

THE EVALUATION OF THE ENTREPRENEURIAL SEED FUND PROGRAMME: THE CASE OF THE
CAPE WINELANDS DISTRICT MUNICIPALITY

by

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I declare that **THE EVALUATION OF THE ENTREPRENEURIAL SEED FUND PROGRAMME: THE CASE OF THE CAPE WINELANDS DISTRICT MUNICIPALITY** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

SIGNATURE
(MRS P C JANUARY)

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DATE

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Summary

The study aims to evaluate the Entrepreneurial Seed Fund Programme (ESFP) of the Cape Winelands District Municipality (CWDM). This Programme aims to provide seed funding to emerging and established businesses in order to start and/or grow their businesses. The Programme provides funding through a grant-in-kind by procuring the goods and equipment that the business needs. The businesses qualifying for the funding are not solely focusing on profit-making; they are addressing social issues through business activities in their communities. The population of the study includes five successful and unsuccessful beneficiaries and a questionnaire was designed in order to determine the contributing factors to the success or failure of the business and if the objectives of the Programme was realised. In conclusion, the ESFP can be regarded as a sustainable programme which contributed to job creation and social upliftment. The ESFP should be strengthened with a small business incubation programme in order to enhance its sustainability.

Title of thesis:

THE EVALUATION OF THE ENTREPRENEURIAL SEED FUND PROGRAMME: THE CASE OF THE CAPE WINELANDS DISTRICT MUNICIPALITY

Key terms:

Small, medium, micro enterprises (SMMEs); Seed funding; Entrepreneurship; Procurement; Beneficiaries; Social Entrepreneurship; Sustainability; Communities; Monitoring and Evaluation; Objectives; Business training and mentorship; Established businesses; Social issues; Job creation; Financial year; Municipal area; Local Economic Development (LED); Successful and unsuccessful

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List of Abbreviations and Acronyms

BBBEE- Broad-based Black Economic Empowerment

CWDM: Cape Winelands District Municipality

CWEDC: Cape Winelands Economic Development Council

DTI: Department Trade and Industry

ESF: Entrepreneurial Seed Fund

ESFP: Entrepreneurial Seed Fund Programme

GEM: Global Entrepreneurship Monitor

LED: Local Economic Development

NAMAC: National Manufacturing Advice Centre

RED: Real Enterprise Development

SEDA: Small Enterprise Development Agency

SMME: Small, Medium and Micro Enterprises

CHAPTER 1

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The development and growth of small, medium and micro enterprises (SMMEs) can play an important role in the economy of a country. In the current economic situation in South Africa people are unemployed and small businesses, especially growing business ventures, create job opportunities (Nieman, 2006:10). The Cape Winelands District Municipality (CWDM) in the Western Cape established an Entrepreneurial Seed Fund (ESF) to assist SMMEs to access seed capital. Seed capital can be defined as capital for small businesses in their start-up stage which will eventually reach the growth stage (Scarborough *et al.*, 2009:492). The growth stage in a small business is measured according to the changes in sales, assets, employment, productivity, profits and profit margins (Olawale & Garwe, 2010:2). The Seed Fund has been established to assist SMMEs in accessing funds, to provide business and skills training to entrepreneurs through the CWDM Small Business Support Programme, to provide mentorship to SMMEs, and to create business linkages through identifying procurement opportunities and engaging with established businesses (CWDM ESFP Evaluation Report: LED Projects 2005-2009,2010b:3). This was in response to the growing socio-economic disparities in the region and to provide local citizens with an opportunity to proactively participate in the mainstream economy as per the Framework Entrepreneurial Seed Fund Programme 2005/2006 (CWDM, 2005a).

The ESF was established in 2005/2006 by the Local Economic Development (LED) unit of the CWDM. This was based on feedback from the CWDM Small Business Programme which offers business training, mentorships and business linkages. Feedback received from SMMEs included difficulty to access seed funding in order to purchase equipment and supplies and lack of support from institutions such as government and the private sector for initial operating costs. The framework and process plan for the Seed Fund was approved by the CWDM in the 2005/2006 financial year. A financial year means a year

ending on 30 June of each calendar year as set out in the Municipal Finance Management Act) (56 of 2003) (RSA, 2003). The initial budget approved in 2005/2006 was for an amount of R 207 000.00 which benefited 26 SMMEs. Currently, the fund has grown to R1, 7m in the 2010/2011 financial year of which 80 SMMEs benefitted from the fund as stipulated in the CWDM Project Implementation and Management Budget of 2010/2011 (CWDM, 2010c:3).

1.2 BACKGROUND TO THE RESEARCH PROBLEM

The purpose of the Seed Funding is to provide limited grant funding to SMMEs within the district that require seed capital in order to establish and grow themselves by purchasing equipment and supplies that are needed for the business and by providing a mentorship programme and training in basic business skills. The Seed Fund Programme resides under the LED Department of the CWDM. Officials working directly with the Seed Fund are responsible for the monitoring and evaluation of the SMMEs whilst the Procurement Section of the Municipality is responsible for the procurement of goods and equipment. The allocation of funding is in the form of a grant in-kind through the purchasing of equipment or supplies on behalf of the SMMEs by the CWDM. The allocated funding per SMME is only available for a particular financial year. Business support and development through mentorship is also provided to the SMMEs by an appointed service provider.

According to Marais (2008:10) SMMEs only came into existence in South Africa during the apartheid regime in the mid-1980s with the establishment of the Small Business Development Corporation. Furthermore, black-owned SMMEs were only recognised in policy formulation in the mid-1990s. Herrington *et al.* (2010:12) Global Entrepreneurship Monitor (GEM) also refers to the history of South Africa economy. The Global Entrepreneurship Monitor which was formed in 1999, is a major international research study aimed at increasing knowledge of entrepreneurship. South Africa has been involved in the study since 2001. According to Herrington *et al.* (2010:31), South Africa's economy has historically been dominated by large corporations and the public sector. There was an absence of small businesses in the dominant sectors of the economy and very little attention was paid to small enterprise promotion in public policy. Since mid-1990, the SMME sector has been promoted in order to meet the national economic growth objectives of South Africa. This included policies such as The National Strategy for the Development for Small Business in South Africa (May 1995:1) which was outlined by the Department of Trade and Industry (DTI), the lead department for SMME development.

As part of an integrated strategy on the promotion of entrepreneurship and small businesses, the South African government established the National Small Business Council in 1996 and the funding agency, Ntsika Enterprise Promotion Agency. The Ntsika Enterprise Promotion Agency was one of the small enterprise development agencies (together with the National Manufacturing Advice Centre (NAMAC) and the Community Public Private Partnerships which were merged into a single small enterprise support agency, namely Small Enterprise Development Agency (SEDA). The National Small Business Council represent and promote the interest of small business and advise national, provincial and local spheres of government on social and economic policy matters (National Small Business Act (102 of 1996) (RSA, 1996a:2) . The main functions of SEDA is to strengthen support for SMME' access to finance, create an enabling regulatory environment, expand marketing opportunities for specific categories of small enterprises and localise small business support through a network of SEDA-coordinated information and advice access points (Wagner, 2007:68). The role of SEDA in the CWDM Entrepreneurial Seed Fund Programme (ESFP) will be highlighted later in this chapter.

Herrington *et al.* (2010:12) state that South Africa faces numerous economic, political and social challenges, and a key challenge is the growing unemployment rate. Former Minister of Trade and Industry, Mr. Trevor Manuel, identified that SMMEs can play an important role in addressing the challenges of job creation, economic growth and equity in South Africa. Therefore policies and programmes to support the development of SMMEs are an important part of government's initiatives to create a better life. Venter *et al.* (2008:3) also note that the role of small business in South Africa is critical, as it is directed towards an effort to create employment and address poverty. According to Boyer *et al.* (2008:5), there is growing evidence of a significant causal relationship between entrepreneurship, economic growth and poverty reduction. Frequently, SMMEs offer the only employment available to millions of poor people.

The aim of the ESF is to provide the necessary capacity to small enterprises and entrepreneurs in the Cape Winelands District by giving support in the form of funding, a business training and mentorship to ensure growth and sustainability. The goal is to grow the economy in order to create jobs and eradicate poverty by training new entrepreneurs and the ones that have been operating largely informally to sustain and become viable entities (Trade Invest South Africa, 2009:1).

The CWDM had supported the following number of SMMEs on the Seed Funding Programme for the past 5 years as illustrated in Table 1.1 below.

Table 1.1: Number of SMMEs supported by Entrepreneurial Seed Fund Programme

| YEAR | NO. OF SMMEs | BUDGET ALLOCATED |
|-------------|---------------------|-------------------------|
| 2005/2006 | 30 | R 207 000.00 |
| 2006/2007 | 16 | R 195 000.00 |
| 2007/2008 | 32 | R 510 000.00 |
| 2008/2009 | 49 | R 823 000.00 |
| 2009/2010 | 61 | R 2 680 000.00 |

Source: CWDM Seed Fund Beneficiary Lists 2005-2010 (2010e)

The Business Support and Development Programme is underpinned by the Local Economic Development Strategy (2006) and the Growth and Development Strategy (2006-2014) of the Cape Winelands District Municipality. Furthermore, Section 153 of the Constitution of the Republic of South Africa (previously known as Act 108 of 1996) (RSA, 1996b) (herein referred to as the Constitution) states that a municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community. The White Paper on Local Government (RSA, 1998:23) describe developmental local government as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs , and to improve the quality of their lives.

According to Annual Report 2009/2010 of the CWDM (CWDM, 2010d:25) the municipality is a developmental local government for its citizens, communities and businesses by making efficient and effective use of all its resources to reduce poverty, stimulate economic growth in the district and to expand and improve its services. These include developmental initiatives such as:

- Promotion and awareness of disaster management are done through capacity-building, training and education in schools and a training programme on environmental health for primary school learners which was incorporated in the municipal health services theatre project in the district.
- The Cape Winelands Clean-up Campaign aims to create awareness among the general public about the environment and pollution control. The project creates jobs for vulnerable target groups such as women, elderly and disabled people.
- Improving road infrastructure to enhance the safety of rural learners such as developing and distributing posters and pamphlets to rural schools, developing and distributing

cycling backpacks to beneficiaries on the Shova Kalula bicycle programme in the Cape Winelands and developing and distributing school colouring books based on pedestrian good practices to rural schools.

- The Tourism section of CWDM has a School Tourism Awareness Project in schools which focuses on increasing an understanding of the industry through Grade 4 excursions and Grade 9 career road shows. It is implemented in 40 primary schools and 80 high schools in the district.

The CWDM also supports economic progression in the District. The Cape Winelands Economic Development Council (CWEDC) was established by the District Municipality and represents a strategic partnership between Government, Business, Labour and Civil Society within the district. The CWEDC fulfills an important role in the social and economic development of the district. Its primary function is to facilitate the implementation of the Cape Winelands Growth and Development Strategy 2006-2014 (CWDM, 2006). The Council's other functions include:

- To provide considered economic advice and guidance to the CWDM;
- To ensure implementation, modification and improvement of the already adopted Cape Winelands Growth and Development Strategy;
- To establish a process for the development and approval of policies, initiatives, activities and reports that will guide the activities of the Council;
- To review activities of the District and effects of the advice it has given, and to provide feedback; and
- To acquaint itself with principles of good governance and commit in exercising its activities and responsibilities on behalf of the CWDM.

The CWEDC is a strategic initiative in support of sustainable growth and development in the Cape Winelands. The vision for the District is "growing, sharing, delivering and innovating together" and its mission is to achieve an "inclusive, informed and responsible governance where sustainable service delivery and development creates opportunities for all its citizens" (CWDM Business Investor Guide, 2011b:21 & 22).

1.3 THE NATURE OF THE ENTREPRENEURIAL SEED FUND PROGRAMME

Since 2005, CWDM has invested approximately R4 415 000.00 in the ESFP and assisted 188 SMMEs (CWDM ESFP Evaluation Report, 2010b:5). The ESF, through its selection and

approval processes, identifies profiles and support promising, locally-driven, start-up micro entrepreneurs working primarily in historically disadvantaged areas within the District to improve livelihoods, tackle poverty and marginalisation and generate employment opportunities to the poor. The ESFP was developed within a Micro Entrepreneurship context and it is aimed at building local capacity by assisting groups and individuals of impoverished communities to become self-reliant through entrepreneurship. Furthermore, the CWDM Small Business Support Programme also provided support to Seed Fund beneficiaries and entrepreneurs within the District. In 2007, the CWDM have entered into a 3-year agreement with SEDA to coordinate business support, development and mentoring to the beneficiaries of the ESFP (CWDM Service Delivery Budget Implementation Plan, 2011a:2). SEDA is the DTI's agency for supporting small businesses in South Africa and is also based in the Cape Winelands area.

Each year, emerging and established SMMEs within the Cape Winelands area are invited to apply for seed funding. The application, selection and approval process for beneficiaries will now be discussed.

1.3.1 Process of the Entrepreneurial Seed Fund Programme

The application process is divided into two stages i.e. an evaluation process and an approval process. The evaluation process and its steps are discussed below.

1.3.1.1 Evaluation process

The Evaluation process determines which applicants among all the submitted applications will be considered for funding. The CWDM considers and weighs those SMMEs that submit evidence of the following criteria:

- SMME is or will be a legally registered business;
- The business has clearly defined, measurable and achievable goals and objectives;
- The enterprise meets the broad objectives of the municipality (i.e. Broad-based Black Economic Empowerment (BBBEE), job creation and poverty alleviation);
- Application adequately describes the managerial, financial and technical capability of the SMME to be viable; and
- Supporting documents is attached to the application.

The application process commences with an initial application, selection and recommendation process. These processes are explained below.

Initial application: An advertisement is placed each year September/October within the local newspapers of the five municipal areas in the Cape Winelands District and through small business agencies, inviting SMMEs to apply for seed funding. Application forms are available from the CWDM offices in the District or from the website, and the due date for the submission of applications are 30 November. Approximately 300-350 applications are received each year.

Selection: A criterion have been designed in the selection of participants of which CWDM, the LED officials of the five local municipalities, and the small business agencies in the district namely SEDA and Red Door (Real Enterprise Development) form part of the evaluation panel. The Red Door project is an initiative of the Enterprise Development Sub-Directorate within the Western Cape's Department of Economic Development and Tourism which aims to promote the development of small and/or black-owned businesses.

Recommendation process: Based on the information provided in the application form, the Evaluation Panel will be able to determine if the SMME meet the CWDM ESF criteria. Recommendations are then made by each Panel member on who will be supported and who not. This is done per municipal area.

Site visits and interviews: If the SMME meets the initial CWDM criteria a couple of the Evaluation Panel members visits the proposed business premise to source additional information of the proposed business. After the site visit process, the Evaluation Panel makes a final recommendation of who will be ultimately supported and who not. This three-step process can take 2-4 months (CWDM ESFP Application Form, 2009c: 2).

1.3.1.2 Approval process

The Evaluation Panel then submits the recommended list to the Mayoral Committee for approval. The Mayoral Committee consists of councilors appointed by the Executive Mayor of a municipality. The Mayoral Committee discusses the recommended list and decides whether to approve the list. The Mayoral Committee then submits its recommended list to the Council for final approval with the Municipal Budget. A Municipal Council is composed of the councilors who are democratically elected by registered voters within the municipal jurisdiction (SALGA, 2006:12-13). After the municipal budget is approved by Council, all

applicants will be informed of the outcome of their application. The Municipal Budget also informs the allocation of funding to each selected SMME (CWDM ESFP Application Form, 2009c: 2).

1.4 PROBLEM STATEMENT

The Education Training Unit's training manual (2011: 1) on Small Business Development mentions that unemployment is one of the daunting challenges faced by the South African government. It is accepted worldwide that the development and growth of SMMEs can play an important role in addressing unemployment. According to The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (DTI, 2005:3), the promotion of entrepreneurship and small business remains an important priority of the South African government; and this is addressed by ensuring that small businesses progressively increase their contribution growth and performance in critical areas such as job creation, equity and access to markets. Government has furthermore involved all three spheres of government (national, provincial and local) with the aim of providing support to small businesses. The support that is provided by a local government authority to establish and grow small businesses is investigated by evaluating the sustainability of an existing programme, namely the ESFP, with a view to determine the Programme's success and impact on SMMEs. The primary research problem focuses on how effective the ESFP has been to establish and grow SMMEs.

The problem statement can be subdivided into the following; status of business, business performance, and social performance.

1.4.1 Status of business

As stated previously, the funded business has a one year agreement with the CWDM in which the businesses is expected to be operational, the beneficiaries are obliged to be available for site visits and they must submit monthly reports on the progress of the business. As indicated by the approved lists of beneficiaries for each year (CWDM Seed Fund Beneficiary Lists 2005-2010), the amount of beneficiaries for each financial year have increased and the officials of the LED Department, who are responsible for the monitoring and evaluation of the Programme, have not been able to do follow-up visits in order to determine if the funded businesses are still operational or not. This is due to other projects

and work outputs within the LED Department. The beneficiaries' files only contain information on the status of the business for the particular year of funding.

1.4.1.1 Business performance: financial viability of each funded SMME

The ESFP has been established by the CWDM to provide limited grant funding within the district to SMMEs that require seed capital in order to establish themselves and/or grow. Therefore, it is important to determine the extent of the effectiveness of the funding and if it did improve or increase the financial viability of the funded business. What is also equally important, specifically with an existing business, is to determine what the business's financial viability was prior to the seed funding, if it did improve after the seed funding and what was the impact thereof. Financial viability refers to record-keeping of cash flow, marketing networks established, livelihood provided and number of employees prior and after seed funding. An in-depth study on the value for money aspect of the ESF has not been conducted before. On evaluating the monthly reports of the Seed Fund beneficiaries, the LED Projects officials found that some of the beneficiaries could either not provide any or accurate information on the performance of their business in terms of its financial viability which includes income, expenditure, profit and losses. The lack of this information has an influence on how the LED Department reports on the impact of the Programme on SMMEs within the District.

1.4.1.2 Social performance: The provision of income or employment to community beneficiaries and contribution to community wellbeing and livelihood

The main objective driving the ESFP is a determination to support and inject capital to micro businesses in poor communities to create employment opportunities for themselves and others. The impact of the seed funding on job creation and the contribution to the local communities have not been captured before. The funded businesses are responsible for indicating on the monthly report template how many people have been employed on a part time or full time basis. The amount of jobs created also includes the beneficiaries themselves. There is no record if the business was able to provide an efficient income for the owner and/or for employees after the year of funding (CWDM ESF Beneficiary Monthly Report, 2009b:2).

1.5 KEY QUESTIONS

The study will seek to ask the following questions:

- What were the reasons for the CWDM to introduce the ESFP?
- Are the businesses funded by the ESF still operational or not?
- What are the contributing factors to the success or failure of the businesses?
- Did the ESFP achieve its objectives of promoting BBBEE and SMME participation, broadening income opportunities, diversifying the local economy and addressing poverty and social development thus far?
- Does the ESFP contribute to the enhancement of the socio-economic condition of its beneficiaries?

1.6 OBJECTIVE OF THE STUDY

The overall objective of this study is to investigate how successful the ESFP has been for the past five years, and investigate if the funding provided could enable entrepreneurs to have sustainable businesses in the district. This will require evaluating what the status of the businesses was prior and after receiving seed funding and if the ESFP did have the desired outcomes as outlined in the objectives.

