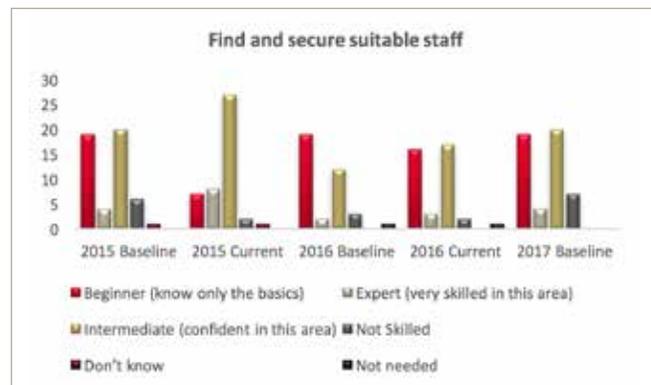
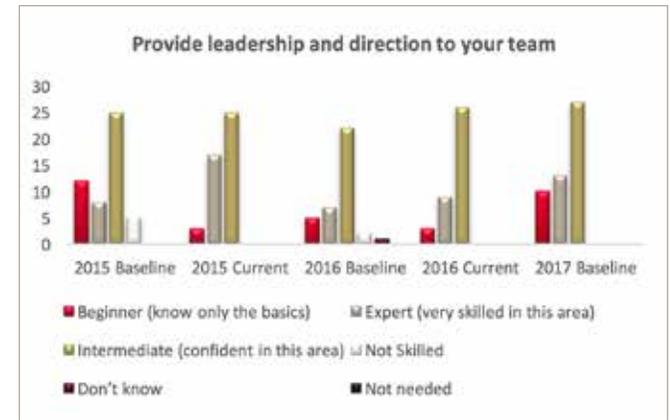
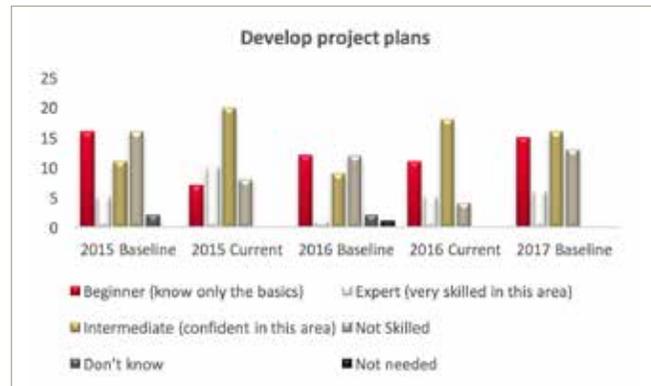
Many entrepreneurs require the knowledge and skill to develop a viable business plan so they can apply for funding from commercial lenders or gather support from donors or investors. Entrepreneurs listed access to funding for growth as a major concern for their businesses, therefore it would be useful to concentrate on this aspect in more detail during their business skills training.

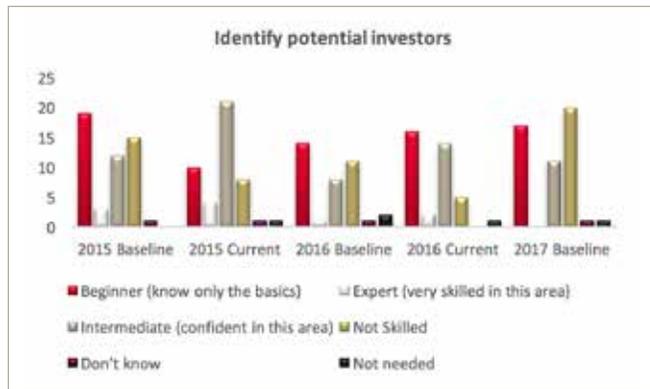
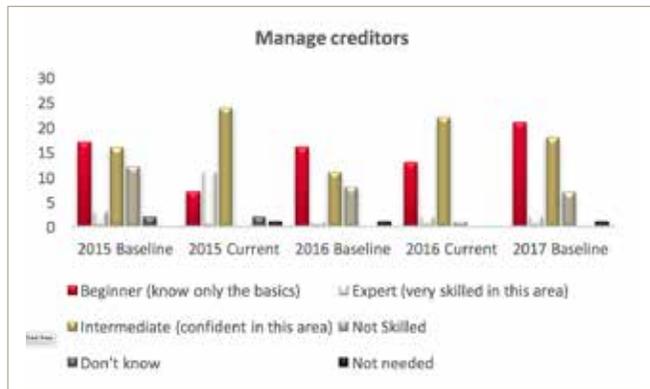
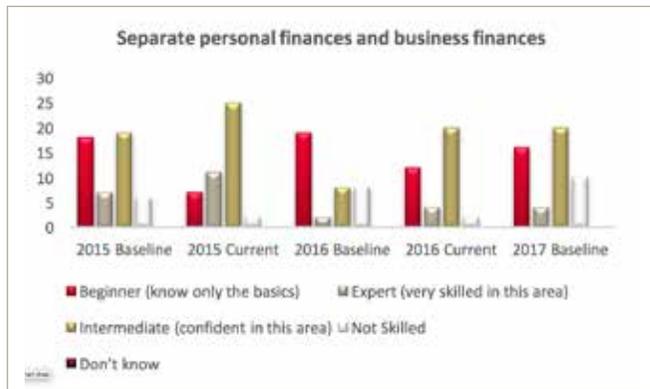
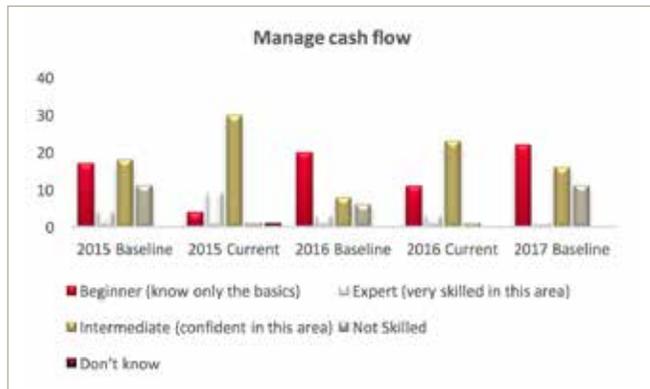
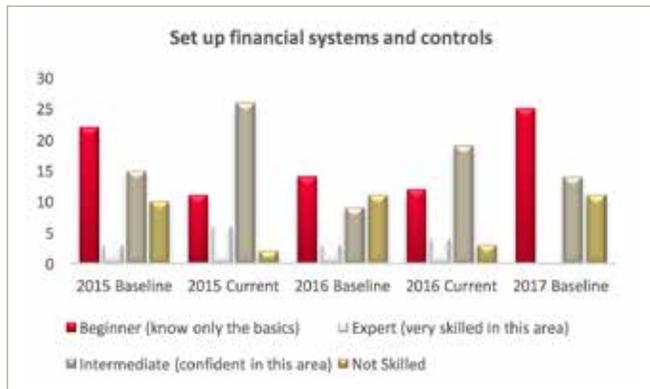
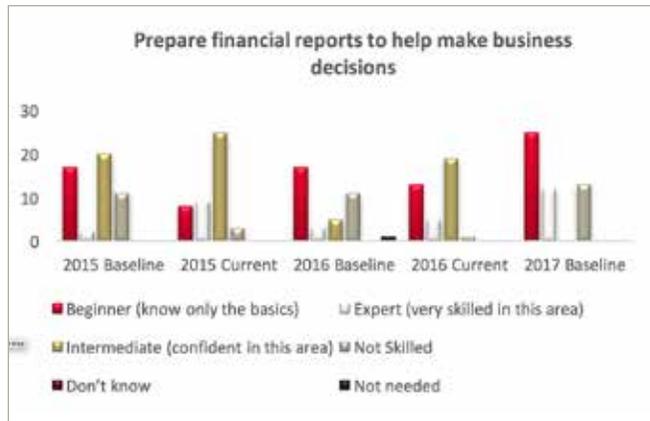
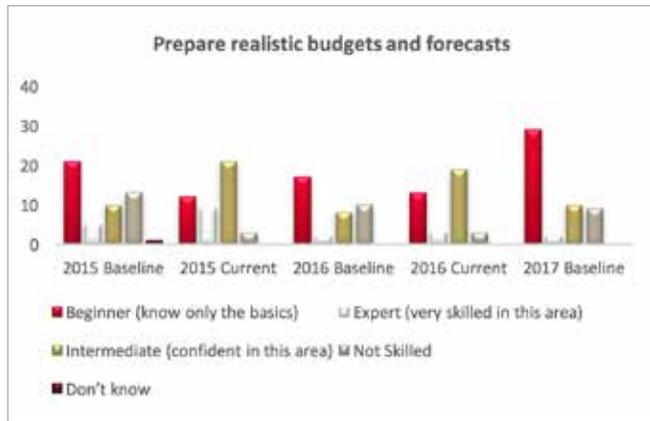
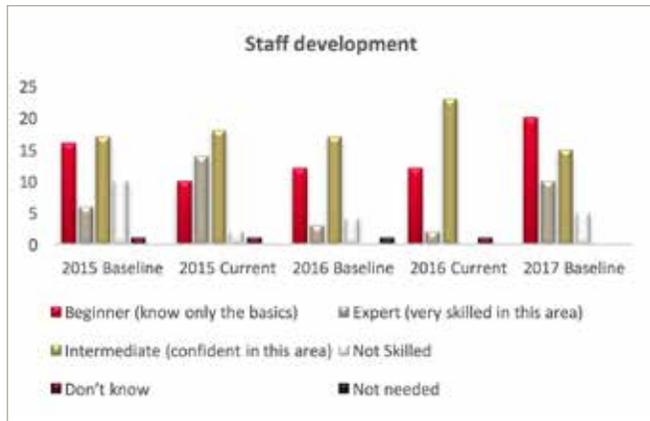
Part of the business skills training covers sales and marketing, both through a workshop and through e-learning. Entrepreneurs were asked to rate their ability to sell products and market their businesses via a series of questions that covered customer relationship management, customer engagement, the use of media and sales. Most entrepreneurs showed improved confidence in their responses, although the use of social media for online marketing was highlighted as an area where entrepreneurs felt they only knew the basics. This indicates that there is room for additional training in the use of online marketing tools to assist entrepreneurs with reaching a broader market for their products and services.