The study also aims to achieve the following specific objectives:

- To determine the reason behind the introduction of the ESFP;
- To identify the beneficiaries and determine if the selected beneficiaries of the ESFP still operate their businesses;
- To identify reasons for success or failure of the selected SMMEs on the ESFP;
- The extent to which the funding from CWDM contributed to the SMMEs on the ESFP- in terms of the growth of the business and employment creation; and
- Make recommendations to CWDM about the implementation of the ESFP in order for SMMEs to become more sustainable.

1.7 RESEARCH DESIGN

The researcher will use the evaluation research design to determine the reasons for the success or failure of small businesses supported by the CWDM. An evaluation can be defined as the systematic assessment of information to provide useful feedback about an object (Online: 2006). In the context of the research study, the object referred to a programme initiated by local government to support small businesses in their growth and establishment. The evaluation will therefore be done to provide feedback and recommendations to CWDM and other similar funders for the implementation of similar programmes in order to ensure sustainability. This research design is chosen in order to answer the research topic whether the ESFP is sustainable and if the intended outcomes of the Programme were achieved.

The research method adopted to conduct this research study is a qualitative approach. The qualitative approach afforded the researcher the opportunity to have a better understanding of delivering and managing a programme which provides funding to emerging and established SMMEs.

1.8 DATA COLLECTION

The researcher will start the process of data collection by making contact with the ten selected participants through telephonic communication. The researcher will then explain the purpose of the research study and invite the participants to partake in the study. The researcher furthermore will explain that their participation is voluntary and assure the participants that they are indemnified from any harm or harassment resulting from the research study. On indication that they are willing and prepared to partake in the research study, the researcher will schedule an appointment around the availability of the selected participants. An interview with a LED Officer from the local municipality working with the Entrepreneurial Seed Fund will also be arranged in order to get an understanding of the experience of the municipality working with the beneficiaries of the Programme. Data will be collected by means of a questionnaire consisting of structured questions (Annexure A). Thereafter the interviews with the selected sample will be conducted using a questionnaire (Annexure B).

1.9 DEFINITION OF KEY TERMS

The following key terms are reflected in the research study and are defined as follows.

Small, medium, micro enterprises (SMMEs) are defined according to categories such as survivalist enterprises, micro enterprises, very small enterprises, small enterprises and medium enterprises (Education Training Unit's Small Business Development Training Manual 2011).

Seed funding can be defined as capital for small businesses in their start-up stage which will eventually reach the growth stage (Scarborough *et al.*, 2009:492).

Entrepreneur is a person who holds a vision, spirit and intelligence and an art of making an enterprise run successfully (Nieman, 2006:4).

Social Entrepreneur is an entrepreneur who identifies a social problem and makes use of entrepreneurial activities to organise, create and manage a venture to achieve social change (Harding, 2006:5).

Social Entrepreneurship is the process of pursuing suitable solutions to social problems (Venter *et al.*, 2008:116).

Procurement is the acquisition of goods, services or works from an external source (Education Training Unit's Small Business Development Training Manual 2011).

Beneficiaries are natural persons or other legal entities who receives money or other benefits from a benefactor (Amason 2011:232).

Sustainability is the capacity to endure and potential for long-term maintenance of well-being, which has ecological, economic, political and cultural dimensions (Germuth, 2010: 128).

Objectives are specific results that a person or system aims to achieve within a time frame and with available resources (Dees, 2009: 23).

Monitoring and evaluation, monitoring is the systematic collection, analysis and use of information from projects and programmes and evaluation is assessing as systematically

and objectively as possible an on-going or completed project, programme or policy(Parker, 2006:14).

Local Economic Development (LED) is an approach to economic development, particularly in the developing world that, as its name implies, places importance on activities in and by cities, districts and regions (The National Strategy for the Development for Small Business in South Africa May 1995:1) .

1.10 ETHICAL CONSIDERATIONS

Participation in this study is entirely voluntary. The participants will have the right to withdraw at any stage before the interview date without any penalty or future disadvantage whatsoever and the responses will be treated with strict confidentiality and anonymity. Once the questionnaire has been submitted, it will not possible to withdraw the questionnaire and the information will be treated with strict confidentiality and anonymity.

Participants will not be required to disclose their identity or send their questionnaires electronically. The information collected from the participants will be used for the research purpose only to ensure confidentiality and anonymity of participants. The participants in this study will not in any way be disciplined, appraised or promoted on the basis of their participation in this research. Participants will have the right to participate or withdraw their participation in the study should they feel that there is no anonymity and confidentiality in this study.

1.11 OUTLINE OF THE FORTHCOMING CHAPTERS

The research study consists of six chapters. The specific research problem and objectives of the study will be explained. The literature review based on entrepreneurship and SMME development will be discussed. This will be followed by the research design and methodology. A final conclusion and recommendations will complete the study.

Chapter one comprises of the background and problem statement to the research study. It discusses the purpose of the topic and defines the key questions. The objectives and issues to be investigated are also discussed.

Chapter two defines entrepreneurship and social entrepreneurship. It further explains the roles of entrepreneurs, the stages of entrepreneurial development and the advantages and

disadvantages of entrepreneurship and social entrepreneurship will be discussed. This chapter also identifies factors which contribute to the success and failures of operating a social or business enterprise. The chapter will conclude with the key elements of a sustainable enterprise.

Chapter three will focus on the Entrepreneurial Seed Fund Programme. It will explain when the Programme was initiated, by whom and why it was embarked upon. The chapter will also explain what was achieved by the Programme thus far and what the objectives, aims and outcomes were of the Programme. The chapter will conclude with information on the number of Seed fund beneficiaries that were supported, what type of businesses are supported by the Programme generally and what initiatives have been started by Cape Winelands District Municipality to provide support to the beneficiaries.

Chapter four provides the research design and methodology used in this research of which will include the design of the research, research area, data and sampling design and the actual methods use to collect data.

Chapter five presents the findings of the research information gathered from personal and telephonic interviews and questionnaires to the selected Entrepreneurial Seed Fund beneficiaries from the last five years. The findings will highlight the strengths, weaknesses, opportunities and threats experienced by the selected Entrepreneurial Seed Fund entrepreneurs. Feedback from the selected Entrepreneurial Seed Fund beneficiaries regarding the contribution of CWDM to SMME development will be presented in this chapter as well as their views on how CWDM can play a more effective role in ensuring the future sustainability of SMMEs within the district.

Chapter six presents the conclusion and recommendations based on the analysis of the findings. This chapter will conclude the study and will also include overall recommendations and specific recommendations and conclusions will be outlined.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter focuses on literature on social entrepreneurship and small business management and begins by looking at the definitions of entrepreneurship and social entrepreneurship, the roles of a social and business entrepreneur and the stages of entrepreneurial development. It then presents the advantages and disadvantages of being a social entrepreneur as well as the contributing factors of having a successful or unsuccessful social venture or small business. The chapter concludes with the key elements of a sustainable enterprise.

2.2 DEFINING ENTREPRENEURSHIP

The word “entrepreneur” is a French word with its origin from the 1700s and there are numerous existing definitions which evolved from the 20th century (Herrington *et al.*, 2010: 11). Scarborough *et al.* (2009:21) give the following definition of an entrepreneur:” *An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on those opportunities*”. A similar definition is provided by Nieman (2006:4); “*An entrepreneur is a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to satisfy these needs. He/she takes the risk of the venture and is rewarded with profit if it succeeds*”.

Entrepreneurs are also described as being those individuals who discover market needs and launch new firms to meet those needs (Longenecker *et al.*, 2006:6). Furthermore, this definition also explores that entrepreneurial opportunities exist for people who can produce products or services desired by customers. These definitions describe an entrepreneur as someone who has an opportunity; have access to resources and who can grow the business to become profitable. However, not all entrepreneurs are privileged to have these abilities; some lack entrepreneurial training or business skills and access to opportunities and resources.

There are entrepreneurial functions developed by early economists during the latter half of the 20th century that emphasise that entrepreneurship is an evolving concept which can have different interpretations as depicted in Table 2.1 below.

Table 2.1: Entrepreneurial functions

| Economist | Concept of entrepreneurial function |
|-------------------|---|
| Francis Edgeworth | Entrepreneur is a coordinator and middleman who never disappears, even in general equilibrium. |
| Alfred Marshall | Entrepreneur is a business leader and head of the firm- innovating, coordinating, responding to profit signals, and bearing risk. |
| Frederick Hawley | Entrepreneur is an owner or enterpriser who makes decisions regarding what product or service is to be produced and is also the bearer of uncertainty. |
| John Bates Clark | Entrepreneur is not an uncertainty bearer but an arbitrageur who shifts resources toward their most profitable uses. |
| Irving Fisher | Entrepreneur is a bearer of uncertainty who reduces the randomness of uncertainty by making forecasts and deciding what to do base on subjective speculation. His role as profit receiver makes him an important and distinct economic agent. |
| Frank Knight | Entrepreneur is a decision maker in an uncertain environment. In that role he determines consumers' wants and secures various services and materials to produce the product or service. Profits received are not for dealing with uncertainty but are the uncertainty –based differences between the anticipated value of resource services and their actual value. |
| Joseph Schumpeter | Entrepreneur is an innovator who carries out new combinations, of economic development, which are new goods, a new method of production, new markets, new sources of raw materials, or a new organizational form. |

Source: Barreira, Dhliwayo, Luiz, Naudé and Urban (2008: 67 & 68)

Amason (2011:232) views entrepreneurship as a term which has grown to take on much broader connotations, and now includes a host of issues involving innovation, private equity, new venture management and small business management. Innovation as a contributing factor to entrepreneurial success will be explained further on in this chapter.

Based on the fact that there is growing evidence of a significant causal relationship between entrepreneurship, economic growth and poverty reduction as explained by Boyer *et al.*

(2008:7), social entrepreneurship is perceived as a business discipline and a catalyst to address economic and social encounters and will further be explored in the next section.

2.3 SOCIAL ENTREPRENEURSHIP

Small businesses traditionally focus on success based on factors such as the business breaking even, labour cost covered and the business making a profit. A business entrepreneur typically measures performance in profit and return. In social entrepreneurship, the social micro-entrepreneur focuses on creating social capital. These types of businesses are not pursuing financial gain yet they need to be successful in order to survive. For socially-focused businesses, creating employment is fundamental and is a source of reference for success, and SMMEs are meant to create jobs and economic empowerment for the poorest of the poor communities (Petrus, 2009:18). In certain cases, the poor community member is the social entrepreneur who, because of unemployment, poor education and no access to finance, have to start a micro business in order to provide a living for the family.

Although the social entrepreneurship concept may be considered a new phenomenon, it has a long history. It has its origins in the eighteenth and nineteenth centuries and started when philanthropic business owners had welfare concerns for their employees and attempted to improve their working, educational and cultural lives. Social entrepreneurship merges the passion of a social mission with business discipline, innovation and determination (Venter *et al.*, 2008:116). Therefore, social entrepreneurship can also be seen as a mission created by a group of community members who strive to provide, through entrepreneurial activities, social activities and programs which can benefit the community and address their needs.

It is the opinion of the researcher, that the definition of an entrepreneur cannot only be limited to entrepreneurs that solely focus on profit-making but it should also include entrepreneurs who aim to positively change their own lives and those of their communities through entrepreneurial activities. In order to relate the concept of entrepreneurs involved in social upliftment to the research study, the definition of what social entrepreneurship is, have been explored.

“Social entrepreneurship is any attempt at new social enterprise activity or new enterprise creation, such as self-employment, a new enterprise, or the expansion of an existing social enterprise by an individual, teams of individuals or established social enterprise, with social

or community goals as its base and where the profit is invested in the activity or venture itself rather than returned to investors” (Harding, 2006:5).

Even though business success is measured according to the profit made, the social entrepreneur would rather utilise the profit to address personal needs and circumstances. The researcher is of the opinion that this is a positive feature of social entrepreneurship in light of the unemployment and poverty faced by communities, specifically previously disadvantaged groups. Furthermore; Rego and Bhandary (2006:17) as well as Mair and Marti (2006:51) describe social entrepreneurs as change agents that find innovative solutions to social problems and as individuals who approach social problems with an entrepreneurial spirit and business expertise. In addition to this, hard work, passion and determination are also key to the description of a social entrepreneur. The social entrepreneur will therefore derive his or her passion and commitment from the social change that can be made and which is achievable.

Notwithstanding the many definitions of what an entrepreneur is, entrepreneurship has been identified as being vitally important to the well-being of any economy and it has the potential to contribute to the creation of employment and the alleviation of poverty (Herrington *et al.*, 2010: 11).

Social entrepreneurs play the role of change agents in their communities by;

- Adopting a mission to create and sustain social value, not value for self-enrichment, status and wealth;
- Recognising and uncompromisingly pursuing new opportunities to serve that mission, which means that they are driven by their desire to bring positive change to their communities;
- Engaging in a process of continuous innovation, adaptation, and learning, this refers to being informed of changes that can influence their mission and objectives;
- Acting boldly without being limited by resources currently in hand, which means that the social entrepreneur will make use of what is available and utilise it to the best of his or her ability; and
- Displaying heightened accountability to the constituencies served and for the outcomes created, this means that social entrepreneurs are committed to their cause and strive to achieve their objectives (Venter *et al.*, 2008:120).

These activities are in today's economic society aimed at sustaining and growing the number of successful businesses as this is vitally important to the long-term well-being of the country in terms of creating employment and alleviating poverty. The outcome of engaging in social entrepreneurial activities leads to increased improvement in various fields, such as, education, health care, economic development or any other social field.

Entrepreneurship, either business or social, is not a genetic attribute but a skill that is learned (Scarborough *et al.*, 2009:25). An entrepreneur is an energetic self-starter who strives for service excellence and has the ability to make use of the resources at hand by managing them wisely (Parker, 2006:1). During entrepreneurial activities, the owners of businesses have various important roles to play and these are explained in the next section of the study.

2.3.1 Roles of social entrepreneurs

The social entrepreneur will in actual fact make use of the factors in the previous section and harness it to do social good. These include common traits in business such as innovation, discipline and determination. According to Herrington *et al.* (2010:99), social entrepreneurs are perceived to be solely or in partnership in an emerging or established social venture. It is also expected that these entrepreneurs, either individually or collectively, fulfill their roles responsibly or portray defining characteristics. It will be these characteristics which will differentiate the role between the business and social entrepreneur. Dees (2009) explains that social entrepreneurs have the following defining roles to play.

- **They are social catalysts:** This means that they have a vision to fundamentally change social circumstances and improve livelihoods for themselves, their families and if the venture allows for their community members. Social change or actions for community members have the potential to improve areas such as education, health care, economic development, the arts, the environment or any other social field.
- **They should be socially aware:** This should be reflected at all times. Improvement of social circumstances, either individually or collectively, should be the ultimate goal of the social entrepreneur. The success of the social venture is measured by the social impact, not through profits generated.

- **Opportunity-seeking:** Goals should be pursued persistently. Obstacles should also be seen as an opportunity. Herrington *et al.* (2010:11, 98), confirm this with the statement that the lack of resources are advantageous for the social entrepreneur as innovation, which is an important aspect of entrepreneurship, can be applied.
- **Entrepreneurs should be innovative:** The social entrepreneur should be creative, willing to bring forth new existing ideas, and be ready and available to apply these new ideas to the relevant situations. Dees (2009) also concedes that the social entrepreneur should be aware that not all innovations will be a success but it should be realised that failures are learning opportunities even as they strive for success.
- **Entrepreneurs should be resourceful:** The social entrepreneur is not limited by the resources they have available. The use of existing resources is enhanced and they actively expand their resource pool through collaboration with others. According to the researcher, this could be collaboration with another social enterprise, government or the private sector where resources are shared or activities are done collectively within one community.
- **Entrepreneurs should be accountable:** Social entrepreneurs are accountable to their beneficiaries. The researcher believes that accountability can also be to their funders, themselves and their families and communities who directly benefits from the enterprise. The needs of the beneficiaries should be understood and value should be added to their lives. This is because social entrepreneurs need to know if the venture and activities are making a social impact. Dees (2009) confirms that social entrepreneurs are also accountable to their funders and investors who would want to know what contributions are stimulating the needs of the community as indicated by the social entrepreneur or mission.

Furthermore, the social entrepreneur plays an important role in bringing new ideas, methods and objects for the welfare of the community. The role of an entrepreneur is also one of understanding that irrespective of satisfying personal goals and ambitions, there is a responsibility towards the community. In being actively involved in the community, the social entrepreneur can gain more contacts and more business leads and contacts for future social advantages.

The advantages and disadvantages of being a social entrepreneur will now be outlined.

2.3.2 Advantages of social entrepreneurship

Even though the social entrepreneur is not ultimately profit-driven as the business entrepreneur, having a social enterprise does have advantages. They include:

- Social needs are addressed through social entrepreneurship and social entrepreneurship is becoming more important. Social problems such as poverty and unemployment continue to increase whilst government's available resources are decreasing. Social entrepreneurship is also a way for government to partner and support social initiatives which will improve the socio-economic conditions of its beneficiaries (Herrington *et al.*, 2010:98).
- Social initiatives can be started without resources being controlled. In some cases, the lack of resources in a social enterprise is perceived as advantageous and it then encourages the innovative use of limited resources.
- Profits generated are distributed for a common goal rather than private wealth accumulation. Dees (2009) mentions that social entrepreneur who receives funding from donors, must also manage the funding in an effective way and invest it in ventures that can generate their own revenues to sustain themselves. In the researcher's view, it depends if the social venture is for-profit or non-profit. Non-profit social venture usually relies greatly on funding because it creates social programs that aim to be self-sustaining. For-profit social enterprises are often far more effective at solving social issues as they are driven by their passion and commitment to work towards a common goal. The researcher will add to this that another motivating factor can be that the entrepreneur are also receiving profit (though it may not be much) for the service being done and this ensures that the work is done on a continuous basis.
- In some instances, there is also favourable tax treatment for social enterprises in the form of tax exemptions.

2.3.3 Disadvantages of social entrepreneurship

Dees (2009) states that just like business entrepreneurship, social entrepreneurship also has disadvantages which are important to consider before embarking on a social venture of any kind. These disadvantages according to Dees (2009) include the following.

It can be difficult for the entrepreneur to graduate the social venture from survivalist to sustainable. This can be attributed to challenges and obstacles such as lack of knowledge, skills and experience to take the venture to the next phase. The researcher would also add the following to the factors that can prohibit sustainability of a venture namely; lack of appropriate financial resources and inability to secure seed capital to start the business.

Social entrepreneurship is often more focused on local issues of empowerment and outreach; whilst these issues are not always developed through Government's macro-economy strategy. A positive entrepreneurial environment is dependent on a system with an effective balance between government and entrepreneurial interventions. Sustaining and growing the number of successful social initiatives is important in alleviating poverty.

The location of the venture can also have a disadvantage to the growth and success of the business, especially when it is located within a rural area. If the social venture is for-profit and is dependent on the support from the community, the venture can easily become unsuccessful. Therefore thorough market research is needed beforehand afore the venture can be explored.

Apart from the advantages and disadvantages of business and social entrepreneurship, there are also pertinent factors that can contribute to the success and failures of entrepreneurial ventures.

2.3.4 Factors contributing to success of social enterprises

A study which was done in 2008 by the Supporting Entrepreneurs for Sustainable Development Initiative (SEED) (Boyer *et al.*, 2008:4 & 5) found the following eight critical success factors for social enterprises. This study was done as a research programme to increase technical knowledge and understand small-scale and locally-led activities through social enterprises. Locally-led within the context of the study conducted is defined as when the project reflects local expertise, interests and benefits, local partners and/or their communities benefit from the project and the local partner/s is/are fully engaged in and actively drive the project. The success factors include the following.