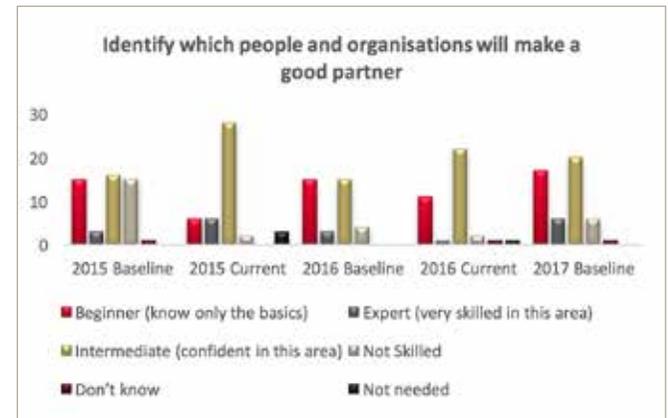
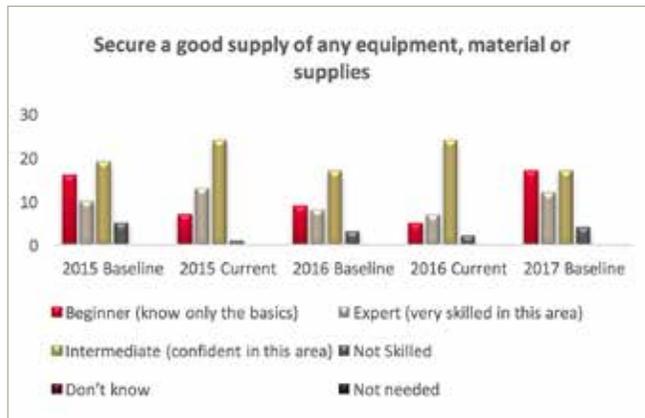
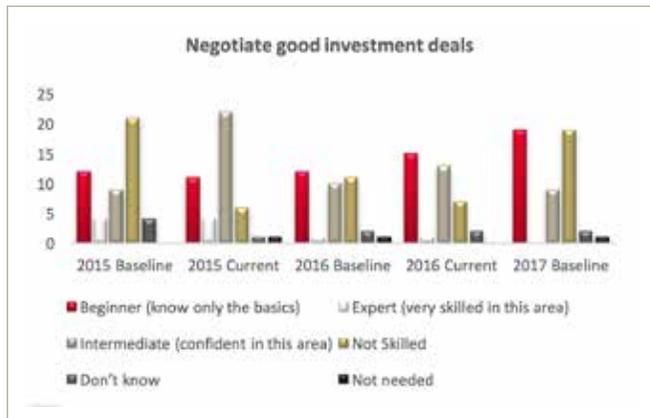
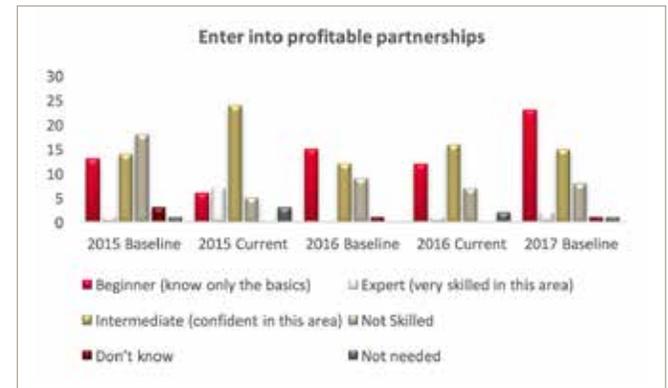
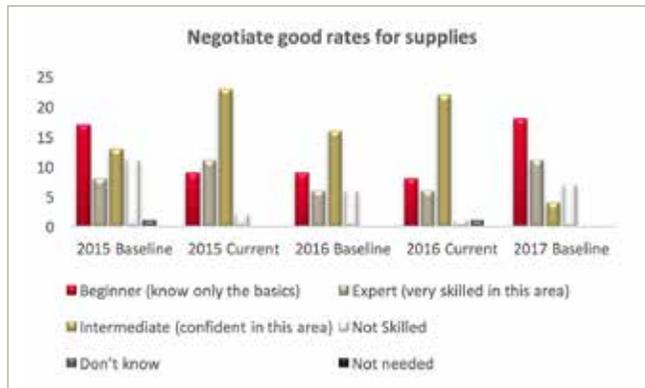
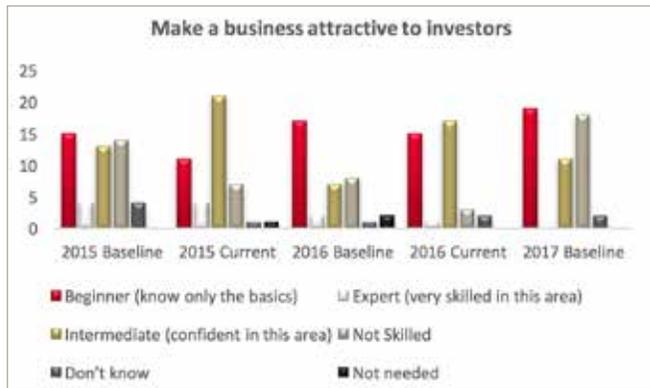
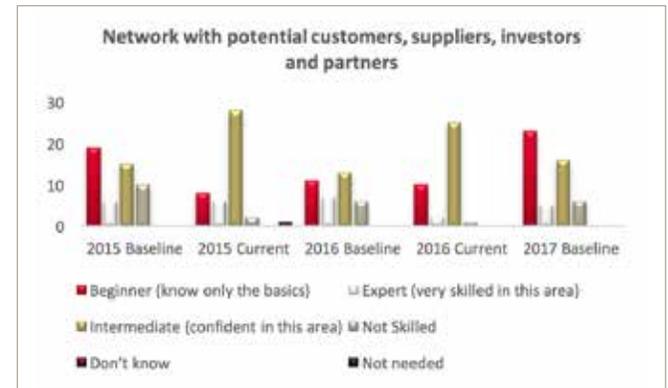
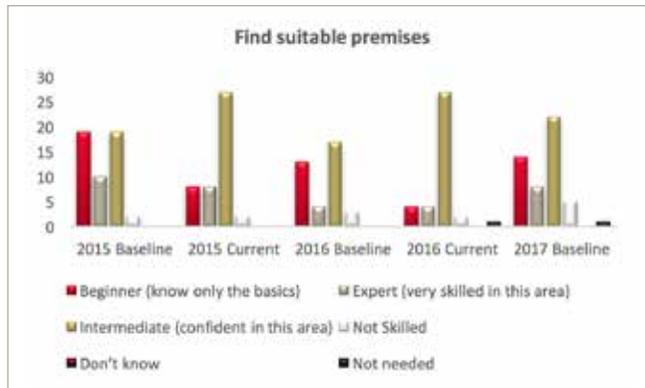
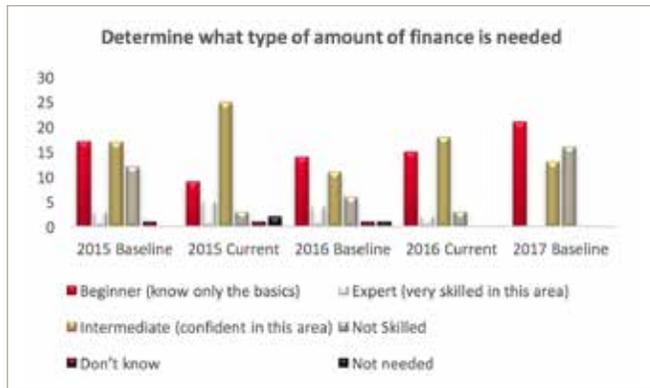


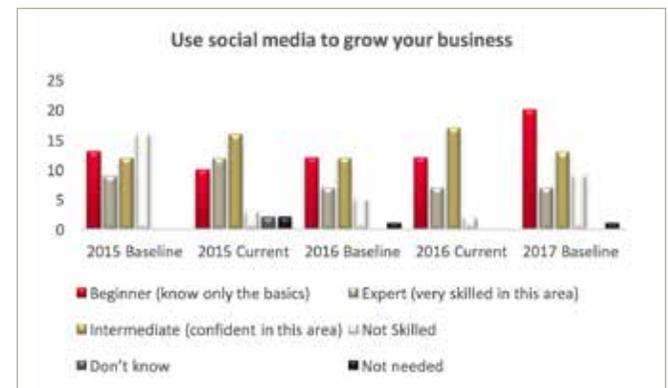
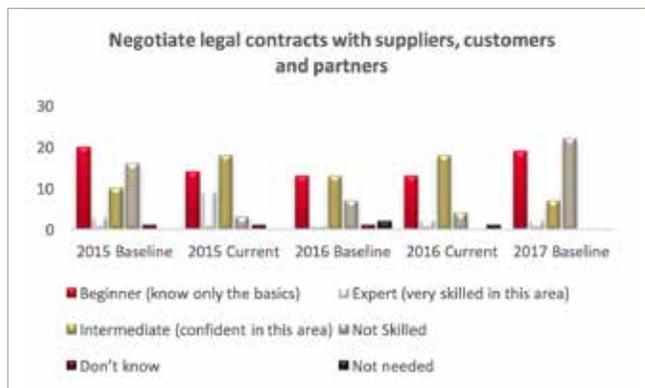
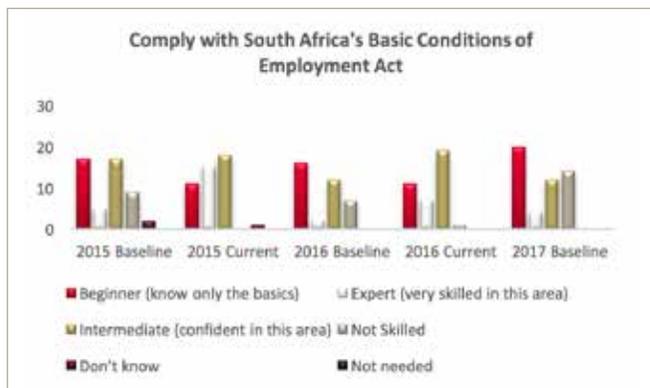
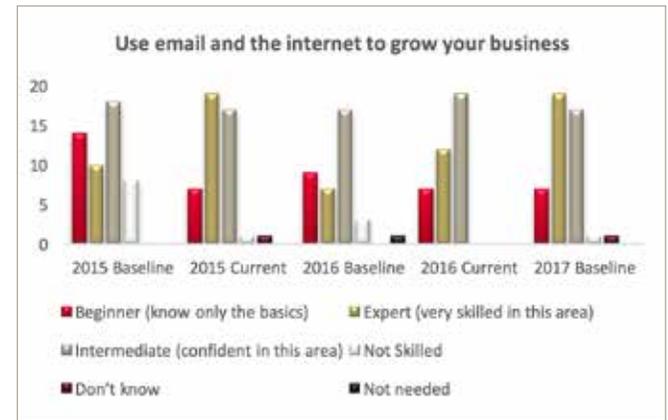
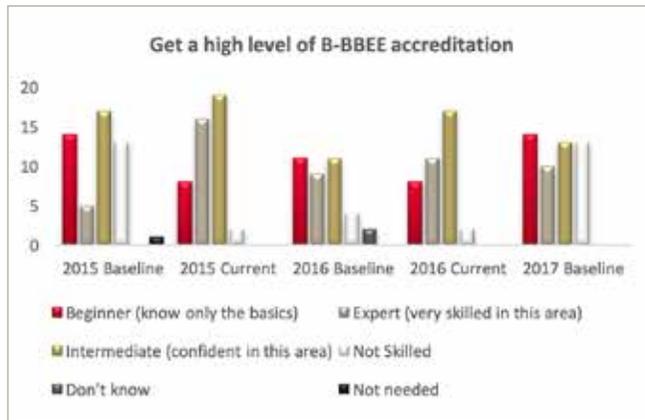
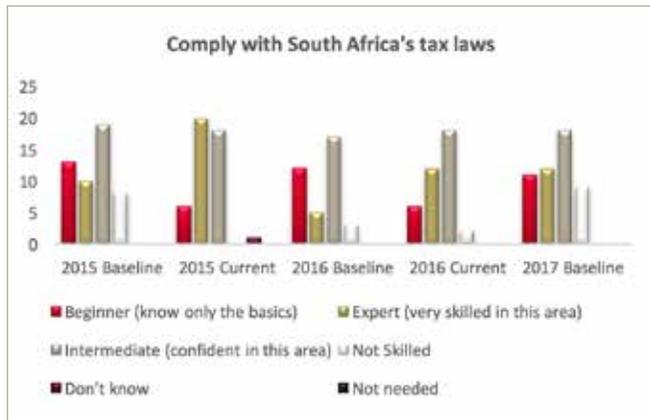
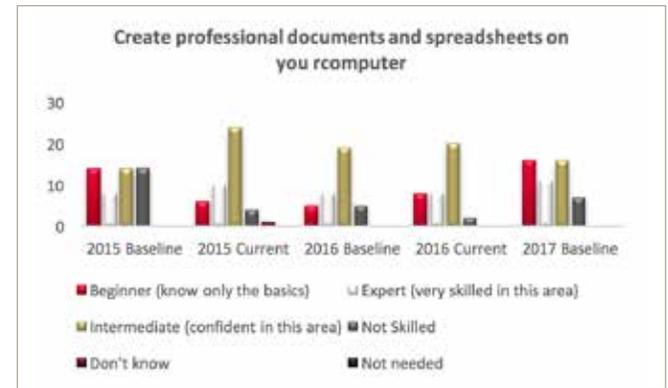
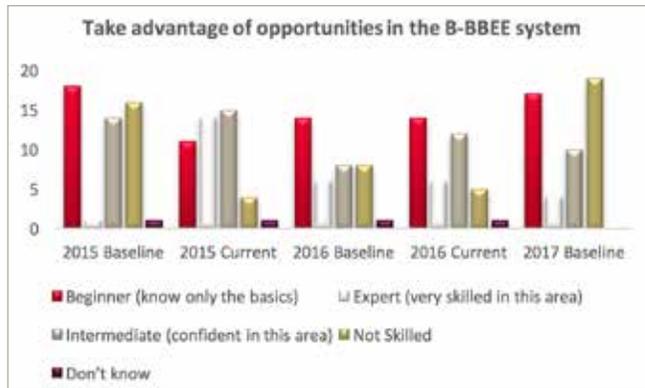
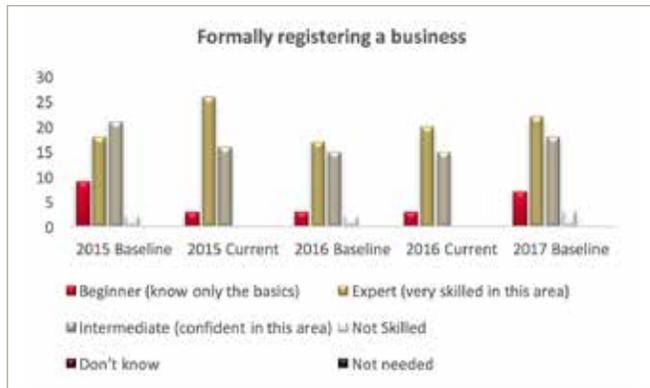
While there has been progress in the entrepreneurs' confidence in establishing operational policies and procedures, a fair number indicated that they only knew the basics. The mentors assigned to the entrepreneurs during their business skills training cover details on operational policies and procedures. When asked about their ability to attract and retain talent, provide leadership, manage conflict and discipline staff where required, as well as keep team members motivated, entrepreneurs indicated improved confidence in their abilities to manage the various HR related issues in their businesses. In the areas of acquiring talent, disciplining or retrenching staff, and staff development, some entrepreneurs indicated that they only knew the basics of dealing with these areas.