- **Have a mission statement:** The social entrepreneur should state the specific social impact in a brief and specific mission statement. This mission statement should clearly state the target, the location and what the enterprise aims to deliver or change. The

social entrepreneur will then be able to assess whether the social program measures up to the mission statement.

- **Leadership:** There should be commitment and coordination from the person/s leading the enterprise. It will also be of benefit if there is continuity in leadership.
- **Be innovative:** The person managing the enterprise should be able to explain the concept of the enterprise clearly and do the necessary validation to demonstrate that the concept has market potential.
- **Business planning and marketing:** The manager or leader of the enterprise should have business and marketing skills or have key partners who possess it or they should have ready-available access to training to accomplish these skills.
- **Liaise with communities:** Liaison with local communities and stakeholders is key in being a social entrepreneur. This ensures commitment and continued support to successfully implement social initiatives.
- **Partnerships:** A relationship should be built with key partners. The leader or coordinator of the social enterprise should have the ability to negotiate and maintain relationships for the benefit of the enterprise. This is important for growing the enterprise and ensuring ongoing support.
- **Short and long-term benefits management:** The enterprise should be able to demonstrate how it is planning to deliver and share not only on long-term benefits but also on short-term benefits that will ultimately keep stakeholders engaged and committed to the enterprise.
- **Risk management:** The enterprise should have demonstrated planning for mitigation of risks and externalities which can help ensure sustainability and longevity of the enterprise (Boyer *et al.*, 2008: 8).

The researcher is also of the opinion that a factor such as a good personal track record of the enterprise manager or coordinator can be a determining factor if the enterprise will be supported by stakeholders and beneficiaries. Furthermore, if factors such as the above are in place, the enterprise is more likely to attract the necessary investment and financing and in the long run, become sustainable.

Factors leading up to an unsuccessful social enterprise will now be highlighted.

2.3.5 Factors contributing to social enterprise failure

Not all social innovations are successful and there are certain factors which can lead to the enterprise not performing its intended operations or not operating at all. Boyer *et al.* (2008:10 & 11) provides the following factors which leads to the failure of social enterprises:

- **Inadequate planning of the enterprise:** The amount of planning done is not sufficient for the enterprise to grow, develop and succeed. Longenecker *et al.* (2006:404) also mentions that start-up enterprises specifically, focus on planning immediate issues such as buying of equipment for example. Planning needs to take place systematically, and key issues that must be addressed must be planned adequately. The researcher is of the opinion that this can work well with business enterprises but with social enterprises the focus must be on the reason why the enterprise or venture is established in the first place. The reason for not planning adequately could be that the need was so huge and intense, the enterprise needed to operate immediately.
- **Insufficient starting capital for start-up period and development stages due to inadequate planning:** The researcher agrees that this can be a factor that can determine the enterprises success or failure. Ultimately there was a need identified within the community that the group or enterprise coordinator wanted to address, but does the enterprise have sufficient capital and resources to embark on this and to make a success. Starting capital or sufficient resources needs to be taken in consideration beforehand.
- **Mistaken estimate of market demand for product or service:** This factor points to market research. The social entrepreneur should be well aware of the demand for the service or product in his or her community. The researcher believes that the social entrepreneur should not just assume that he or she can predict by what they see, hear or perceive is what the community needs. It will ultimately be the beneficiaries of the enterprise that will determine the enterprise's survival.
- **Lack of management ability:** This is a lack in both businesses and social micro enterprises. Many small enterprises are marginal or these types of enterprises are unprofitable and struggle to survive from day to day. The earnings made, especially in the birth stage of the enterprise, are mostly earnings for the micro social entrepreneur and this can be seen as the enterprise operating but not managed. Another lack in

management of the enterprise is the enterprise leader should have a chain of command which implies superior-subordinate relationships with a downward flow of instructions (Longenecker *et al.*, 2006:155). The researcher is of the opinion that even in a social enterprise, roles should be clearly defined and the coordinator or enterprise leader should be in a position to provide leadership and delegate functions.

- **Inability to market product or services effectively:** Marketing is usually ignored and this can be attributed to reasons such as no exposure to the importance of business marketing training, shortage of funding to do market research of the product or service and lack of self-confidence to explore new market possibilities.
- **Failure to select and use appropriate outside professional advisors:** The researcher is of the opinion that professional advice is needed in how to manage a social venture and on how to provide services and products that will ensure satisfied customers. Professional advice minimises risks and advances performance (Petrus, 2009:25). There is a problem of vast inexperience in the small venture sector and it is also a challenge for small ventures to find and approach professionals in their specific field.

It is important to consider an initiative's advantages and disadvantages as well as what factors will contribute to its success or failure as this can ultimately determine its sustainability. The focus will now shift to the roles of entrepreneurs. When establishing a business, the entrepreneur should be aware of the various roles an entrepreneur needs to fulfill in the business.

2.4 ROLES OF ENTREPRENEURS

When embarking on being an entrepreneur, the owners of businesses have various important roles to play to ensure business success. Nieman (2006:4) identifies the following aspects that relate to the role of being an entrepreneur, namely:

- **Identifying an opportunity:** This means that there must be a real business opportunity. This opportunity should include a client base, profit-making opportunity, creating self-employment and employment opportunities for other individuals. The identification of a need or lack in the current market will be the departure point for the entrepreneur. Therefore the opportunity should be able to attract customers and it should have the potential to expand the business at a later stage. Pretorius *et al.* (2006:41) explain that

the determination of the entrepreneur to execute the idea and the capacity to act is the cornerstone of achieving success.

Longenecker *et al.* (2006:49, 50) provides a criteria to assess whether a new business idea is a good opportunity which includes;

- **Market factors:** This will be determined by a clearly defined market need and the time to start the business must be right. Although the concept of the business idea is good, time should be allowed for the business to achieve the necessary success.
- **Competitive advantage:** The competitive advantage is created when customers perceive a product or service to be superior to those of its competitors. The business should also be able to achieve an edge that can withstand challenges from its competitors. A lot of startup businesses fail because entrepreneurs do not understand the nature and importance of a competitive advantage.
- **Economics:** The business should also be financially rewarding and allow for significant profit and growth potential. Profit should be sufficient to allow for errors and mistakes and should still be able to provide acceptable economic benefits.
- **Management capability:** The business idea is an opportunity only for the entrepreneur that has the appropriate experience, skills, and access to the resources necessary for the venture's growth.
- **Fatal flaws:** There must be no mistakes that will lead to the business being unsuccessful.

If the opportunity is identified and all factors are taken into consideration, the following should also be considered as contributing attributes to the success of the business. These are generic for small business development in principle.

- **Innovation and creativity:** New and/or different products and services are always needed in a business in order to gain more customers and to have a profitable venture. Entrepreneurs should find ways to reach an existing market with a unique product, service or marketing strategy. Creativity and innovation should be applied to attract customers. Scarborough *et al.* (2009:25-26) explain that creativity in an entrepreneurial context can be defined as the ability to develop new ideas and to discover new ways of looking at problems and opportunities which requires innovation. Furthermore innovation in this instance refers to the ability to apply creative solutions to those problems and finding new, creative approaches to existing markets and turning them into business

opportunities. Pretorius *et al.* (2006:38) contend that innovation plays an important part when it comes to the growth potential of a small business venture.

- **Getting resources:** Access to resources such as capital, labour and operating equipment is an important factor in starting a business. Being an entrepreneur also means having adequate start-up capital, having motivated employees and using equipment or methods which will give the best end result. According to Venter *et al.* (2008:413) resources can be divided into three categories, namely:
 - **Tangible resources:** Such as physical resources of the organisation, including plant, machinery, land and buildings;
 - **Intangible resources:** These refer to resources such as brand name, intellectual property, reputation, technological knowledge or service levels; and
 - **Organisational capability:** These refer to skills, leadership, processes and management of the organisation.

Nieman (2006:23) explains that resources comprises of capital available for investment in the business venture, people who need to be employed and physical assets such as equipment, machinery, buildings and vehicles. The researcher believes that access to resources remains one of the most difficult challenges for emerging businesses specifically for businesses owned by previously disadvantaged individuals. There are various reasons for this of which includes past inequalities and exclusion of certain groups in opportunities to gain financial and fixed assets.

The researcher is of the opinion that apart from the roles of the entrepreneur, the entrepreneur should also be aware of the tasks and duties that must be executed and which will compliment his or her role as an entrepreneur. These are outlined underneath.

- **Creating and growing a venture:** This refers to the starting of a new business venture or the adaptation of an existing business. Entrepreneurship is the emergence and growth of a new business (Nieman, 2006:3). The main motivation for entrepreneurship is to make a profit. This can be enhanced by developing a unique competitive advantage which is sustainable and difficult for competitors to duplicate.
- **Taking risk:** This means that there will be personal and financial risks involved for the person who embarks on the entrepreneurial process. Venter *et al.* (2009:67) defines risk as the probability of unwanted outcomes. These risks can include lower profits or disappointing sales, higher costs or losses, and unexpected competition. Literature on

entrepreneurship is very clear on the risks being undertaken when starting entrepreneurial ventures. GEM had a survey done where 2500 SMMEs participated; 20 per cent were profitable, 30 per cent were just profitable, 24 per cent were breaking even and 9 per cent were either struggling, running at a loss or did not know the financial status of their business. Venter *et al.* (2009:68) categorise risks into the following;

- **Financial risk:** When the business is performing poorly, the entrepreneur risk to lose his or her investment while remaining liable for the debt. Personal property such as homes, vehicles and savings can be repossessed which can have dismal consequences for the entrepreneur and the family.
- **Career risk:** Many entrepreneurs decided to leave the security of their day to day job to start their own business. Should the business fail, they might not be able to regain their previous job or find another.
- **Family and social risks:** Less time with family and friends is a reality when embarking on the entrepreneurial journey especially in the early years. The researcher agrees with this as sacrifices will have to be made in order to be successful. These sacrifices include for example working during holidays and long weekends and not being available for family gatherings etc.
- **Psychological risk:** This refers to business failure as the consequence of a failed business venture which may cause the entrepreneur to have self-doubt in his or her own abilities.

Apart from the risks, entrepreneurship also brings personal pride and achievement. Successful entrepreneurial performance is driven by personal motivation, strategy skills, planning skills and management skills. These types of traits will ensure that the entrepreneur will ultimately achieve his or her goals as outlined underneath.

- **Being rewarded:** Reward is an essential element of the free-market system. It can be in the form of profit or an increase in the value of the business. Making a profit is an important motivating factor in every business. When the entrepreneur has a passion for the business, they reap the benefits knowing that they are the key driving force behind their business (Scarborough *et al.*, 2009:30).

Most SMMEs are successful if they see to it that they have a good management system in place to ensure business success. This involves the following:

- **Managing the business:** This means that there must be planning, organisation, leadership and control of all the functions in the business venture. Nieman (2006:19) discusses basic management principles that should be applied in a small business.
- **Planning:** This function will guide the business to its objectives and it will outline an action plan for achieving these objectives. It also forces the small business owner to think about its markets, competitors and finances.
- **Organising:** Refers to two or more people working together to achieve a common purpose (Nieman, 2006:20). In a small business, the owner usually focuses on all areas of the organisation which includes production, sales and other activities pertaining to the business.
- **Leading:** This is a fundamental principle for business management. The performance of a business, whether large or small, is directly linked to the quality of its leadership.
- **Control:** The entrepreneur should have control of business activities and outputs by ensuring that records are kept and procedures are adhered to in order for the business to run efficiently.

The above refers to the roles of the typical business entrepreneur. Having described the roles of the entrepreneur, the focus will now shift to the stages of entrepreneurship development. When establishing a business, the owner should remember that the business has to pass through certain stages. This process can also be referred to as the life cycle of the business venture.

2.5 STAGES OF ENTREPRENEURIAL DEVELOPMENT

Business ventures pass through different life cycle stages. The five business growth life cycle stages are birth, survival, take-off, maturity and decline. As an entrepreneur, the business will have different stages of growth. Growth will not take place if the entrepreneur does not have a desire or vision to grow (Nieman, 2006:188). Figure 1.1 illustrates the business growth life cycle.

Figure 1.1: Characteristics of business growth life cycle

Source: Nieman (2006:190)

The characteristics of the business growth life cycle are described by Nieman (2006:190) as follows:

- **Stage 1: Birth:** This stage of the business is characterised by identifying the market opportunity, choosing the product or service, planning the start-up process, finding funding, a business premise or employees and identifying your potential clients.
- **Stage 2: Survival:** This stage is characterised by managing of cash flow, keeping employees who can perform core tasks, applying crisis management, finalisation of products or services which must be sold and maintaining an existing customer profile. The entrepreneur will consider every aspect of his/her business in order to survive and to be able to gain and maintain a good profit.
- **Stage 3: Take-off:** At this stage, the business is starting to move into a more favourable direction. Functions performed in this stage include an increase of staff, finding new markets, appointing a manager/s, needing more or new branches, acquisition of funds to increase assets, establishment of an organisational structure, outsourcing certain business functions such as payroll and investigating exporting or expanding locally or nationally.

- **Stage 4: Maturity:** The business now has moved into a mature stage and new challenges emerge. These challenges include, slower growth rate, isolated ownership, redefining the market strategy, deploying all management functions, focusing on customer relations management and needing to keep a close eye on the many competitors.
- **Stage 5: Decline:** The characteristics of the final stage are also evident in the Seed Fund beneficiaries businesses. These include cash flow problems, operational expenses, saturated markets, a drop in profitability, retrenchment of staff, slow or no growth, outdated products or services that does not meet the needs of the clientele and not having a big enough customer base to justify advertising.

Furthermore, Nieman (2006:191) argues that it is difficult to determine the turning point of these stages, but if the business satisfies most of the characteristics of a stage, it can be assumed that it is in that particular phase.

It is important to note that whenever a business goes through all the above stages there are various advantages and disadvantages accompanying these stages.

2.6 ADVANTAGES AND DISADVANTAGES OF ENTREPRENEURSHIP

When embarking on the entrepreneurial process, it is important to be aware of the advantages and disadvantages of being an entrepreneur. Success and failure is a normal part of business processes but effective networking, adequate skilling mentoring, developing good business expertise and sound principles and practices are but a few advantages which can make it worthwhile. When deciding to become a full-time entrepreneur, one should be aware of the disadvantages as well. These include no regular income; extra effort and managing your own time in order to have a successful business. The entrepreneur will also have to be responsible, especially in the first few stages of the business, where there are increased risks and potential for business failure.

2.6.1 Advantages of entrepreneurship

Every potential entrepreneur should be aware of the benefits of owning a small business. The benefits are as follows;

- **Independence:** To own a business, gives the person/s an opportunity to have control over their destiny (Scarborough *et al.*, 2009:29). It is a form of independence and entrepreneurs can make their own decisions, take risks and reap the awards of their efforts (Longenecker *et al.*, 2006:8). The success of the business is dependent on its owner and they are the only driving force in the venture.
- **Opportunity to make a difference:** Starting a business can also be an opportunity for the entrepreneur to make a positive contribution in the community for example job creation for unemployed youth. These types of entrepreneurs are also known as social entrepreneurs and they seek to find innovative solutions to the community's most challenging problems by finding ways to combine their concerns for social issues and their need to earn a good living (Scarborough *et al.*, 2006:29). Social entrepreneurs also aim to use their businesses to make a positive impact for example promoting arts in the community.
- **Profit:** Making a good profit is an important motivating factor to start a business. There is also a distinction of making business to have adequate profits to survive and making business to have a huge income for the time and money invested in the business. Whilst there are entrepreneurs who do become rich instantly, the majority do not. A business owner can become rich when the business is economically viable and the owner has the patience and determination to make it happen (Longenecker *et al.*, 2006:8).
- **Personal satisfaction:** People who decide to start their own businesses often do so because they have an interest in the type of business and enjoy their independence. This independence can even bring an individual a sense of dignity and or significance that makes life worth living. The reward may be in the form of pleasurable activities or respect in the community etc. This advantage is also much more important than money or independence (Longenecker *et al.*, 2006:9).
- **Freedom:** To become an entrepreneur might also be to escape an undesirable situation. This may be of an unpleasant working environment or to make a change for personal growth or to make more money for financial prosperity. These types of entrepreneurs are called reluctant entrepreneurs who are persons who become an entrepreneur as a result of some severe hardship (Longenecker *et al.*, 2006:8).

2.6.2 Disadvantages of Entrepreneurship: There are many benefits and opportunities in owning a business, but potential entrepreneurs must also be aware of the disadvantages thereof. Scarborough *et al.* (2009:31-32) identifies the following disadvantages:

- **Uncertainty of income:** Operating a business is not a guarantee that an entrepreneur will earn enough money to survive. In some cases, the business does not have enough earnings to provide the owner with an adequate income. The entrepreneur is also not guaranteed of a regular income and is always the last one to be paid.
- **Risk of losing invested capital:** If the business does not perform well, the entrepreneur would lose his or her investment and might also be liable for debt (Venter *et al.*, 2008:68). A failed business can be financially and emotionally devastating.
- **Long hours and hard work:** Scarborough *et al.* (2009:32) indicate that many start-ups have 10-12 -hour days and six or seven-day workweeks with no paid holidays. In the case of start-ups, the owners must often do everything themselves. Venter *et al.* (2008:68) states to nurture the business, demands a lot of time from the entrepreneur and the entrepreneur's social life might suffer as a result, and therefore recommends regular breakaways with family and friends, and networking sessions with counterparts to take time-off to relax.
- **Stress:** Stress in an entrepreneurial venture can be contributed by possibility of losing investment made into the business, repossession of personal property and liability to pay-off debt (Venter *et al.*, 2008:68) If the business performs poorly, this failure might lead to high levels of stress and anxiety (Scarborough *et al.*, 2009:33).
- **Responsibility:** The entrepreneur is also responsible for making decisions on issues on which they are not knowledgeable. This can cause pressure and as the entrepreneur realises that the decisions made can have an impact on the business's success or failure. It can also cause anxiety and have a devastating effect if the outcome is negative.

The pertinent factors contributing to the success and failures of entrepreneurial ventures will now be explained.

2.7 FACTORS CONTRIBUTING TO SUCCESS OF SMMES

The success or failure of small businesses can under no circumstances be compared with larger companies. Larger companies are unique in terms of challenges for example stock exchange market (Petrus, 2009:16). The success of a business can be contributed to the entrepreneur's level of courage, passion, commitment and sound approach towards his/her enterprise (Parker, 2006:1). Many of the successes and failures that will be discussed refers to the ability of the entrepreneur to do constant planning and research of his/her own vision for the business but this should be done holistically in order to accommodate all the needs of the business and the clientele. Longenecker *et al.* (2006: 13-15) explains the following five potential success factors for a business entrepreneur:

- **Customer orientated:** Small business owners have the advantage to serve their customers directly and effectively without struggling through policies and procedures like in the case of bigger companies. The small business owner can also focus on proper customer service and developing a close relationship with clients when having a smaller amount of customers. In many SMMEs the customers are personally acquainted with the entrepreneur. This creates an opportunity for the entrepreneur to give his/her best to the clients and improve where necessary. The entrepreneur should also preferably have good people's skills in order to maintain an open relationship with clients. SMME owners should realise that having customers are one of the most significant factors of having a business as clients have the buying power that can help in expanding the business.
- **Quality performance:** The entrepreneur can also focus on providing quality service to customers. Longenecker *et al.* (2006: 13) refers specifically to quality performance in the services sector. Services sector refers to economic sector for example manufacturing, transport, storage and communication etc. The SMME can excel in performing quality work for an example computer services which make use of modern equipment and gadgets or hair styling sells quality products to customers. Parker (2006:199) mentions that entrepreneurs think because the business is still small, like in the case of a micro business, they do not need to perform at their best. Quality performance is a tool that enables small businesses to compete effectively with their competition and bigger

companies. The provision of a quality service or product also gives the SMME a competitive advantage over competitors. The business will also be able to perform well financially and thus stay in business. In order to perform a quality service or product, the entrepreneur needs to ask him/herself:

- What do I expect the business to deliver and in what way will this be different to the offerings of others active in the same field?
- How would I like my product or service to be seen by others?

The entrepreneur can also track the quality of service and product by compiling a customer satisfaction survey or informal engagements with customers.

- **Integrity and responsibility:** Another success factor is to conduct the small business with ethical standards. Scarborough *et al.* (2009:749) state that business ethics involves moral values and behavioral standards. Customers respond positively to evidence of integrity because they are aware of ethical issues (Longenecker *et al.*, 2006:14). When the business consistently operates with integrity, it will be labeled as being trustworthy, customers will be keener to make use of the service and the longevity of the customer relationship is guaranteed. Parker (2006:10) suggests that business ethics should rest on the following:
 - Purpose: This combines the vision of the business with the values the entrepreneur strives to uphold. If the entrepreneur has employees, it is important to communicate clearly what is considered to be acceptable and unacceptable in terms of business ethics.
 - Pride: Give people reason to be proud of working in business; they are then more likely to act in an ethical manner. This will also make the business owner proud to have such employees.
 - Patience: The building of a business takes time and it is known that the entrepreneur will have to accept short-term losses to ensure long-term gain. This requires foresight and patience.
 - Persistence: If the business has a value statement, the actions of the entrepreneur should demonstrate it. By doing this, people will have respect for the business and its owner.
 - Perspective: Business pressures can occasionally force one to lose perspective. When this happens, the entrepreneur needs to evaluate and review the situation and make sure that it is still on track and adheres to its ethical guidelines.

- **Innovation:** SMME owners can also add success to their businesses when they become innovative. Entrepreneurs can compete with all sizes of businesses through the use of innovative methods. Innovations can include new products and new ways of operating the business. Longenecker *et al.* (2006:14) furthermore states that an innovative product or service does not necessarily have to come from large businesses. Many entrepreneurs are innovators who see different and better ways of doing things. A constant improvement on existing products or services is needed as preoccupation with an existing product or service can at times obscure the value of a new innovative idea. Entrepreneurs can compete with businesses of all sizes through the use of innovative methods. Innovation does not need to include only new products and services but also new ways of doing business.
- **Special niche:** The special niche factor can also be a great strength for the small business. The niche should be a unique service or product which will set the small business apart from its competitors or even larger businesses. A special niche might even avoid intense competition from larger businesses (Longenecker *et al.*, 2006:15). The niche might also concentrate on a particular geographical area, for example if the entrepreneur has no local competitor where the product or service is sold. The innovative and special niche product or service should be marketed intensively as people will not be aware of what the entrepreneur has to offer. Product or service characteristics that should be considered are:
 - How can the current product or service be improved? For example, can the product be made from any other material?
 - What are some of the other applications for the product or service that could be found?
 - Would finding other applications for the product or service open up new target market?
 - Would finding other applications for the product or service increase the frequency of purchases made by existing customers?
 - What would the competitor's likely reaction to this step be? (Parker, 2006:173).

From the above information, it can be assumed that the fundamental requirements for any small business to succeed are to:

- Make a profit;
- Have a competitive advantage; and
- Be customer orientated.

Petrus (2009:18) states that another important requirement is growth especially within a social entrepreneurship context where addressing poverty and social development is of essence. Profitability will enable any small business to become sustainable and address issues such as unemployment, but it is not all businesses that are pursuing financial gain in order to survive. For some small businesses, creating employment is fundamental and perhaps the only source of reference for success. In the context of social entrepreneurship, SMMEs are meant to create jobs and economic empowerment for poor communities, and includes previously disadvantaged groups such as women, people with disabilities and youth. Furthermore, Petrus (2009:18) states that both financial and non-financial measures are viewed as significant in measuring small business success, and in some instances the non-financial measures may be of more value. For these social businesses profit and expansion are not the primary drivers but are preceded by employment satisfaction and independence.

2.7.1 Factors contributing to SMME failure

The failure rate of new SMMEs in South Africa is one of the highest in the world and approximately 75 per cent of new SMMEs do not become established businesses (Olawale & Garwe, 2010:2). Furthermore, the probability of a new SMME surviving beyond forty-two months (42) is less likely in South Africa than in any other country which is also part of the Global Entrepreneurship Monitor (GEM) research programme. The significance of the 42-month period is explained by Maas and Herrington (2006:1), who states that the creation of a new emerging business is a two-phase process. The first phase is the start-up phase, a three-month period during which individuals identify the products and services that the business will trade in, access resources and put in the necessary infrastructure such as a business premise. The next phase, a period of 3-42 months, is when the business begins to trade and begin to compete with other businesses in the market place. Therefore, an emerging SMME can be described as an SMME that has been in existence for less than 42 months. Once a business has successfully existed for more than 42 months, it becomes an established business. Nieman (2006:28) describes important factors that are needed to run a business.

- **Financial and accounting skills:** Financial management is a very broad term and entails planning, organising, activating and control of the business (Nieman, 2006:95). For SMMEs in the start-up phase, the two critical areas are the financial needs and control of such funding as well as accountability of such start-up capital. SMMEs within

the social entrepreneurship context will increase their chances of obtaining more funding if they obtain their accountability status. Therefore accurate financial planning is vital as a task under the financial management function.

- **Money management skills:** This is common in new or growing businesses. Business owners should ensure that the business is making a good profit. Selling goods on credit remains a problem when clients do not pay for their goods received; business owners are of the opinion that they could gain a competitive advantage over other business owners when giving credit to their clients. Schaefer (2006:12) suggests that is first of all very important to ascertain how much money will be needed to start the business; not only the cost of starting but also the cost of staying in business. Furthermore he encapsulates that it is important to take into consideration that many businesses take a year or two to get going. This means that one will need enough funds to cover all costs until sales can eventually pay for these costs.
- **Marketing skills:** Marketing is often the ignored part of a business; finding and keeping customers are the most important part of a business. Nieman (2006:53), in Business Report, asserts that privileged acquirement is not healthy for any SMME as they need to establish their own markets in order to sustain themselves in the long term. Nieman (2006:2) warns against limited traders for example SMMEs without a sustainable market that will increase the failure statistics in South Africa's SMME sector. In order to be successful, a leading role in marketing is required to efficiently convert the business concept to the target market and maintain a constant search to identify their needs and desires (Khan, 2007). From a survey on *The Chief Cause of Business Failure and Success* conducted by Khan in 2007, SMME owners tend to diminish the importance of marketing of their services or products and pay no attention to the competitive environment.
- **Proper planning:** Planning is essential to success in small businesses; this is because of the lack of staff and finance needed to cover all aspects of business practice. Scheduled site visits and dates for submission of monthly reports should also be part of the beneficiaries planning and be adhered to. Nieman (2006:15) describes planning as a critical managerial function, as it helps one to identify the objectives or targets and develop suitable actions and implementation plans. Furthermore, Nieman (2006:36) is of the opinion that there are two terms of references for planning, which are the construction of a business plan and budget. Nieman (2006:48) contends that these two

sources in turn help to create a strategic view of the business and in doing so, reduces the probability of SMME failure.

- **Technical skills:** Business owners need to have sufficient technical knowledge of the type of product or service they are selling. This will ensure that the business owner can sell his or her product/service to potential clients. A product or service should be in demand, meet the needs of the customer and the business owner should have the ability to handle enquiries if it should arise. The emerging entrepreneur should also, depending on the type of business, enhance and improve his or her knowledge by attending refresher courses and learn from best practices. The type of product or service offered should give reason as to why customers will engage in the business rather than with the competitors. Many too often micro entrepreneurs' focuses on the same type of business and services without realising that the business environment is very competitive and is evolving on a daily basis.

Sustainability of initiative especially community-based initiatives is important in the delivery of services and achieving positive results. The focus of the study will now shift to the key elements of sustainability.

2.8 KEY ELEMENTS OF SUSTAINABLE SMMEs

Sustainability is important when targeted at community-driven projects and programmes and when supported by program developers, community organisations and government departments, this support may be for a longer period than a year and can include financial support and resources. Community-based programs and social upliftment initiatives are important in a service-delivery system such as Government, yet there is a lack of knowledge about how programs are sustained (Mancini & Marek, 2007:3). Mancini and Marek (2007:5) also define sustainability as the capacity of programs to continuously respond to community or social improvement issues. Germuth (2010) defines program sustainability as the existence of multiple mechanisms and factors which allow a program to be effectively implemented over time. In the opinion of the researcher, the type of programme and the results to be achieved will determine what resources it will require, for how long the resources will be required and who should be responsible for allocating the resources in order for the programme to become sustainable.

According to Hayes and Bryant (2002:1-20) (sustaining an initiative over a long period of time requires a combination of internal resources from the initiative itself and the community.

These include:

- Leadership from management and board members;
- Access to technical expertise from within the organisation; and
- The existence of strong administrative and financial management systems.

External resources which are also needed for the sustainability of the program include;

- Support from policymakers, the public and other key stakeholders;
- Access to technical expertise from outside the organisation; and
- Engagement of community-based organisations, similar social initiatives and community members.

Hayes and Bryant (2002:1-20) also elaborates on eight critical elements for success to achieve sustainability. Although each initiative have its own unique goals and objectives, the following elements are crucial to most successful initiatives and can help to assist in developing short and long-term sustainability strategies. The eight elements include;

- **Vision:** The initiative should have a clear objective that describes how the initiative will improve the lives of communities or its target group for example unemployed persons. The initiative's vision should be clear in its activities as well and develop a plan for achieving its objectives. Without articulating its objectives, no initiative can be truly viable. The involvement of stakeholders and beneficiaries is important in the formulation of a vision; this also increases the likelihood of increased support and of having a shared vision.
- **Results orientation:** The initiative should demonstrate program success through measurable results for example establishing indicators and performance measures. This is crucial for building support from key stakeholders in the community. Stakeholder support will also increase the likelihood of a program having continued support if measurable results can be indicated. Regular measuring of progress towards the initiative's goals and objectives also provides program coordinators and potential

funders' information on what works for whom, under what circumstances, within what time frames and with what costs.

- **Strategic financing orientation:** It is also critical for program coordinators to develop a strategic financing orientation as this will enable them to identify resources they need to sustain their activities and then to develop strategies which will bring these resources together to achieve goals. The researcher pronounces that there will be certain facets of the initiative that can be financed and supported by other stakeholders who are either experts or are mandated to provide such support and assistance. Having a strategic financing orientation means that initiative leaders know what they want to sustain, what resources they need to sustain their activities and how to access those resources together in order to achieve their goals.
- **Adaptability to changing conditions:** The initiative should be able to adjust to changing social, economic and political trends in the community. This will enable the initiative to take advantage of the various opportunities that can help achieve sustainability. The initiative is then prepared and it allows them to identify and overcome external threats that can obstruct the continuation of the initiative. It is also crucial to engage in a strategic planning process that involves examining possible obstacles and opportunities that the initiative may encounter in future and that will help coordinators adapt to those conditions as they arise.
- **Broad-base of community support:** This is important to the long-term sustainability of community initiatives. The initiative is also more likely to achieve its objectives when stakeholders actively support their goals and activities. Stakeholders include local business, political and community leaders as well as others who have an invested interest in the beneficiaries' socio-economic circumstances or development. The beneficiaries' support and participation, who are the ultimate recipients of the products or services, in the community-based initiative is critical to the initiative's continued existence. In order for the initiative to achieve a broad base of community support, initiatives should establish a strong identity in the community. This can include providing opportunities for interest persons and groups to become more familiar with the initiatives mission and activities. The researcher believes that this will depend if the initiative is focused on improving one individual's or a few individuals lives. If it is focused on one individual, the amount of support from stakeholders might not be so broad than for a target group.

- **Key champions:** These champions include leaders from business, faith-based organisations, government and other individuals from the community who are committed to a program's vision and are willing to generate support for the initiative. It is important for initiative coordinators to be strategic and to base their selection of a champion on the type of initiative. For example, according to the researcher, if the initiative is focused on business development, the champion should be from the business community. Thorough research should also be undertaken in seeking such a champion as this can also play a role in maintaining active engagement in the initiative.
- **Strong internal systems:** Furthermore, to enhance continuous sustainability of an initiative, strong internal systems should be in place such as accounting and auditing procedures, monitoring and evaluation and management systems. A strong internal system complements accountability and quality control over program activities. Data from internal systems can provide information needed to constantly refine an initiative and its services. Regular monitoring of information and data can enable program coordinators to do changes continually to strengthen their efforts.
- **Sustainability plan:** This plan will provide key resources that are necessary for a program or initiative to continue. Good sustainability plans enables the developers of the program to clarify where they are and where they want to go. It helps beneficiaries understand what the initiative entails and why there is a need for it. It also provides program initiators an indication of where they are going and benchmarks for determining whether they are successful in reaching their goals.

Germuth (2010) also offers the following factors relating to sustainability.

- **Funding:** This is an important factor to consider and whether the initiative has one source of funding is funded through multiple sources and whether the economic climate in which the project is situated affects the initiatives sustainability.
- **Support:** Non-financial support such as political support and general advocacy impacts an initiative's sustainability. The more powerful the political supporter the more likely an initiative will be sustained especially if it addresses an important need.
- **Need:** The need also impacts the initiative's sustainability. A program is more likely to be sustained if it is recognised as addressing an important need. Therefore the initiative

should be located where the need is, where stakeholders can monitor how the need is addressed and can evaluate the results achieved.

- **Planning for funding and support:** Future planning should be done in advance to ensure the initiative's sustainability. Planning include funding sources, allocation of resources and further activities for the initiative.
- **Organisational capacity:** The initiative should have the capacity to be able to ensure activities can be executed that will ensure sustainability.

A sustained program is in consistent with its original goals and objectives, and includes the original beneficiaries it intended to serve. The following chapter on the Entrepreneurial Seed Fund Programme will also include the factor of sustainability and determine if these elements are evident in the Programme.

2.9 CONCLUSION

Entrepreneurship can be either socially or business-driven. Business entrepreneurship refers to an opportunity identified in the market, for which resources are required and if the opportunity is successful, a profit can be made. Social entrepreneurship refers to using business principles in order to make a social change either to the individual's or community's circumstances. Both business and social entrepreneurship have advantages and disadvantages as well as factors that influence its success and failure. The ultimate success of a venture is dependent on the sustainability elements that have been incorporated which will determine its viability.

CHAPTER 3

THE ENTREPRENEURIAL SEED FUND PROGRAMME

3.1 INTRODUCTION

This chapter gives an overview of the Entrepreneurial Seed Fund Programme (ESFP), when the Programme was initiated, the number of beneficiaries and what type of enterprises they have, what were the objectives of the Programme and if the desired outcomes were achieved. In conclusion, the support provided by the Cape Winelands District Municipality (CWDM) to the beneficiaries will be covered in order to determine its impact on the businesses of the beneficiaries.

3.2 BACKGROUND OF THE ENTREPRENEURIAL SEED FUND PROGRAMME

The ESFP was initiated in 2005 by the local economic development (LED) department of CWDM after feedback from the CWDM Small Business Programme which offers business training, mentorships and business linkages. Feedback received from small, medium and micro enterprises (SMMEs) included difficulty to access seed funding in order to purchase equipment and supplies and lack of support from institutions such as government and the private sector for initial operating costs. The ESFP procures equipment, as identified by the beneficiary, to assist and improve the enterprise's operations. Lack of resources such as finances and equipment are the cause of many business failures and also limits business growth to its full potential (Nieman, 2006:230). The seed funding provides a grant-in-kind which does not need to be repaid but it is expected of the beneficiary to provide monthly reports to the LED Department on the progress of the business. The officials of the LED Department should also be allowed access to the business premises of the beneficiary to physically see if the equipment procured are used for business purposes.

The CWDM's ESFP was developed within a micro and social entrepreneurship context. A social micro-entrepreneur recognises a social problem (poverty) and uses entrepreneurial principles to organise, create and manage a venture to achieve social change (a social venture) (Dees, 2009). A key characteristic of the Entrepreneurial Seed Fund (ESF) is that it encompasses business and social entrepreneurs. At the core, the Cape Winelands ESFP is an enterprise development programme aimed at building local capacity by assisting groups and individuals of impoverished communities to become self-reliant through entrepreneurship. Enterprise development helps people earn a living, raising them out of

poverty, creating jobs/job opportunities, empowering individuals and the communities within which it lives (Herrington *et al.*, 2010:19).

The ESFP has been done in partnership with the five local municipalities namely Stellenbosch, Breede Valley, Drakenstein, Langeberg and Witzenberg, the Small Enterprise Development Agency (SEDA) and the provincial Real Enterprise Development (RED). SEDA is the Department Trade and Industry's agency for supporting small businesses in South Africa and is also based in the Cape Winelands area. The Red Door project is an initiative of the Enterprise Development Sub-Directorate within the Western Cape's DTI which aims to promote the development of small and/or black-owned businesses. The ESFP through its selection and approval processes identifies, profiles and support promising, locally-driven start-up micro-enterprises working primarily in historically disadvantaged areas within the District to improve livelihoods, tackle poverty and marginalisation and generate employment opportunities for the poor (CWDM ESF Brochure, 2009d:3). Since the establishment of the ESFP approximately 188 SMMEs have received support as depicted in Table 3.1.

Table 3.1: Number of SMMEs supported by the ESFP

| YEAR | NO. OF SMMEs | BUDGET ALLOCATED |
|-------------|---------------------|-------------------------|
| 2005/2006 | 30 | R 207 000.00 |
| 2006/2007 | 16 | R 195 000.00 |
| 2007/2008 | 32 | R 510 000.00 |
| 2008/2009 | 49 | R 823 000.00 |
| 2009/2010 | 61 | R 2 680 000.00 |

Source: CWDM Evaluation Report: LED Project 2005-2009 (2010a:10)

The objectives of the ESFP will now be outlined.

3.3 OBJECTIVES OF THE ENTREPRENEURIAL SEED FUND PROGRAMME

The District Municipalities play a role of monitoring and facilitating service delivery at local municipalities (local level) as per the White Paper on Local Government (RSA, 1998:28). The CWDM has a strategic role to play to promote economic sustainable development and therefore implement developmental initiatives that stimulates economic development at local level. CWDM acknowledged its critical role in supporting emerging entrepreneurs in all areas under its jurisdiction and strives to create an enabling environment for SMME development.

The main objective driving the ESFP is a collective determination to support and inject capital to micro social and business entrepreneurs in poor communities to create employment opportunities for themselves and others. This support is through providing limited grant funding. The Programme also aims to provide support to beneficiaries so that they can assist in creating income opportunities, reducing poverty, promoting Broad-Based Black Economic Empowerment (B-BBEE), diversifying the local economy of Cape Winelands as well as to provide business and skills training to these beneficiaries directly through the CWDM Small Business Support Programme (CWDM Evaluation Report: LED Projects, 2010a:9).

The following section will give more information on the beneficiaries who have participated in the ESFP.