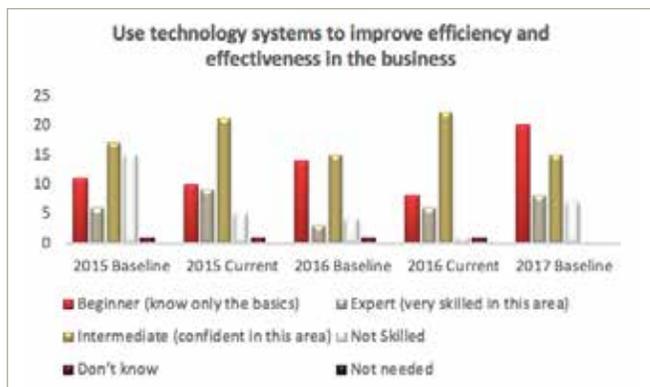
A few entrepreneurs however felt that they were not skilled enough to deal with disciplinary or retrenchment issues among their staff. These aspects are covered in the HR workshop and e-learning portion of the business skills training for entrepreneurs. The section on managing finances and establishing financial systems indicated that most entrepreneurs showed improved confidence in this area. Entrepreneurs felt they were more confident now in their ability to prepare realistic budgets and forecasts, separate personal and business finances, manage their creditors, manage cash flow and maintain up-to-date monthly financial records. The business skills training offered to entrepreneurs places great emphasis on financial management through workshops, e-learning and a monthly reporting component. It is essential to business success that entrepreneurs' are confident in setting up financial system and managing their finances.











Entrepreneurs were asked about their ability to identify potential investors, determine the type and amount of funding required by the business, make the business attractive to investors and negotiate good investment deals. The 2015 cohort reported more confidence in their abilities while the 2016 cohort reported subdued confidence in these areas. This is where mentors can play a leading role in helping entrepreneurs become more skilled and confident in securing funding for their businesses.

A fair number felt they had expert level knowledge and skills in the use of email and internet. However, some felt that they only had basic knowledge and skills in the use of social media to grow their businesses. A fair number also felt they only had a basic knowledge of how to use technology systems to improve the efficiency and effectiveness of their businesses.

Majority of the entrepreneurs felt more confident in their ability to find required business resources such as suitable premises, a good supply of materials or negotiating good rates from suppliers.

While some entrepreneurs felt their knowledge and skills were at a basic level in some aspects of business management, there was an overwhelmingly low response to being 'not skilled' in all aspects of managing the business.



The trend within the entrepreneurs' abilities to develop business networks and partnerships also shows that all cohorts' confidence has improved in this area, while a smaller number of entrepreneurs indicated that they had only basic knowledge and skills in this area

The general trend is that most entrepreneurs are confident in their abilities to deal with the various areas of the business, and feel their knowledge and ability to lead and grow their businesses have improved. This can be attributed to the intensive business skills training and mentorship programme that helped to shape the entrepreneurs' confidence over the past year.