3.4 BENEFICIARIES OF THE ENTREPRENEURIAL SEED FUND PROGRAMME

Beneficiaries of the ESFP have ventures that range from formal small enterprises to non-registered micro business and from formal to informal community projects. The micro-enterprises that have and are participating within the ESFP are very diverse and they have different needs. Table 3.2 indicates the types of micro and social enterprises that have been supported by the ESFP. The ESF beneficiary is expected to portray attributes of both a business and social entrepreneur; which is to have a successful business and also to address poverty and social development within the community that it operates. Micro enterprises refer to enterprises that have no more than four regular workers (Smit, 2007:160). As stated above, these SMMEs operate in the formal and informal economies. Formal economy refers to working in an economy where an employee had a formal contract with an employer with pre-defined work conditions, job responsibilities and he/she receives a fixed salary. Informal economy refers to an employee having no formal contract of employment, no systematic work conditions and an irregular and uneven salary (Fundsforngos, 2009). The beneficiaries of the ESFP include survivalist, start-ups and well established stable enterprises. Survivalist enterprises do not employ anyone and includes enterprises such as vendors, hawkers and spaza shops (Smit, 2007:160).

Table 3.2: SMMEs supported by the ESFP

| TYPES OF SMMEs SUPPORTED |
|--|
| Panel beating enterprises |
| Tyre repair enterprises |
| Cleaning service enterprises |
| Tour operators |
| Gardening services |
| Furniture making enterprises |
| Florists |
| Crafters |
| Hair Salons |
| Tuckshops |
| Brick-making enterprises |
| Clothing design and manufacturing |
| Video production |
| Catering companies |
| Homestays – accommodation establishments |
| Waste recycling enterprises |

Source: CWDM Evaluation Report: LED Projects 2005-2009 (2010a:16)

Some of these enterprise owners have low level of business skills whilst others are more experienced. Beneficiaries on the ESFP have been included in the CWDM Business Support Programme which will be explained in the following section.

3.5 CWDM BUSINESS SUPPORT PROGRAMME

The ESFP coordinates access to business and skills development to support the beneficiaries on the Programme. The CWDM embarked on a Business Support Programme as a means to equip the beneficiaries with business mentoring and training. The Municipality further showed its commitment to work hand-in-hand with growing entrepreneurs by forming strategic partnerships with service providers who provides business skills, training and mentorship. The CWDM have entered into partnerships with two service providers respectively since the ESFP commenced. The aim of the Business Support Programme is to provide the necessary capacity to micro and small enterprises in order to ensure growth and sustainability in their businesses. The goal of the Business Support Programme is to grow the economy in order to create jobs and eradicate poverty by providing training and mentorship to beneficiaries. The Programme's objectives include:

- To facilitate job creation within the wider Cape Winelands economy;
- To sustain micro and small businesses that have been operating largely informally and assist them in becoming viable businesses;
- To promote the creation and growth of enterprises owned and managed by small business entrepreneurs;
- To facilitate the development of skills among business owners and employees as a mechanism to enhance sustainable practices and development;
- To assist start-up, emerging and established businesses with enterprise planning and development support; and
- To develop business support structures in order to cater for the varying needs of the SMMEs (CWDM SEDA Memorandum of Agreement, 2008:9).

Beneficiaries of the ESFP are included in the Business Support Programme for a one-year period. It is expected of the Business Support Programme service providers to submit quarterly reports on the progress of the beneficiaries in the training and mentoring sessions. The beneficiaries are also asked to submit a brief evaluation on their sessions with the Business Support Programme service provider. The Business Support Programme has provided the 265 beneficiaries of the ESFP with the opportunity to utilise the skills and mentoring for the advancement of their businesses and to improve their skills development.

The ESFP beneficiaries are also expected to fulfill certain roles within their communities and in the District.

3.6 ROLES OF THE ENTREPRENEURIAL SEED FUND PROGRAMME BENEFICIARIES

An entrepreneur is generally viewed as someone having a vision, spirit, intelligence and an art to make an enterprise, be it purely business or socially-driven, run successfully (WordPress,2008). From a social aspect, the entrepreneur is part of society and plays an important role in bringing new ideas, methods and objects for the welfare of society.

The roles of the ESFP beneficiaries will be based on the following reports:

- Monthly and quarterly progress reports submitted by the beneficiaries of the ESFP;
- Quarterly progress reports submitted by CWDM officials to the Council of CWDM; and
- Progress reports from the CWDM Business Support Programme's service providers.

As explained in chapter 2 (pages 5 and 12), there are different roles that entrepreneurs must play when embarking on being an entrepreneur. The roles of the ESF beneficiary include:

- **Poverty alleviator:** This role can be perceived as one of the most important to be fulfilled by the beneficiary. This is based on the main objective of the ESFP which is a collective determination to support and inject capital to micro social and business entrepreneurs in poor communities to create employment opportunities for themselves and others (CWDM Evaluation of LED Projects 2005-2009, 2010a:11). Another objective of the Programme is to address poverty and social development through entrepreneurship such as being a micro social entrepreneur in a community. The beneficiary is expected to create either self-employment, casual, permanent and seasonal jobs. These job opportunities can help to secure food security and contribute to local economic development which is important in fighting poverty.

- **Leader:** Mbeki (2011:1) gives the following definition of a leader: *“A leader is someone who identifies economic opportunities that can lead to the solution of overwhelming social problems or challenges facing his or her community and successfully persuades others to work with him or her to implement those solutions”*. The person applying for the ESF will be someone either operating or in the process of wanting to operate a micro social business and will therefore be the initiator or leader of such a venture. Mbeki’s (2011:1) definition therefore gives a clear indication of the most important role that the Seed Fund beneficiary should fulfill and that is taking the lead for positive changes in their personal lives or the lives of other community members. Other important attributes that should also be portrayed by the Seed Fund beneficiary as a leader of an entrepreneurial venture includes responsible decision-making, being confident and assertive.

- **Strategist:** Being a strategist is closely linked with leadership or being a leader. An entrepreneur also needs to think and act strategically as the owner and leader of the business or social venture. The following dimensions are explained by Amason (2011:257).
 - The business should be clear in its purpose of what it aims to change and achieve. Questions that should be frequently asked by the Seed Fund beneficiary is for example, why does this business or social venture exist and what is this venture’s vision? A vision is therefore needed as this can ensure continued motivation for the owner and employees of the business.

- Communication and motivation are key factors for the owner and all that are connected with the business. The Seed Fund beneficiary uses regular communication and motivation to implement the core functions of the business. This can either be for the beneficiary him or herself and/or for the employees. Regular communication and motivation also ensures that the vision becomes a reality.
 - A strategist should also strategise its inputs to obtain results. The entrepreneur such as the Seed Fund beneficiary needs to be aware that hard work and perseverance can ultimately provide success. Together with strategising; the threats, weaknesses, opportunities and strengths should be identified and act upon when arising. Within a micro social entrepreneurial environment many challenges arises but the beneficiary as a strategist should be pro-active and be driven to achieve positive outcomes.
- **Mentor:** Herrington *et al.* (2010:12) Global Entrepreneurship Monitor (GEM) reveals that South Africa is lagging behind other developing countries in promoting entrepreneurship. It also states that South Africa's early-stage entrepreneurial rate was 7.8 per cent compared to the average 13 per cent of other countries. There is therefore a lack of entrepreneurial spirit and culture in South Africa. The beneficiaries of the ESFP can also play the role of mentor to other beneficiaries and entrepreneurs. The beneficiaries of the Programme are in a position to tell others about their experiences and how entrepreneurship has affected their personal lives and those of the community.

3.7 FACTORS WHICH CONTRIBUTED TO THE SUCCESS AND FAILURE OF SEED FUND ENTERPRISES

In chapter 2 (25) it is highlighted that South Africa's failure rate of new and emerging SMMEs are one of the highest in the world. The GEM research programme states that the high failure rate of especially start-ups is well documented both domestically and internationally. It is estimated that between 60-90 per cent of start-up businesses fail within the first 5 years of their existence. Therefore, any programme designed to help start-up businesses will struggle to assist micro-entrepreneurs become sustainable. The ESFP also has its successes of both existing and emerging micro social businesses. The following successes have been identified.

3.7.1 Factors contributing to the success of Seed Fund Enterprises

Following are the most important factors contributing to the success of Seed Fund enterprises.

- **Passion:** The most important factor for the success of a Seed Fund enterprise is having the passion and ambition to start and/or grow the business in order to make a change to personal circumstances and fulfill the business vision. The beneficiary should be goal orientated and motivated to grow with the business and the confidence to face challenges. The passion of the entrepreneur can also be viewed by employees and community members as positive and inspiring attributes.
- **Location:** Dependent on the type of enterprises operated, the locality and accessibility of the Seed Fund beneficiary's business can be quite advantageous especially where there is a market for the products and services. A thorough market survey usually assists in determining the need for the business in the area. Beneficiaries are chosen from the five local municipalities within the Cape Winelands District and one of the main challenges is the distance between the main towns and its other smaller areas. The existence of small business within these towns and specifically smaller human settlements makes it more accessible and affordable for local communities to rather buy from local businesses than travelling to the nearest town for the needed product or service.
- **Niche:** Some beneficiaries also have the advantage of having a niche product or service. This requires research, up to date information of the customer's needs and constantly improving the service provided. Once again, the market must be established as this will enable the beneficiary to determine what niche can be filled. Together with having a niche product or service, effective marketing should also be done continuously.
- **Effort:** This is another important contributing factor to successful entrepreneur ventures. Even though the Seed Fund beneficiary has the advantage of receiving grant-in-kind funding from CWDM, growing a business requires effort and commitment. The beneficiaries who contribute more of their resources are more successful than those who are demotivated and who lacks encouragement.

- **Pricing:** The Seed Fund beneficiary also needs to be realistic of who the clientele is. As stated previously, the ESFP aims to support SMMEs in marginalised areas. Therefore, the pricing of products and services should be affordable and reasonable for communities to support the business. There is of course also the factor of quality products and services, which should also be considered. The pricing of products and services should therefore also be profitable for the beneficiary.
- **Focused relationship building:** The Seed Fund beneficiary will in most cases start his or her business from the community in which he or she lives. The beneficiary then has the advantage of being aware and informed of who the immediate customers will be. Good relationships building between business owner and customer can then be maintained; and with this trust and respect is also gained both ways. After all, it is the support and encouragement of the community that can also play a role in determining the business ultimate success and survival.

The contributing factors leading to the failures of the Seed Fund businesses include the following.

3.7.2 Factors contributing to the failure of Seed Fund Enterprises

In the context of the ESFP, the failure of the funded Seed Fund enterprises refer to those enterprises that becomes non-operational during the year of funding or those enterprises, that even after receiving their equipment, struggle to become operational.

- **Inadequate market research:** Seed Fund enterprises, like any other SMME, is dependent on an established customer base and the only way to secure such a base is to first do the necessary research to determine if there is enough clients who will support the business. It is even more challenging for Seed Fund beneficiaries to secure such a customer base as they are mostly situated in small settlements of the major towns in the District and the buying-power of these communities are also dependent on their circumstances such as employment etc.
- **Competition amongst SMMEs:** Another challenge for Seed Fund beneficiaries is that competition amongst small businesses is fierce and the market is saturated in some business areas for example sewing, crafts and catering businesses (CWDM ESFP Evaluation Report, 2010b). The consequence for this type of competition is rivalry

amongst SMMEs, and even Seed Fund beneficiaries, for their businesses to survive, flourish and grow. This also leads to beneficiaries having to decrease their prices against a loss which can then lead to the business failure. Seed Fund beneficiaries also experience a lack of capability to compete with strong competition especially with big local companies and very cheap imports.

- **Selling goods and service on credit:** Selling goods on credit remains a problem when clients do not pay for their goods and services received. According to those Seed Fund beneficiaries providing credit to customers, this is one method of gaining customers but it also creates serious challenges as they do not have systems in place to collect monies owed to the business. In many instances, the operations of the enterprise are dependent on the profit made for example a hair salon needs to buy hair products from the profit made in order to operate.
- **High rental cost of business premise:** Beneficiaries that rent business premises with rentals that they cannot afford also have a risk of closing their businesses at a later stage. Beneficiaries have various reasons for wanting to rent a premise but they do not necessarily consider if they will be able to make enough money to pay for the premise. Subsequently, the business will later start to experience cash flow problems and the non-or-short payment of the business premise can also lead to situations such as evictions and legal issues.
- **Limited resources:** Some beneficiaries have limited or no resources to cope with cost such as transport. For example there are beneficiaries living in smaller settlements who must hire a car to the nearest town to purchase extra supplies which are not available in their own area. Limited resources also includes beneficiaries not having all the equipment they need to provide a product or service and they are then forced to hire equipment from other suppliers which can also be costly.

Having an enterprise supported by CWDM, also includes a few advantages. These are discussed underneath.

3.8 ADVANTAGES OF A SEED FUND ENTERPRISE

The Cape Winelands ESFP is an enterprise development programme aimed at building local capacity by assisting groups and individuals of impoverished communities to become self-reliant through entrepreneurship (CWDM Evaluation Report: LED Projects 2005-2009, 2010a:5). The Programme has also made provision for beneficiaries to comment on the advantages of being a micro social Seed Fund enterprise. The following section focuses on the advantages of being a Seed Fund enterprise as communicated by beneficiaries.

3.8.1 Advantages of a Seed Fund Enterprise

- **Recipient of seed funding:** This is probably one of the major advantages as the seed funding is a grant-in-kind which does not have to be paid back to CWDM. The successful recipient of the seed funding has an opportunity to receive equipment or supplies for free which enables him or her to start or improve the business. It is also the choice of the Seed Fund recipient to decide what equipment or supplies him or she needs; this decision has an impact on the quality of the equipment or supplies that will be used for the business. CWDM is guided by what the beneficiary needs and the beneficiary in his or her own capacity would maybe never have been able to buy it themselves.
- **Inclusion in the CWDM Business Support Programme:** The Business Support Programme provides training and mentorship to the beneficiaries of the ESFP. The service provider of the Business Support Programme is sought by the CWDM according to a selection criteria and the municipality also covers all costs incurred. The beneficiary receives business training and mentorship for one year and it is expected of the service provider to do these services either in close proximity of the beneficiary or at the beneficiary's home. The beneficiary has an opportunity to receive business skills and training which can be used to improve the management of the business and if all requirements are met, the business can be registered on the database of Municipalities and other organisations.
- **Participation in LED Exhibitions and Trade Shows:** The CWDM creates a platform for interested beneficiaries to exhibit and promote their products and services at exhibitions and trade shows. Depending on the amount of exhibitions and trade shows which will be attended, the CWDM procure the space that will be utilised for the duration of the exhibition and trade shows. These exhibitions and trade shows gives an opportunity to

micro social enterprises in a specific sector or industry to showcase and demonstrate their products, services and examine market trends and opportunities. Key advantages also include business and customer contacts, launching of products and services and marketing communication which can raise the profile of the business brands for the duration of the exhibition and trade show (Mark Monitor,2011).

- **Networking sessions:** Networking sessions are also arranged amongst beneficiaries and which is facilitated by CWDM. These sessions gives beneficiaries the opportunity to learn from one another, a guest speaker is also arranged at each session to provide business tips and motivation to the beneficiaries and the beneficiaries can meet potential new business partners and clients. It also builds confidence when business ideas are presented to other beneficiaries or to an audience.

The researcher will at this stage not include disadvantages of the ESFP as the sustainability of the Programme will be researched which may possibly make reference to this. It can also be argued that the objective of the Programme is to be beneficial to micro enterprises and not to inflict any negativity.

3.9 SUSTAINABILITY ELEMENTS OF A SUCCESSFUL SEED FUND ENTERPRISE

The following elements of success have been recognised in micro enterprises which have been able to operate continuously throughout the year of funding and which were able to make profit. These beneficiaries have communicated the following through site visits and networking sessions the past five years.

- **Be willing to sacrifice by working hard:** Put a lot of mental and physical effort in developing, growing and establishing the enterprise.
- **Being enrolled in a Business Skills Programme:** Be eager to learn, improve your skills and develop new skills.
- **Set goals with realistic time frames:** Set clear, realistic but also demanding goals which you as the entrepreneur can benchmark against and set internal standards as well.
- **Keep up with new innovative trends:** Be keen to learn, inquisitive and seek more information through questioning and seeking new opportunities.

- **Have self-confidence at all times:** Believe in yourself as entrepreneur and in your venture. Do not be over-confident but recognise your own limitations and be willing to revise ideas in light of new experiences.
- **Multitask in your business:** Identify what is needed in the enterprise and follow the various tasks through to the best of your ability.
- **Work well with others and be loyal:** Value employees and clients, and motivate subordinates.

Other elements include:

- The business should be linked to an interest close to the heart;
- Do extensive market research and compile a comprehensive business plan;
- Have business acumen;
- Have a good understanding of business disciplines i.e. finance, marketing and human resources;
- Have passion, determination and focused client service;
- Build strong client relationships;
- Make sure the business establishment is accessible for example to the aged and people with disabilities;
- Be patient and take risks;
- The level of commitment is linked to the performance of your business; and
- Have a niche product or service.

3.10 CONCLUSION

The ESFP was initiated by CWDM to assist emerging and established social micro enterprises aimed at achieving the objectives of the Programme within the district. The Programme has been able to support 265 social micro enterprises by procuring goods and supplies as identified by the enterprises. The seed funding is a grant-in-kind and was created within a micro and social context. The ESFP has also been done in partnership with SEDA and the Provincial Red Door which also works specifically with SMMEs. The CWDM have also initiated the CWDM Small Business Support Programme to provide training and mentorship to the beneficiaries of the ESFP. The aim of this Programme is to provide the necessary capacity to small businesses and ensure their growth and sustainability.

The roles which define a Seed Fund entrepreneur includes mainly being a poverty alleviator, strategist, leader and mentor. As with a business or social enterprise, the Seed Fund

enterprise also has factors which contribute to its success or failure. These factors include respectively success factors such as focused relationships with customers and having a niche product; factors leading to failure include inadequate market research and limited resources. The CWDM also strives to create advantageous opportunities for the beneficiaries of the Programme such as networking sessions among small enterprises within the District and participation in LED Exhibitions and Trade shows. A few of the key sustainability elements as mentioned by beneficiaries of the ESFP includes working hard, setting realistic goals and multi-tasking in the enterprise.

The ESFP is inclusive of informal and formal micro enterprises which include businesses such as crafters, florists and panel beating enterprises and so forth.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The aim of the research was to investigate how successful the Cape Winelands District Municipality (CWDM)'S Entrepreneurial Seed Fund Programme (ESFP) has been, and if the funding provided could enable enterprises to have sustainable business in the district. Creswell (2008:12) defines research as a process of steps used to collect and analyse information to increase our understanding of a topic or issue. This chapter will therefore explain how data was collected from a selected sample, and how the data was analysed in order to understand the reasons for the failure and successes of the small businesses supported by CWDM. This chapter will include the research design and process, selection of sampling, data collection, data analysis and limitations of the research.

4.2 RESEARCH DESIGN

The researcher based the choice of a research design on the researcher's assumptions, skills and practices. This influence the way he or she collected the data. These assumptions, skills and practices refer to the most suitable method, according to the researcher, which explained the question being investigated and its findings. This method will focus on the most suitable research process and the kind of tools and procedures to be used. It will also include specific tasks in the selection of the sampling and the data collection, and focus on the steps in the research process and procedures.

The researcher used evaluation research to determine the reasons for the success or failure of small businesses supported by the CWDM. An evaluation can be defined as the systematic assessment of information to provide useful feedback about an object (Answers.com, 2011). In the context of the research study, the object referred to a programme initiated by local government to support small businesses in their growth and establishment. The evaluation was therefore done to provide feedback and recommendations to CWDM and other similar funders for the implementation of similar programmes in order to ensure sustainability. Within evaluation research there exists two groups, namely formative and summative evaluation.