When asked to rate their abilities in complying with South Africa's labour, tax, B-BBEE and company laws, most entrepreneurs felt they had expert level skills or were confident in their skills to formally register a business and comply with the tax laws of the country.

Although some felt they had the confidence to comply with the Basic Conditions of Employment Act and get a high level B-BBEE accreditation, a large number also felt that their skills in this area were at a basic level only.

In terms of taking advantage of B-BBEE opportunities or negotiating legal contracts with suppliers, customers and partners, while there has been an improvement in confidence, a fair number of entrepreneurs indicated that they were not as confident in these areas.

The majority of entrepreneurs are confident with using technology to create documents and spreadsheets as well as to send emails and access the internet for business uses.





5.4.7 BUSINESS SUCCESS

Entrepreneurs were asked to share their most notable achievements over the past 12 months. A few of the comments are included below:

- “The projects that the business has been awarded is because of the SAB Tholoana programme.”
- “We secured a three-year contract of R1.8million and successfully secured sponsorship for rental (R38 000) for our branded sports retail store, launching at the end of September 2017. We have created more than 19 job opportunities from June 2016 and we have invested more than 40% of our turnover on new machinery. We are planning to invest another 15% this year (embroidery machine and screen print machine) and we have manage to stabilise the enterprise to be self sustaining and financially viable. We have inspired a lot of confidence with both our team and our key strategic clients and we have learnt how to stay grounded and not get overwhelmed by the events unfolding in our community enterprise. We have grown strong in crafting and managing our vision of becoming a well rounded manufacturer, brander and marketing services provider of choice with a footprint in most strategic markets”.
- “Setting up targets and managing our finances has been our biggest challenge and we have found ourselves trying to clear all our debt and find a way to cater for our customers’ needs. We have identified our weakest points and strengths so that we can eliminate our competition. Our company has grown as we have gathered more experience and contacts to take our business to the next level.

Things like transport and storage has been a challenge but we are happy to say that day by day we are solving problems and working to grow our business. We have achieved a lot of things like knowing how to handle complaints, approaching customers and choosing the best quality produce for our clients.”

- “Last year we exported over 30 tonnes of lemons to the UK, Russia, Middle and Far East. This year we have exported over 165 tons of lemons to date, and we are still harvesting.”
- “I have registered my company, employed 10 casual labourers as well as established my company in the Pretoria and Johannesburg market. Harvesting my green beans and chillies was also an exciting moment for me.”
- “I have been able to sustain the existence of my business and I am balancing my business and personal life.”
- “I managed to buy equipment with the money I received and I am able to bake more bread in the morning. Initially we were baking through the night because of a lack of equipment and our products were not fresh, because we were baking today for tomorrow.”
- “In January 2013, when I first started the business, I worked from a public phone container, with just two computers and two small printers. From April 2015, the business grew extensively and there was a need to look for a bigger place. Now we are renting a facility, we have 13 computers and two medium sized printers and we have added a few other services. We have had the opportunity to be mentored and equipped with business skills and the advantage of a grant to grow our business. Those are our greatest achievements so far.”



6. CASE STUDIES OF IMPACTFUL ENTREPRENEURS

CASE STUDY: THABO EQUIPMENT AND TOOLS HIRE



FOUNDED BY THABO NTSWANE, THABO EQUIPMENT AND TOOLS HIRE IS A BUSINESS THAT OFFERS A BROAD SELECTION OF HIGH-QUALITY, WELL MAINTAINED INDUSTRIAL TOOLS, MACHINERY AND EQUIPMENT TO HIRE.

To ensure 100% customer satisfaction and no delays due to equipment issues, the business has a mechanic on standby 24/7 for any call-out emergencies.

In 2016, Thabo was accepted as a participant on the Tholoana Enterprise Programme. With the funding he received, Thabo was able to buy brand new equipment for his business, expanding the range of tools and equipment he offered for hire. He was also able to start another business, building and installing wendy houses. Through the expansion, Thabo has been able to hire more staff – having started with just two employees, he now has 20 permanent and 15 casual members of staff. He has also managed to triple his annual income from R600 000 to around R1.8 million currently. This year, Thabo was the overall award winner at the Tholoana Enterprise Programme graduation ceremony, receiving the Tholoana Award in recognition of his efforts to break boundaries in business and in life.

CASE STUDY: LITTLE MERMAIDS SWIM SCHOOL

LITTLE MERMAIDS SWIM SCHOOL WAS FOUNDED BY RUSHANA HARTNICK IN 2012, AND IS SITUATED IN MITCHELLS PLAIN CAPE TOWN.

The swim school was started with the vision of teaching children in the community the basic skills of swimming, many of whom did not have access to swimming pools. Rushana is the first to open a heated swimming pool in Mitchells Plain.

Through the R250 000 grant funding Rushana received from the Tholoana Enterprise Programme, she invested in a filtration system which has enabled her to accommodate more swimmers at her school.