Formative evaluation strengthens or improves the object being evaluated and examines the delivery of the program, the quality of its implementation and the assessment of the

procedures and input (Answers.com, 2011). It includes the following formative evaluation types;

- Needs assessment which determines who needs the program and how great is the need;
- Evaluability assessment which determines whether an evaluation is feasible;
- Structured conceptualisation which defines the program and target population;
- Implementation evaluation which monitors the fidelity of the program; and
- Process evaluation which investigates the process of delivering the program including alternative delivery procedures (Answers.com, 2011).

The second type of evaluation is summative evaluation. Summative evaluation examines the outcome and effects by assessing what happened subsequent to the delivery of the programme, whether the said outcome has been achieved and the overall impact (Answers.com, 2011). This can be divided into the following summative evaluation types:

- Outcome evaluation investigates whether the programme caused demonstrable effects on specifically defined target outcomes;
- Impact evaluation assesses the overall effects, intended or unintended, of the programme as a whole;
- Cost-effectiveness and cost-benefit analysis address questions of efficiency by standardising outcomes in terms of their costs and values;
- Secondary analysis re-examines existing data to address new questions or use methods not previously employed; and
- Meta-analysis integrates the outcome estimates from multiple studies to arrive at an overall or summary judgment on an evaluation question (Answers.com, 2011).

Based on the above, the researcher used the outcome evaluation research type. This research design was chosen in order to answer the research topic whether the ESFP is sustainable and if the intended outcomes of the Programme were achieved.

4.3 RESEARCH PROCESS

This study consists of an empirical approach to the research method. Empirical research can be defined as research that is guided or based on the outcomes of observations (Leedy & Ormrod, 2009:67). The empirical approach in this research study consists of primary

research collection of data through the use of a structured interview schedule, a questionnaire as well as secondary research which refers to the literature that was reviewed in Chapter 2.

The research method adopted to conduct this research study is a qualitative approach. Qualitative research as explained by Nieuwenhuis (cited in Maree, 2010:47-48) is an umbrella term for a range of qualitative research strands that have developed over the years. Nieuwenhuis, Poggenpoel and Myburgh (2006:304) define qualitative research as a “deep holistic exploration and description of an identified phenomenon” and argue that the rationale of qualitative research is to provoke realisation and not to examine theory. Handwerker (2006:63) also highlights qualitative research as the need for the researcher to understand and explain the events of a specific set of people. The qualitative approach afforded the researcher the opportunity to have a better understanding of delivering and managing a programme which provides funding to emerging and established SMMEs.

4.4 THE SAMPLING METHOD

Sampling refers to the process used to select a portion of the population for a research study (Nieuwenhuis, cited in Maree, 2010:79). The population for this study comprises of beneficiaries of the CWDM ESFP. The beneficiaries are located throughout the five municipal areas of the Cape Winelands and are owners of their own businesses. According to Walliman (2011:95 & 96) there are two types of sampling i.e. non-probability and probability sampling. The researcher made use of non-probability sampling. Non-probability sampling is based on selection by random means and is useful for certain studies such as quick surveys where it is difficult to get access to the whole population (Walliman, 2011:96).

The sample was done by making use of a random digit table. A random digit table is a published table of numbers that is statistically viable for choosing random numbers and everyone has to have the same opportunity of being selected (Mark Monitor, 2008). It does not matter how the sample is chosen from the table; it can either be by row, column, diagonal or irregular. The LED Officer that was interviewed came from one of the five municipal areas that were randomly selected using the random digit table. There are five municipal areas within the boundaries of CWDM in total and the researcher identified a LED Officer from one of these municipalities to conduct the interview with.

The researcher gained access to the database of the ESF through a letter of permission compiled by the researcher to CWDM. All successful and unsuccessful beneficiaries per financial year, starting from 2005 when the Programme commenced till 2010, were identified by the interviewed LED official. The beneficiaries interviewed were also chosen through the random digit table. The ten beneficiaries chosen from the municipal area represents five successful and five unsuccessful beneficiaries (out of the population of fifty). Number 01 to the highest number, depending on overall number of successful and unsuccessful beneficiaries, was allocated to beneficiaries. The first five beneficiaries that matched with the first five numbers on the random digit table were the ones interviewed. The total population of recipients who received support is 188.

4.5 DATA COLLECTION

The researcher started the process of data collection by making contact with the ten selected participants through telephonic communication. The researcher then telephonically engaged the selected beneficiaries and invited them to participate by availing themselves to be interviewed in the research study. Interviews were scheduled as participants indicated their willingness and availability to participate in the study. The researcher then explained the purpose of the research study and invited the participants to partake in the study. Furthermore, the researcher explained that their participation will be voluntary and assured the participants that they are indemnified from any harm or harassment resulting from the research study. On indication that they were willing and prepared to partake in the research study, the researcher scheduled an appointment around the availability of the selected participants. The researcher also explained the informed consent form to the participants, its purpose and they were then requested to sign the form.

The researcher collected data by interviewing both the LED officer and the sample of beneficiaries through face-to-face interviews based on questions in the respective interview schedule and questionnaire (Annexure A and B) regarding the ESFP. A structured interview involves one person asking another person a list of predetermined about a carefully-selected topic (Changingminds.org,2012). Interviewing in a qualitative study provides the researcher with empirical data and additional information by means of individual interviews (Holliday, 2007: 56). The interview schedule for the LED Official was based on ten open ended questions which dealt with the official's experience in managing the ESFP. Open ended questions are structured to draw information from the respondents such as asking the

respondent to think and reflect about the questions posed, to give opinions and it gives control of the conversation to the respondent (Integrity Solutions Blog, 2009:1).

A structured questionnaire was used for the sample of five successful and five unsuccessful businesses. Both open and closed questions were used in the questionnaire. Open questions afford the respondent an opportunity to give detailed responses whilst closed questions will receive quick and easy responses (Bailey & Mouton, 2005:31). The questionnaire was divided in two sections, namely:

- Part 1: Biographical questions which refers to questions on the respondent's name, gender, age etc.; and
- Part 2 and 3: Filter and follow-up questions which are used to obtain further information from the preceding questions. These questions posed to the respondents was to determine the status of the business before and after receiving the seed funding as well as the funding's impact on the business. In total, the structured questionnaire contained twenty-two questions.

4.6 DATA ANALYSIS

Data analysis will be done by looking in detail to the information provided by the successful and unsuccessful businesses who participated. The researcher grouped participants' responses separately and analysed the data as per interview conducted. Data was then sorted under themes; additional themes and concepts were then concluded (Holliday, 2007: 111). All the information gained from the interviews which speaks to one theme was put in one category. The information within the categories was compared and variations derived. The categories were cross compared to discover connections between the themes. The goal was to integrate the themes and concepts into a theory that provides accurate and detailed interpretation of the research conducted. The researcher was then able to identify linkages among the participants and highlight similarities between the successful and unsuccessful businesses. The data from the interviewed LED Official was also analysed and enabled the researcher to outline the official's views and opinions regarding the Programme.

4.7 LIMITATIONS OF THE STUDY

The possible constraint facing the conducting of this study includes the time allocated to the research. This will not enable the researcher to investigate other LED initiatives and

compare it to the initiative of the ESFP. The time factor will also not allow the researcher to interview all four other LED officials from the local municipalities within the boundaries of CWDM.

4.8. CONCLUSION

This chapter explained the research design, process and data collection method that guided the researcher. Explanatory, descriptive and evaluation research types were employed in the research design with specific focus on outcome evaluation which is most suited for this type of research. The research process that was followed was a qualitative approach. Both primary and secondary data was used through an interview schedule and questionnaire; whilst secondary data was obtained from the literature reviewed. Non-probability sampling was used by focusing on purposive, quota and convenient sampling methods. The selection of the sample from the population which includes the LED official and the five successful and five unsuccessful businesses was obtained from a random digit table. The data collection was done with the compilation of an interview schedule and structured questionnaire, open ended and closed questions were used as well as filter and follow-up questions. Data analysis was done by grouping the responses of the participants according to themes and comparing similarities and different opinions.

CHAPTER 5

RESEARCH FINDINGS AND ANALYSIS

5.1 INTRODUCTION

This chapter explains the findings and analyses of the collected data. The previous chapter outlined the research method and the collection of data through a structured interview schedule and a questionnaire. This chapter will therefore outline the answers and opinions of both the selected LED Official and the selected ten successful and unsuccessful ESFP beneficiaries to the questions and statements posed.

The data analysis will be done by looking in detail to the information provided by the participants. This information will be grouped in themes and an overall explanation will be developed in the analysis.

5.2 LED OFFICIAL'S INTERVIEW

The researcher conducted a structured interview with a randomly selected LED Official from one of the five local municipalities. The interview was done at the convenience of the interviewee. The interview lasted approximately three hours, dependent on the interviewee's responses during the interview. The researcher has kept the completed interview schedule safe in a filing drawer.

The following information was disclosed during the interview and has been organised according to themes.

5.2.1 Experience in working with the ESFP

The first question attempted to determine the years of managing the ESFP and what the interviewed official's experience has been in managing this Programme. In response to this question, the official answered that he has been working with the ESFP since 2008 and by then the Programme has been in existence for three years. A follow-up question arose where the interviewer enquired if there were processes in place such as selection, monitoring and evaluation processes when the official was appointed. The official responded that there were processes in place but a few has changed over time. The majority of businesses assisted are micro enterprises who are starting a business to support

themselves and their families. There are certain specific commonalities between some of these enterprises pertaining to their challenges and successes. The interviewed official also added that there are a variety of enterprises from different sectors that have been supported for example tourism, services and manufacturing.

5.2.2 How realistic are the objectives of the ESFP?

The second question attempted to determine what is the view of the interviewed official regarding how realistic and achievable the objectives are of the ESFP. According to the interviewed official, he does not think that the beneficiaries necessarily realise that they can make a positive contribution to job creation and poverty alleviation within their communities through their enterprises. The interviewed official is of the opinion that the Programme's objectives of creating income opportunities and reducing poverty can indeed be realised irrespective of it being a small, medium and micro enterprise but the business concept should be well thought through and the market research is of utmost importance.

5.2.3 Knowledge of policies which guides the ESFP

The third question referred to what policies guide the ESFP and if the interviewed official are familiar with it. The interviewed official responded that according to his knowledge, there are policies at national level which pertains to small businesses. These include the National Small Business Act (102 of 1996a) which gives a detailed description of survivalist and micro enterprises which refers to the majority of businesses supported by the ESFP. Furthermore, according to the interviewed official, municipalities are also obliged by legislation to look after the economic well-being of the communities as documented in the Constitution (RSA, 1996b) and the White Paper on Local Government (RSA, 1998). The interviewed official expressed that these policies encourages government entities to provide support to small and micro enterprises either through financial or non-financial support. The beneficiaries of the ESFP are responsible, according to the Municipal Finance Management Act (56 of 2003) (RSA, 2003), to report to the municipality regarding the progress of their businesses. This is done because of the funding that is provided in the form of a grant.

5.2.4 Understanding of social entrepreneurship

This question was posed to determine the interviewed official's perception of social entrepreneurship. The interviewed official responded that he is not known with the term social entrepreneurship but according to him it might be a way of doing business in a social type of way where you would involve the community or a group of street children and then maybe the coordinator can give them a fee for their work.

5.2.5 Criteria in selection of ESFP beneficiaries

Question five referred to the criteria used in selecting the beneficiaries. The interviewed official responded that the criteria that are currently used have been designed by the District Municipality. The criteria look at if the applicant's business is meeting the objectives of the Programme, if the applicant has completed the sections on finances, marketing and how the business will operate, if the financial needs of the business is outlined, will the business be viable and worth funding and finally if there have been market and customer analysis and if the sales forecast are believable. There is an evaluation panel, comprising of the District Municipality, local municipality and business experts such as organisations working with small businesses who evaluates the applications. Site visits are also conducted when selecting the final amount of beneficiaries.

5.2.6 Contributing factors in success or failure of business supported

Question six determines what, according to the interviewed official, are the contributing factors to the success and failure of the funded businesses. The interviewed official responded that it should be noted that the Municipality supports businesses with the view that the equipment or goods procured will help the businesses be successful; but it has also been experienced that it is not a guarantee that there will only be successes. The success of some of these funded businesses depend on what they are selling, to whom and why; and in the case of the support from the municipality, it depends on how the items procured is assisting the business in a positive way. Even if they are not making a huge amount of profit; if the business is operating it can be viewed as being run in a successful way. The factors leading to the failure of businesses also have a variety of reasons; it depends on the type of business. The reality is that these businesses are rarely located in the central business area of the main towns and this influences the business owner's support received from the public.

Another factor which is also contributing to the failure of these businesses, are that communities do sometimes not support local entrepreneurs; the importance of entrepreneurship is not realised especially in the rural communities. The interviewed official is also of the opinion that commitment, honesty and attitude ultimately determine if the entrepreneur's business will be successful or not.

5.2.7 Supporting initiatives for businesses which fails

This question determined what initiatives have been put in place to help those funded businesses who fail. The interviewed official responded that the Municipality does not currently have supporting initiatives in place but there is the Business Support Programme which gives support to the business during the year of seed funding support. It is hoped that the facilitators and business advisors of this programme can identify the challenges experienced by the beneficiaries in that specific time in order to do interventions. These interventions will be in the form of specified training or mentorship; but after the year, new beneficiaries will partake in the Business Support Programme and the previous year's beneficiaries will not take part. The interviewed official is aware that the beneficiaries build relationships with the facilitators and business advisors and in most cases they will approach them afterwards if they need further assistance. The interviewed official mentioned that he will also try to refer failing businesses to other government departments and institutions which provide funding and small business assistance.

5.2.8 Monitoring and evaluation mechanisms

This question was asked in order to be informed if monitoring and evaluation are taking place and how. The interviewed official responded that monitoring and evaluation takes place on a quarterly basis by conducting site visits to each funded business and completing a question sheet with the beneficiaries. Some of these questions include how the business have grown, how is the equipment procured assisting the business, what is the condition of the equipment, is the equipment there, what challenges are experienced, how was the training and mentoring experienced etc. After this a report is compiled to Council. The beneficiaries are also expected to complete monthly reports on the status of their businesses; these include profit and losses made, new clients gained and new business activities. The interviewed official also attends some of the training and mentoring sessions to monitor if the beneficiary is attending and participating. The service provider of the Business Support Programme is also expected to submit a progress report on each of the

businesses; this is also viewed as a monitoring and evaluation tool. Usually the District Municipality would organise an engagement between the Portfolio Councillor, LED Department and beneficiaries to ascertain what their challenges and successes are; this can also be viewed as evaluation according to the interviewed official.

5.2.9 The role of small businesses in disadvantaged communities

The question was to determine if small businesses play a role in society, especially in disadvantaged communities. The interviewed official responded that there is definitely a role for small business in communities especially the area in which he works. A high rate of unemployment exists coupled with social problems in poorer areas. This causes situations where for example the youth such as matriculants cannot further their studies due to limited funding. Entrepreneurship can then be introduced to these individuals and they can start a career as an entrepreneur. Technical support should also be provided there like training and mentorship. This will also enhance personal development. Businesses that have been supported in the poor rural areas have enabled the owner to provide food to his or her family and an income. If the small business can at least create two or three other jobs, it will be an advantage to the community.

5.2.10 Recommendations for the sustainability of ESFP

The final question focused on the interviewed official's recommendations for the sustainability of the Programme. The interviewed official recommended the following:

- Training and mentorship should be more focused on the type of businesses supported and not general business training and mentorship; a one size fits all approach is not always effective according to the interviewed official.
- Officials should also undergo training in how to mentor the funded business because currently the requirements refer to project management skills but skills in small business can be beneficial in monitoring and evaluating the progress of the businesses.

The findings of the interviews with the selected successful and unsuccessful beneficiaries will be discussed in the next section.

5.3 INTERVIEWS CONDUCTED WITH BENEFICIARIES

The researcher completed a structured interview with both the randomly selected five successful and five unsuccessful Seed Fund beneficiaries. The interview was done at the convenience of the interviewees. The interviews lasted approximately four hours, dependent on the interviewees' responses during the interview and were scheduled on different days as the researcher had to travel by car to interview the respondents. Additional field notes were also made during the interview. The researcher has kept the completed questionnaires and additional field notes safe in a filing drawer. The following information was disclosed during the interview. The information has been organised according to the three themes in the questionnaire namely geographical and official business information, the business performance of the business prior and after the seed funding and the impact thereof and the social performance of the business prior and after the seed funding and the impact thereof.

5.3.1 Biographical and official business information of successful and unsuccessful beneficiaries

The first section of the questionnaire referred to questions regarding the type of business and business registration, when the business was started, gender and age of the owner, how much funding did the beneficiary receive and what year. The information collected from the five successful and five unsuccessful beneficiaries are explained in Table 5.1 and Table 5.2.

Table 5.1: Biographical information of successful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|------------------------------|-----------------|-------------------------------|-------------------|-------------------|-------------------|
| TYPE OF REGISTRATION | Sole Proprietor | Close Corporation | Close Corporation | Close Corporation | Close Corporation |
| YEAR BUSINESS STARTED | 2005 | 2006 | 2007 | 2009 | 2008 |
| TYPE OF BUSINESS | Sand blasting | Selling frozen and dried fish | Catering | Funeral parlor | Ambulance service |
| GENDER | Male | Male | Female | Female | Male |
| AGE | 34 years | 53 years | 50 years | 41 years | 51 years |
| YEAR OF FUNDING | 2005 | 2009 | 2007 | 2009 | 2010 |
| AMOUNT OF FUNDING | R10 000 | R 43 934.00 | R10 000 | R 43 934.00 | R 20 000 |

Table 5.1 indicates the biographical information of the successful beneficiaries businesses. This includes that four of the businesses are registered as close corporations and one as a sole proprietor. The type of businesses includes sandblasting, selling frozen and dried fish, catering, a funeral parlor and ambulance service. These businesses started from 2005 to 2008 and three are owned by males and two by females. The business owners' ages' ranges from 34 to 51 years and three of these businesses started their businesses when they received their funding which means that they were emerging businesses. Their funding amounts ranged from R10 000 - R43 934.

Table 5.2: Biographical information of unsuccessful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|------------------------------|---------------------|------------------------|---------------------------|----------------|---------------------------|
| TYPE OF REGISTRATION | Sole Proprietor | Not Registered | Uncertain of Registration | Not Registered | Close Corporation |
| YEAR BUSINESS STARTED | 2009 | 2009 | 2003 | 1997 | 2009 |
| TYPE OF BUSINESS | Fast Food Take Away | Manufacture Sport Wear | Needlework | Spaza Shop | Manufacture Wooden Houses |
| GENDER | Female | Female | Female | Female | Male |
| AGE | 48 years | 43 years | 39 years | 62 years | 46 years |
| YEAR OF FUNDING | 2009 | 2009 | 2006 | 2008 | 2009 |
| AMOUNT OF FUNDING | R43 934.00 | R 43 934.00 | R19 000 | R 15 000.00 | R 43 934.00 |

Table 5.2 indicates that two of the unsuccessful businesses are not registered, one is not sure of the type of registration and one is registered as a sole proprietor and the other as a close corporation. Three of the businesses started 2009 and the other two 2003 and 1997 respectively. The unsuccessful businesses include a fast food take away, sport wear manufacturer, needlework, spaza shops and a manufacturer of wooden houses. Four of these business owners are females and one male. Their ages range from 39-62 years old and three started their businesses the year of receiving seed funding whilst the other two started their businesses before the funding. The amount of funding received also ranges between R15 000 and R43 934.

5.3.2 Business performance of successful and unsuccessful beneficiaries

The successful beneficiaries were asked to indicate what has been done in order to keep the business operational; whereas the unsuccessful were asked to indicate what led to the business not being operational. The beneficiaries were also asked to indicate their target markets and main competitors. This section also aimed to determine what the status of the business was before and after receiving the seed funding and the impact thereof. Specific questions regarding this included were there a business plan prior to the funding, what were the services or products prior to the funding of the business and who the market was. Questions to determine what the business status was after the funding included was the business plan reviewed, were new marketing opportunities investigated and was a livelihood provided to the business owner. The impact of the seed funding focused on how the Seed Fund strengthened the business, what the impact of the equipment and goods procured were and did the Seed Fund contribute to the business being worth more in monetary value. The data collected on these questions have been covered from Table 5.3 to Table 5.10

Table 5.3: Business performance of successful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|-------------------------|-------------------------------|--|---|--------------------------------|
| REASONS FOR BUSINESS STILL BEING OPERATIONAL | Introduced new products | Having a constant client base | Word of mouth marketing | Quality Service | Quality Service |
| WHO IS YOUR TARGET MARKET | Community, government | In town and surrounding town | Government departments and private clients | In town and surrounding areas | Province |
| WHO IS YOUR COMPETITION | One similar business | In town | Two other caterers in town | Approximately six other funeral parlors in town | Established emergence services |

Table 5.3 explains the business performance of the successful beneficiaries. The successful beneficiaries indicated that the reasons why their businesses were still operational included introducing new products, having a constant client base, doing word of mouth marketing and giving a quality service. The target markets of these businesses include the community, government, private clients and surrounding towns. These businesses are in competition with one to six similar businesses which are either in their towns and with more established businesses.

Table 5.4: Status of successful businesses prior to seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|-------------------------------|---|-----------------------|---------------------------------------|--|---|
| BUSINESS PLAN IN PLACE | Yes | Yes | No | Yes | Yes |
| BUSINESS OPERATIONS | Art and sandblasting | Dried and frozen fish | Catering | Funeral and marketing of funeral policies | Medical duties, first aid training and transportation of patients |
| TARGET MARKET | Community and surrounding areas of town | Two towns | Government and private clients | Town and surrounding areas | Sport events at schools, companies, in communities |
| ANNUAL TURNOVER | Could not declare | Could not declare | Business started year of seed funding | ±R50 000 ±R55 000 ±R60 000 ±R65 000 | R100 000 |

Table 5.4 indicates the status of the business before receiving the seed funding. All five successful businesses had business plans in place and their business operations were then the same as it is currently. Their target markets then included the community, surrounding towns, schools, companies and private clients. Two of the businesses indicated their annual turnover ranged from approximately R50 000-R100 000; two other businesses could not declare their turnovers and the other one only started the business after receiving the seed funding.

Table 5.5: Status of successful businesses after seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|---|-----------------------------------|--------------------------------------|---|-----------|
| BUSINESS PLAN IN PLACE, REVIEWED & UPDATED | Yes | No | No | No | Yes |
| MARKETING NETWORKS ESTABLISHED & NEW OPPORTUNITIES INVESTIGATED | Yes, includes schools and classes for community | Yes, includes a new selling point | Processing and selling meat products | Yes, new office established in nearby towns | No |
| ANNUAL TURNOVER | R72 000 | R36 000 | ±R75 000 | ±R150 000 | ±R300 000 |

Table 5.5 indicates the status of the successful businesses after receiving the funding. Two of these businesses have had their business plans reviewed and updated whilst three did not. Four of these businesses also investigated new opportunities and ventured into new markets whilst the fifth business continued with its initial operations. The annual turnover of

these businesses after receiving the funding ranged from R 36 000 to approximately R 300 000 per annum.

Table 5.6: Impact of seed funding on successful businesses

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|---|-----------------------------|--|--|---|
| DID YOUR BUSINESS PROVIDE A LIVELIHOOD | Yes | Yes | Yes | Yes | Yes |
| HOW DID SEED FUND STRENGTHEN BUSINESS | A compressor could be bought | Sales have increased by 80% | Could buy needed utensils for business | No more hiring of equipment and extra hiring costs | Can give a professional service because of equipment procured |
| IMPACT OF EQUIPMENT RECEIVED | Community and surrounding areas of town | Two towns | Government and private clients | Town and surrounding areas | Sport events at schools, companies, in communities |
| IS THE BUSINESS WORTH MORE AND HOW MUCH IN MONETARY VALUE | Yes. Could not provide value | Yes. ±R80 000 | Yes. Could not declare | Yes. The value of the seed funding- R43 934.00 | Yes. ±R500 000 |

Table 5.6 indicates the impact of the seed funding on the successful businesses. All five businesses indicated that the Seed Fund assisted their businesses in providing a livelihood. These businesses could also indicate that the Seed Fund did strengthen the business in various ways for example through increased sales, providing a professional service, cutting costs on hiring equipment and obtaining the equipment needed for the business. The equipment procured for the businesses through the seed funding has been useful in the businesses, could meet the customers' needs, a professional service could be provided and an extra income could also be provided through the hiring of the equipment. The business owners indicated that the seed funding did increase the value of their businesses; two of these businesses could not indicate by how much whilst the other three estimated between R43 934 - R500 000.

Table 5.7: Business performance of unsuccessful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|----------------------|----------------------------------|--------------------------------|------------------------------------|--------------------------------------|
| REASONS FOR BUSINESS BEING NON-OPERATIONAL | A lot of competition | Could not afford to pay the rent | Does not have enough cash flow | Premise was not zoned for business | Could not secure financing from bank |
| WHO WAS YOUR TARGET MARKET | Community | Community | Tourists, community | Community | Community |
| WHO WAS YOUR COMPETITION | Similar businesses | Similar businesses | Did not have competition | Did not have competition | Did not have competition |

Table 5.7 explains the business performance of the unsuccessful beneficiaries. The unsuccessful beneficiaries indicated that the reasons why their businesses are not operational included competition, could not afford to pay the rental, not having enough cash flow, premise not zoned for business and could not secure financing from bank. The target markets of these businesses included mainly the community and tourists. Three of these businesses indicated that they did not have competition and two had competition from similar businesses.

Table 5.8: Status of unsuccessful businesses prior to seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|-------------------------------|---|--------------------------------------|--------------------------------------|-------------------------|--------|
| BUSINESS PLAN IN PLACE | No, business started year of seed funding | No | Yes | Yes | No |
| BUSINESS OPERATIONS | No, business stated year of seed funding | Clothing manufacture and alterations | Needlework | Selling household goods | No |
| TARGET MARKET | No, business started year of seed funding | Current town | Tourists and people in the community | Current community | No |
| ANNUAL TURNOVER | No, business started year of seed funding | No turnover | No turnover | R96 000.00 | N0 |

Table 5.8 indicates the status of the unsuccessful businesses before receiving the seed funding. Three of these businesses did not have business plans in place before applying to the seed funding whilst the other two did. Prior to receiving the seed funding, three of these businesses were operational and the other two did not operate a business. Their target markets then included the community and the town area as well as tourists. Four of these

businesses did not have an annual turnover whilst one business had an estimate turnover of R96 000.

Table 5.9: Status of unsuccessful businesses after seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|----------|-----------------------------------|-------------------|---|--|
| BUSINESS PLAN IN PLACE, REVIEWED & UPDATED | Yes | Yes | Yes | No | No |
| MARKETING NETWORKS ESTABLISHED & NEW OPPORTUNITIES INVESTIGATED | No | Yes, business plan indicates this | No | Did word of mouth marketing, no new opportunities | No |
| ANNUAL TURNOVER | ±R60 000 | ±R20 000 | Could not declare | Could not operate business anymore | Business never started due to access financing |

Table 5.9 indicates the status of the unsuccessful businesses after receiving the funding. Three of these businesses had their business plans reviewed and updated whilst two did not. Two of these businesses investigated new opportunities whilst the other three businesses not. The annual turnover of two of these businesses after receiving the funding ranged from R20 000 to approximately R60 000 per annum whilst the other two could not declare and one business never started the business at all.

Table 5.10: Impact of seed funding on unsuccessful businesses

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|---------------------------------|--|--|--|---|
| DID YOUR BUSINESS PROVIDE A LIVELIHOOD | Yes | Yes | Yes | Yes, a job opportunity | No, business never started |
| HOW DID SEED FUND STRENGTHEN BUSINESS | It help to start business | Could have the machines and material which were not affordable for the beneficiary | Could have the machines and material that were needed for the business | The stock procured helped the business a lot | It was strengthened by the allocated amount of R43 934.00 |
| IMPACT OF EQUIPMENT RECEIVED | Only helped a bit | Could provide items to customers | Embroidery machine helped a lot as the business did not have this before | No equipment was procured just stock | The equipment has not been used |
| IS THE BUSINESS WORTH MORE AND HOW MUCH IN MONETARY VALUE | Yes. Could not declare how much | Yes. Could not declare | Did not understand question | Yes. R15 000 but only at the time of receiving funding | Not applicable |

Table 5.10 indicates the impact of the seed funding on the unsuccessful businesses. Four of the businesses indicated that the Seed Fund assisted their businesses in providing a livelihood and the fifth business never started his business at all. The seed funding did

strengthen the businesses by enabling the entrepreneur to start the business, machines and material were bought and having enough stock assisted the businesses immensely. The unsuccessful businesses mentioned that the impact of the equipment procured included the following; it helped the business in a minor way, the customers could be provided with items, equipment was bought which the owner could not afford and the business were boosted with the procurement of stock. Three of the businesses indicated that the seed funding did increase the value of their businesses though two could not provide an estimate. The other business did not understand the question and this indicator was not applicable to the fifth business due to the business that never started to operate.

5.3.3 Social performance of successful and unsuccessful beneficiaries

This section focused on the how the businesses performed socially and was divided into three categories namely the social performance of the business prior and after receiving the funding as well as the impact thereof. The social performance of these businesses can be viewed as relevant to the objectives which the CWDM wants to achieve for its beneficiaries and the communities where these businesses are located. Table 5.11 to 5.16 reflects the responses of the successful and unsuccessful businesses to the questions posed in the questionnaire.

Table 5.11: Social performance of successful beneficiaries prior to seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|--|---|---|---|---|
| POTENTIAL BENEFITS FORESAW WHERE BUSINESS IS LOCATED | If business could obtain the equipment, business can improve | There was a shortage of supply in the product and it will be the supplier in the area | To obtain the equipment needed | To obtain the necessary equipment | There will always be need for such a business |
| CONDITIONS NEEDED FOR BUSINESS TO CONTRIBUTE TO ECONOMIC DEVELOPMENT | Business required a financing | Product is a scarcity in the town and therefore financial assistance were needed | Funding will assist financially, can provide job opportunities and assist in community events | Business skills and to transfer skills to employees | To provide sustainable jobs especially in rural areas |

Table 5.11 explains how the successful beneficiaries performed on a social basis before receiving the funding. The first indicator determined the benefits the beneficiaries anticipated in relation to the location of the business. Three SMMEs indicated the benefit foreseen had been to obtain the equipment of which one said the equipment have been to improve the

business. The other two businesses indicated that there was a shortage of the product in the area and the entrepreneur would have been the only supplier. The second indicator determined what conditions were needed for the business to be able to contribute to economic development. The successful SMMEs provided different answers to this indicator; SMME 1 required financing, SMME 2 required the financial assistance as the product was a scarcity in the area, SMME 3 required the funding in order to provide job opportunities and to assist in community events, SMME 4 needed business skills in order to transfer it to the employees and SMME 5 needed to provide sustainable jobs especially in the rural areas.

Table 5.12: Social performance of successful beneficiaries after seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|--|---------------------------|---|--|---|
| CONTRIBUTION MADE TOWARDS THE COMMUNITY | Exposing community to the type business | Address shortcomings | Assisting the schools and give donations to organisations | Providing an affordable service to people in need | Sport events needs this type of service by law |
| TYPE OF SKILLS TRAINING | Not declared | Partner attended training | Various training attended | Various training attended | First Aid Training |
| NUMBER OF PERMANENT OR CASUAL EMPLOYMENT PROVIDED | One on a permanent and casual basis respectively | Three on a casual basis | One permanent and four casual | Two permanent and eight casual workers on a commission basis | Four permanent and four casual; depends on size of sport events |

Table 5.12 indicates the social performance of the successful entrepreneurs after receiving the seed funding. The contributions made by the entrepreneurs to the communities after receiving the funding includes; giving the community exposure to the type of business, addressing shortcomings, assisting schools and giving donations to organisations, providing affordable services to people in need and providing a service which is required by law at sport events. Indicator 2 asked the type of skills training provided to the successful beneficiaries. These beneficiaries could not identify the specific training provided and their responses included; partner attended the training, various training courses attended and first aid training; and one of the beneficiaries could not declare the training attended. The beneficiaries indicated that after receiving the seed funding, they could provide the 8 permanent and 20 temporary jobs respectively among the five successful beneficiaries.

Table 5.13: Impact of seed funding on social performance of successful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|------------------------------|--|--|---|--|
| OTHER CONTRIBUTION MADE TO COMMUNITY BESIDES EMPLOYMENT | Sponsors products to schools | Provides a product to community which is scarce | Gave donations | Giving an affordable service to the community | Providing a professional service as a small business owner |
| HOW ARE BUSINESS SKILLS USED IN BUSINESS | Skills are use daily | Partner uses it and can also give other business owners advice | Skills are applied and also does further reading | Used in daily operations and transfers it | Skills are transferred to employees |

Table 5.13 explains the impact of the funding on the social performance of the successful beneficiaries. The first indicator aimed to determine if there were any other contributions made to the community except for employment. The comments from the SMMEs included; sponsors products to the schools, providing a product to the community which is scarce, providing donations, providing an affordable service to the community and providing a professional service as a small business owner. The second indicator determined how the business skills obtained are used in the business. The SMMEs indicated that the skills are used daily, partner in the business uses the skills mostly and the partner can also give other business owners advice, the skills are applied and further reading is also done on skills learned, the skills are used in the daily operations of the business and skills are also transferred.

Table 5.14: Social performance of unsuccessful beneficiaries prior to seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|---|------------------------------|--|-----------------------------|---|---|
| POTENTIAL BENEFITS FORESAW WHERE BUSINESS IS LOCATED | Could not provide a response | Wanted to create a job opportunity in order to pay off debts | To have own factory | To provide a service and create job opportunities | There was a need for such a business in the community |
| CONDITIONS NEEDED FOR BUSINESS TO CONTRIBUTE TO ECONOMIC DEVELOPMENT | Could not provide a response | Formal business training | Finances and more equipment | Could not provide an answer | Financing to buy supplies and material |

Table 5.14 indicates the social performance of the unsuccessful beneficiaries prior to receiving the funding. The potential benefits that these beneficiaries foresaw for their

businesses where it is situated were to create job opportunities in order to settle debts, to own a factory, to provide a service and the community was in need of such a business. These responses include four of the five SMMEs as one SMME could not provide a response. Indicator 2 determined what conditions were needed for the business in order to contribute to economic development. Two of the SMMEs could not provide a response and the other three responses included; formal business training, financing to buy supplies and material and more equipment.

Table 5.15: Social performance of unsuccessful beneficiaries after seed funding

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|---|--------------------------------|--------------------------------|--|---|
| CONTRIBUTION MADE TOWARDS THE COMMUNITY | Community was satisfied with service provided | Could create jobs | Could employ people | Could provide job opportunities and access to her business | Business never operated |
| TYPE OF SKILLS TRAINING | Financial training | Did participate in training | Yes, sewing training | Did receive training | No |
| NUMBER OF PERMANENT OR CASUAL EMPLOYMENT PROVIDED | One on a casual basis | One permanent and three casual | Seven permanent and ten casual | One permanent and three casual | Not applicable as business never operated |

Table 5.15 explains the social performance of the unsuccessful businesses after receiving the funding. The contributions made to the communities of the unsuccessful businesses include that the community was satisfied with the service provided, jobs were created and access were provided to the business. SMME 5 never operated the business and could therefore not provide a response. With regard to the type of skills training received, four of the SMMEs did receive training which included financial and sewing training and SMME 5 did not attend training.

Table 5.16: Impact of seed funding on social performance of unsuccessful beneficiaries

| INDICATOR | SMME 1 | SMME 2 | SMME 3 | SMME 4 | SMME 5 |
|--|--|--|---|--|---|
| OTHER CONTRIBUTION MADE TO COMMUNITY BESIDES EMPLOYMENT | No | Assisted community members socially through sport, arts and crafts | Strengthening of group and an after care facility was established | Could sell the stock on credit for the community members in need | Not applicable as business never operated |
| HOW ARE BUSINESS SKILLS USED IN BUSINESS | Will only be applied when operating a new business | In marketing and management of other ventures | Business not operating currently | It is still used | Not applicable as business never operated |

Table 5.16 explained the two indicators namely other contributions made to the community and how the businesses are utilising the skills received. The beneficiaries contributed socially as well by assisting community members socially through sport, arts and crafts, strengthening of the work group and establishing an after care facility, stock could be sold on credit for the community member in need. One of the SMMEs declared that no contribution was made and the other SMME could not provide a response as the business never operated. Indicator 2's responses regarding the use of the business skills included that the skills will only be applied when operating a new business, in marketing and management of other type of enterprises and the skills are still used. Two of the SMMEs indicated that their business is not operating currently and this indicator was not applicable to SMME 5.

The research analysis will be done in the next section.

5.4 RESEARCH ANALYSIS

The research analysis will be divided into two sections. The first section will analyse the findings of the interview with the LED Official and the second section, the interviews with the ten successful and ten unsuccessful beneficiaries.

5.4.1 Research analysis: LED Official's interview

The analysis will also be done according to the themes that were explained under the findings.

5.4.1.1 Experience in working with the ESFP

The LED Official started working at the Municipality, as an official responsible for the ESFP three years after the inception of the Programme. The official could immediately indicate that the SMMEs that mostly apply for seed funding are those who have a need to support themselves and their families; this reflects on the need for the beneficiary to first improve his or her circumstances. The official referred to these SMMEs as micro entrepreneurs. The official's response concurs with Petrus's (2009,18) statement that a poor community member can be the social entrepreneur who, because of unemployment, poor education and no access to funding, have to start a micro business in order to provide a living for the family.

The types of businesses supported are representative of a variety of businesses and not only from one or two sectors; this show that the selection of the businesses on the ESFP are not limited to a specific sector. This can also be linked with the role of social entrepreneurs as innovators as explained by Dees (2009) where social entrepreneurs are described as creative and willing to bring forth new ideas.

5.4.1.2 How realistic are the objectives of the ESFP

According to the LED Official, the objectives of the ESFP, which includes support and capital injection to micro social and business entrepreneurs in poor communities to create employment opportunities for themselves and others, assisting in creating income opportunities, reducing poverty, promoting Broad-Based Black Economic Empowerment (B-BBEE), diversifying the local economy of Cape Winelands as well as to provide business and skills training, are achievable. However, the beneficiaries are not informed of their role as business owners in achieving these objectives. Irrespective of these objectives that can be achieved, the LED Official mentioned that the businesses supported should also be in a good position to achieve the objectives. This means that the business should be in areas where poverty levels are high and where jobs can be created for previously disadvantaged individuals which will provide an income. The interviewed official believes that this will then positively change the economy of the Cape Winelands district and beneficiaries will furthermore be intellectually equipped to manage their businesses through the training that they receive.