When Little Mermaids Swim School was founded, they only had 35 swimmers signed up. Currently that number has escalated to 500 swimmers a week, including 15 schools who use the swimming pool for extra-mural activities. This expansion has allowed her to hire a total of eight employees and grow her business by 152%.



CASE STUDY: BUMBANANI MANTIMANDE FARM



BUMBANANI MANTIMANDE IS A CROP FARM LOCATED IN THE DEEP RURAL AREAS OF LADYSMITH, KWAZULU NATAL.

The farm was founded by Andile Ngwenya in 2015 after he resigned from his government jobs to pursue his passion for farming.

The farm grows vegetables such as cabbages, green peppers, sugar beans and pepperdews, which they harvest and then sell to local stores in Ladysmith and surrounding areas.

Andile is a current participant of the SAB Foundation Tholoana Enterprise Programme. He received R200 000 grant funding from the programme which he used to buy a travel irrigation system. Through this new irrigation he is now able to water 10 hectares per week, compared to two hectares before he had the system.

This enables him to plant more vegetables and grow his team to six full-time employees. Andile has also managed to grow his turnover growth from R 100 000 over two seasons to R 300 000 per month.

CASE STUDY: BAKERS CREATIONZ

BAKERS CREATIONZ WAS FOUNDED BY NJABULO BLESSING SITHOLE IN 2014.

He started his bakery purely out of a passion for baking and identified a gap in the market in his home town, Inanda, Durban.

The bakery produces premium quality confectionery and baked goods, specialising in snowballs. They currently supply a number of South Africa's leading supermarkets with their baked goods, including Pick n Pay Express, BP and Engine Garages and selected Spar Supermarkets in Inanda. They have recently signed a national contract with Pick n Pay which will see them starting to supply their stores nationwide.

Njabulo is a current Tholoana Enterprise Programme participant and has recently been granted funding of R 250 000 to support his business. To date, he has used the funding to upgrade his power facility and security system at the bakery and install ventilation. He now employs a total of 16 full time members of staff.



CASE STUDY: SUNKISSED FASHION



FOUNDED BY BUKELWA NGOQO, SUNKISSED FASHION IS A RETAILER, WITH OUTLETS SITUATED AT EAST LONDON AND AT O.R INTERNATIONAL AIRPORTS.

They specialise in local fashion, art and craft, as well as home décor, targeted at all types of consumers, including tourists, locals and business people.

Bukelwa recently graduated from the Tholoana Enterprise Programme. At the graduation ceremony, in June, she received the Superstar Award, which recognises businesses that have made full use of all of the elements of the programme. Through the programme, Bukelwa was also awarded R200 000 in funding. This allowed her to open another store at the OR International Airport and increase her stock and raw materials supply, developments that have helped her hire five employees and double her monthly income.

CASE STUDY: THE SALAD LAB

FOUNDED BY TEBOHO KWANYANA AND HIS WIFE IN 2013, THE SALAD LAB IS LOCATED IN STANDERTON, MPUMALANGA.

They prepare, cut and package fresh vegetables before delivering them to clients in the local area.

Tebeho is a past participant of the Tholoana Enterprise Programme. Through the programme, The Salad Lab acquired funding of R250 000, which assisted in growing their business enormously, including equipping their warehouse, installing a cold room, purchasing preparation tables, installing a POS system and maintaining their delivery vehicle.

With the equipment they bought, The Salad Lab is now able to service a bigger client base, including a local Spar in Standerton and a Mpumalanga guest house, which they supply with fresh pre-packed vegetables on a weekly basis. They now employ 11 members of staff and have increased their monthly turnover to R170 000.



7 RECOMMENDATIONS

- There was a wealth of data that the entrepreneurs' provided however it was difficult to directly correlate some of the improvements with the impact of the Tholoana Enterprise Programme. Entrepreneurs can be asked directly if they believe that the knowledge and skills attained in the various aspects of business is as a result of the learning they have undertaken in the Tholoana Enterprise Programme. It would also be useful for entrepreneurs to undertake a baseline knowledge and skills survey prior to undergoing the training so that the results can be directly compared.
- There is concern that entrepreneurs are not continuing the practice of producing monthly financial records, especially in terms of cash flow statements and income and expenditure statements. It is suggested that the SAB Foundation seeks to understand the underlying cause of entrepreneurs not focussing on this aspect of financial management, especially as it is emphasised during the business skills training that they undergo.
- It is recommended that the SAB Foundation measures the financial performance of the entrepreneurs' businesses through a cost-benefit analysis to determine attribution in terms of the foundation's investment into these businesses. It is further recommended that the foundation looks at financial indicators such as net profit margin, current ratio, gross profit margin etc. to determine the financial performance of the businesses as the current measures do not adequately capture that information.
- The section of the survey that looks at gauging the skills and knowledge of the entrepreneurs' after going through the mentorship and business skills training programme can be improved by differentiating between hard and soft skills, and using a Likert Scale to measure the different aspects of the two types of skills.