Government's role in small business development is to initiate programmes which support the development of SMMEs (Education Training Unit, 2011). The CWDM have structured its small business support programme in line with the needs of the communities it serves. The communities' role has been identified by CWDM as important in order to address these needs but a lack of information exists if the beneficiaries of these programmes are not aware of what their roles are and how they can make a difference in their communities. The objectives are clearly defined to the Municipality but it should also be clearly defined and understood by the beneficiaries of the ESFP.

5.4.1.3 Knowledge of policies which guides the ESFP

The LED Official was aware and informed of three policies which to his knowledge pertain to the ESFP namely, the National Small Business Act (102 of 1996) (RSA, 1996a) the

Constitution (RSA, 1996b), the White Paper on Local Government (RSA, 1998) and the Municipal Finance Management Act (56 of 2003) (RSA, 2003). These policies are designed around small business development and local economic development in marginalised areas. The official could also indicate sections within these legislations, according to his opinion, are relevant to the ESFP. There was no indication that there is a specific policy within CWDM in which the ESFP is regulated.

The National Small Business Act (Section 4) (102 of 1996) (RSA, 1996a) refers to four key focus areas which specifically complement the ESFP namely;

- Alleviating poverty by making it possible for poor people to generate income to meet basic needs;
- Reducing poverty through employment creation;
- Redistribution of wealth, income and opportunities; and
- Contributing to economic growth, by improving innovation and thus competitiveness.

The ESFP is therefore in line with national policies aimed at entrepreneurship and small business development.

5.4.1.4 Understanding of social entrepreneurship

The LED Official admitted that he was not informed of the concept social entrepreneurship but did respond to the question when asked to explain his understanding of social entrepreneurship. The response leaned more towards a social development approach when the official compared it to a street children project. As stated by Herrington *et al.* (2010: 24), a social entrepreneurship initiative is done with entrepreneurial spirit and business expertise but using the profits to address either personal challenges or the challenges experienced by the community. It has been determined that principles of business management can be applied in a social entrepreneurship venture; the social venture will be aimed at using the profit for addressing community challenges and not for self- enrichment. Dees (2009) also confirms that profits generated in a social venture are distributed for a common goal rather than private wealth accumulation.

5.4.1.5 Criteria in selection of ESFP beneficiaries

The official explained the criteria according to how it was developed by the CWDM. Key issues are also evaluated by the ESFP evaluation panel such as an analysis of the business customers and markets. These key issues in particular have been explained in Nieman (2006: 28) as critical in the sustainability of any business. If there is no market in place, the business will fail. The evaluation of the Seed Fund applications is a collective effort done by CWDM, the local municipalities and business experts. The involvement of all municipalities in the Cape Winelands District and business experts will allow for different views and opinions during the selection process.

5.4.1.6 Contributing factors in success or failure of businesses supported

The procurement of equipment is regarded as a contributing success factor to the business. As mentioned in Nieman (2006:230), lack of resources such as equipment is the cause of many business failures and furthermore, this equipment is a grant-in-kind which means that it does not need to be paid back to the municipality. The beneficiary therefore does not need to bear the burden of settling the funding amount allocated to his or her business. One of the major contributing failures identified in the ESFP is the community members not supporting the business. One of the external resources needed in micro social enterprises is the engagement of community members, community-based organisations and similar initiatives (Hayes & Bryant, 2002:1-20). The official has identified it as a lack of knowledge regarding the importance of entrepreneurship in communities. Factors such as locality and what products and services are sold have also been reflected on in Boyer, Creech and Paas (2008:4 & 5) and Petrus (2009:18) in of this research and the importance thereof to ensure sustainability and success.

5.4.1.7 Supporting initiatives for businesses which fails

There is no established supporting programme for those businesses who fail. The CWDM is dependent on the facilitators of the Business Support Programme to detect the business's challenges and shortcomings during the year of funding. Still, there is no provision of a secondary programme which can provide the necessary attention to failing businesses on the ESFP. This then means that the procurement of equipment to the business did not completely contribute to sustainability and success. Support mechanisms are important; internal and external resources which can provide guidance and have the necessary

technical expertise are needed constantly as well as the support of policymakers and other key stakeholders working in the entrepreneurship field (Hayes & Bryant; 2002:1-20). The official is also informed of other government institutions which can provide assistance to small businesses which means that the official realises the CWDM is not in a position to provide assistance to all applicants who apply for funding.

5.4.1.8 Monitoring and evaluation mechanisms

The monitoring and evaluation processes which are in place involve the CWDM, the service provider of the Business Support Programme and the beneficiary. These three role-players are the main stakeholders in the ESFP and they will play the role of informing one another of the progress made. It is fundamental that site visits are conducted to see if the business is using the equipment for the intended purpose and even more important if the equipment is at the business premises. The beneficiary is also exposed to accountability as the CWDM expects monthly reports on the operations of the business. The service provider of the Business Support Programme also contributes to the capacity of the beneficiary through training sessions and provides feedback to CWDM on progress thus far. As Hayes and Bryant (2002:1-20) states in their eight steps for sustainability, regular measuring of progress towards the initiative's goals and objectives also provides program coordinators and potential funders' information on what works for whom, under what circumstances, within what time frames and with what costs. This will enhance the monitoring and evaluation processes.

5.4.1.9 Small businesses role in disadvantaged communities

According to the LED Official, small businesses are needed in disadvantaged communities. In comparing this to the analysis of 5.4.1.6, entrepreneurship first needs to be introduced to communities before small business can be developed to their full potential. One of the factors contributing to the success and sustainability of small businesses is the support of the community; and if the community can share in the benefits of the small business through job creation and poverty alleviation, the role of small business in disadvantaged communities can be realised, encouraged and supported. The initiative should have a clear objective that describes how the initiative will improve the lives of communities or its target group for example unemployed persons. The initiative's vision should be clear in its activities as well and develop a plan for achieving its objectives. Without articulating its objectives, no initiative can be truly viable. The involvement of stakeholders and beneficiaries is important in the

formulation of a vision; this also increases the likelihood of increased support and of having a shared vision (Hayes & Bryant; 2002:1-20).

5.4.1.10 Recommendations for the sustainability of ESFP

There were two main recommendations by the official which indicates that training and mentorship can be improved by focusing on the individual needs of the business and not just generic training and mentorship. Training to LED officials in small business management is also lacking. This means that there is a lack of skills when LED officials advise and give guidance to beneficiaries regarding the management of their businesses.

The data analysis of the interviews with the successful and unsuccessful beneficiaries will be explained in the next section.

5.5 RESEARCH ANALYSIS: SUCCESSFUL AND UNSUCCESSFUL BENEFICIARIES

The following analysis has been made after the interviews with the selected five successful and five unsuccessful beneficiaries respectively. The analysis is done according to the three themes in the questionnaire namely geographical and official business information, the business performance of the business prior and after the seed funding and the impact thereof and the social performance of the business prior and after the seed funding and the impact thereof.

5.5.1 Biographical and official information

This information was obtained in order to have a general overview of the selected businesses which specifically gives information regarding their businesses. The five successful businesses could all indicate that their businesses are registered and the types of registration whereas only two of the unsuccessful businesses could indicate their type of registrations, one business was unsure of what type of registration and the other two businesses were not registered. The registration of a business is therefore not evident in only successful businesses as three of the unsuccessful businesses also have their businesses registered. The terms of reference of the ESFP do not state that businesses on the Programme should be registered entities.

With both the successful and unsuccessful beneficiaries, three of the businesses started their businesses when they were allocated seed funding. Whereas two businesses have started their businesses two and three years prior before receiving seed funding, respectively. It should be noted that the selected beneficiaries joined the ESFP in different years starting from 2005- 2010. This information shows that the allocation of seed funding does not necessarily depend on whether the business have started prior or after seed funding was allocated or which stage of growth the business is in; whether it is the birth, survival, take-off, maturity or decline stage. The ESFP does not state in its criteria that the businesses that apply for funding should be within a specific business growth stage. Nieman (2006:190) on the other hand, states that the growth stage of the business should be taken in consideration when doing evaluations and assessments as this will indicate the current and next phase in the business life cycle.

Both successful and unsuccessful businesses represent different types of enterprises. The successful enterprises consist of one business being in the manufacturing sector and the other four in the services sector. The unsuccessful businesses consist of businesses from the service, retail and two from the manufacturing sectors. Successful and unsuccessful businesses are represented from mostly the services and manufacturing sectors. The ESFP criteria is not specific in which sectors the businesses which apply for funding should be, therefore there is a variety of businesses in different sectors on the Programme. The National Small Business Amendment Act (26 of 2003) (RSA, 2003) categorises small businesses according to micro, very small, small and medium enterprises for each sector. Some of these sectors include manufacturing, community, social and personal services, wholesale trade, catering and accommodation and it takes into account the business's labour force, total annual turnover and gross asset value when classifying businesses.

The gender distribution for the successful includes three male and two females. For the unsuccessful businesses, four are women and one male are represented. Funds are made available to both male and female business owners. The age of the business owners vary, both for the successful and unsuccessful businesses; it ranges from age thirty-four to sixty two. The ESFP is therefore inclusive of all age groups which includes youth (18-35) and older persons (persons older than 60) and there is no significant difference in the allocation of funding to males or females in a certain age group. The Global Entrepreneurship Monitor report (Herrington *et al.*, 2010) states that in general entrepreneurial activity among men is twice as high as that of women and that entrepreneurial activity is highest in the 35-54 years age group in both males and females. The total population of seed funding recipients was not targeted in the research sample therefore it has not been investigated the support to males and females within the ESFP.

Both the successful and unsuccessful businesses had received funding ranging between R10 000 to R43 934, of which three of the unsuccessful businesses all received R43 934. This is indicative that the businesses on the ESFP were found to be eligible by the Evaluation Panel to receive such an amount irrespective of business registration, growth stage of the business, age or gender. The funding is utilised for purchasing of equipment. As stated in chapter 3 (3) of this research study, the total amount of funding dispersed to the total amount of 265 beneficiaries from 2005 to 2010 was R7 866 000.00. The Seed Fund strengthened the businesses through the provision of equipment and stock that was lacking, helping the business to start the business, it increased sales, no need for hiring of equipment and it afforded the business owner to provide a customer service to customers. Lack of funding and limited access to resources such as capital and operating equipment remains one of the most difficult challenges for emerging business (Venter *et al.*, 2008: 413). The provision of funding, either capital or equipment, is therefore an important factor in the sustainability of the business or social enterprise.

The following section will now focus on the analysis of the business performance of each of the selected beneficiaries.

5.5.2 Business performance of successful and unsuccessful beneficiaries

This section covered how the businesses performed prior and after receiving the funding. The five successful beneficiaries based their reasons for being operational on basic business principles such as innovation, marketing, good service and regular clients. These principles are described by Longenecker *et al.* (2006:16) as the potential success factors for small business success. The unsuccessful beneficiaries based their reasons for being non-operational on competition, high rental, little cash flow, premise not being zoned for business and non-securing of bank financing. Four of these beneficiaries did operate their businesses for a period whilst the fifth beneficiary's business never operated at all even though funding of R43 934 was allocated for the establishment of a new business. The community as target market was more evident in the unsuccessful beneficiaries whilst the successful beneficiaries included government, surrounding areas and the province; the successful beneficiaries have a broader target market. Community support is important in achieving sustainability of a business specifically in a social enterprise as stated by Hayes and Bryant (2002:1-20) but Nieman (2006:2) also warns against limited markets which can lead to the business stagnating and not progressing to new prospects. Both successful and unsuccessful businesses experience and are aware of competition in their business

operations; though only one of the unsuccessful beneficiaries did indicate that competition is the reason why the business is not operational. Three of the unsuccessful businesses indicated that they did not have any competition which indicates that businesses within the same business field do not necessarily create high competitiveness for survival. The selected successful and unsuccessful beneficiaries, who were operational prior to the allocation of seed funding, were asked to provide the annual turnover of their businesses. The responses varied from two of the successful businesses who could not declare their turnover, two of the unsuccessful businesses had no turnover and one of the successful and unsuccessful beneficiaries respectively started their businesses the year of the allocation of seed funding. One of the successful and unsuccessful businesses, respectively, could only provide estimations of what their annual turnover was. The important factor under this section is that from the ten successful and unsuccessful selected beneficiaries, seven businesses did manage to have an annual turnover prior to receiving the seed funding.

The next section of the questionnaire focused on the status of the ten selected businesses after receiving the seed funding. It first needed to be determined if the businesses have reviewed and updated their initial business plan after receiving the seed funding. Two of the successful businesses did update their business plans and three did not whereas three of the unsuccessful businesses did update their business plans and two did not. These businesses could have based their decisions of reviewing their business plans on the basis of applying for new funding or the creation of a new business venture or expansion of existing business operations. The decision to not update the business plan may be due to no change to existing business operations or the business becoming non-operational. The reviewing and updating of the business plan is also closely linked with whether the ten selected beneficiaries grew their businesses by establishing marketing networks and if new opportunities were investigated. New marketing opportunities are essential in business success; finding and keeping new markets are the most important part of a business (Nieman, 2006:53). Four of the successful businesses and two of the unsuccessful businesses did manage to gain new marketing opportunities whilst one of the successful businesses and three of the unsuccessful businesses were not able to. All business owners of the five selected successful businesses could indicate what their annual turnover was after receiving the funding. The only comparison that could be made was with the two successful businesses which were also in a position to indicate their annual turnover prior to the seed funding; both these businesses turnover increased significantly of which one increased with 100 per cent. The turnover of the successful businesses is not necessarily higher than those of the unsuccessful ones; as one of the unsuccessful SMMEs were twice as high then one of the successful ones. It should be bear in mind that one of the selected

unsuccessful beneficiaries businesses were never able to operate and therefore the businesses information regarding this specific business will not be comprehensive.

The impact of the seed funding on the ten selected businesses were researched by firstly focusing if a livelihood was provided to the business owner. Nine of the combination of unsuccessful and successful selected businesses responded that the business did provide them with a livelihood except for the one unsuccessful business which did not manage to start the business. The next question was also closely linked to the role of the Seed Fund in the businesses namely the impact of the equipment received. These include responses such as the equipment was useful, it was used solely for the business, it enabled the owner to expand into another field namely hiring and improved services was provided. Scarborough *et al.* (2009:25-26) also states that new and different products or services can be an add-on for small businesses and it is an opportunity to gain new and more customers and the business can be profitable. One of the unsuccessful businesses indicated that the equipment only assisted the business minimally which is indicative that there were other business needs as well that needed to be addressed except for the need for equipment. According to the five successful beneficiaries, their business were definitely worth more in monetary value and three provided estimates of respectively R80 000, R43 934 (the funded amount) and R500 000. It could not be determined on what these estimates were based. Three of the five unsuccessful beneficiaries were unable to declare how much more monetary value the seed fund added to their businesses; one of the three did not know what an annual turnover is. All the interviewed beneficiaries admitted that the annual turnovers were just estimates and that they do not have accurate figures.

The following section will focus on the social impact of the ESFP on the businesses prior and after receiving the seed funding.

5.5.3 Social performance of successful and unsuccessful beneficiaries

As explained in chapter 1 (6) of this research study, the ESFP has been designed within a social context and the CWDM has considered the challenges experienced by small business owners in the establishment of the Programme. The analysis of the questions pertaining to social impact will now be discussed.

The first questions were asked to determine the social status of the entrepreneur before receiving the seed funding. The five successful beneficiaries started their businesses because of the need for such a business in the community and the needs that the business

experienced in terms of equipment. These two indicators can be compared to the definition of what an entrepreneur is; a person who creates a business for the purpose of achieving growth and assembles the necessary resources to capitalise on those opportunities (Scarborough *et al.*, 2009:21). The five unsuccessful beneficiaries' responses also varied of which one could not provide a response, two wanted to create job opportunities of which one wanted to pay off debts and one other saw a need for such a business. The unsuccessful beneficiaries, who wanted to create job opportunities, saw the ESFP as an opportunity to create employment. Job creation is one of the key objectives of the ESFP and the beneficiaries' initiative to start a business to either create employment for themselves or unemployed people is in line with what the Municipality wants to achieve. This section also focused on what these businesses needed in order to contribute to economic development. The ESFP resides under the LED unit of the CWDM and is a developmental initiative that aims to stimulate economic development at local level. The question to the successful beneficiaries on the conditions that was needed for the business to be able to contribute to LED included finance and business skills training; these refer more to the needs of the business and did not consider the needs to be addressed except for funding and training. Two of the five unsuccessful beneficiaries were not able to respond to the question, two others responded that finance was needed and one other referred to formal business training. These responses can be due to limited knowledge regarding local economic development and LED's role in small business development.

This section also aimed to establish what contribution did the beneficiaries made towards the community after receiving the seed funding. The five successful businesses contributed mainly towards addressing shortcomings of the community and providing affordable services; whereas the five unsuccessful businesses contributed more towards job creation and providing employment opportunities. For both the successful and unsuccessful beneficiaries, community support and involvement in their enterprises were important contributors. Hayes and Bryant (2002:1-20) describes broad-base community support as important in order to ensure longevity and sustainability of the enterprise irrespective if it is purely business focused or socially driven.

The ESFP coordinated access to business and skills development to support micro-entrepreneurs within the district. This programme provided the business with business skills training and mentorship. The five successful beneficiaries were asked what type of training they have received in order to determine the relevance of the training. Two beneficiaries indicated that various training was attended and they could not name one type, one also could not declare the training, the other beneficiary responded that the business partner

attended the training and SMME 5 indicated that the training received is focused on the type of business that is being operated. All four unsuccessful beneficiaries have participated in training except for the one whose business never operated. It seems though training is only provided to the businesses that operate, irrespective if the business is progressing or not. The business which never operated was not included in the training sessions. Nieman (2006:28) reiterates the importance of training and focuses specifically on financial and accounting skills, money management skills, marketing skills and technical skills training. Technical skills training refers to the technical skills and knowledge of the product or service sold. The interviewed LED Official mentioned that CWDM relies on the expertise of the service provider of the Business Support Programme to identify the challenges that are experienced by the SMMEs and to address it accordingly. The job creation figures were also obtained through the interviews in order to determine if the Seed Fund made it possible for the SMMEs to create employment as envisaged. The five successful beneficiaries created twelve permanent jobs and twenty casual jobs; and the five unsuccessful beneficiaries created nine permanent jobs and seventeen casual jobs during their operational status. It was therefore, for both the current successful and unsuccessful businesses, possible to create employment under their own unique circumstances.

The impact of the funding on the businesses was in conclusion determined by other contributions made to the community besides employment and how the business skills are utilised. The successful and unsuccessful businesses focused on social upliftment initiatives such as donations, establishing a required facility in the community, sponsorship and providing affordable services. Addressing social needs within the community is the key focus area in social enterprises but within a business context, these challenges can also be addressed in partnership with government (Herrington *et al.*, 2010:98). The impact of the business training was also researched in order to determine if it is still relevant in these businesses. The successful businesses indicated that the skills are used daily and skills are also transferred. The unsuccessful beneficiaries responded that it will only be used once the business will operate, though one did indicate the marketing skills are applicable and it can still be used. Both the successful and unsuccessful beneficiaries are aware of the benefit of doing training; though it was evident that they lack knowledge on what their business's annual turnover and the value of their business in monetary value.

5.6 CONCLUSION

This chapter explained the results as obtained from the interviews with the LED officer of one of the local municipalities within the CWDM and the ten successful and ten unsuccessful beneficiaries. The finding and analysis was done according to themes. The finding and analysis of the interview with the LED official revealed that the ESFP has a social and poverty alleviation component and that businesses should be supported who can address the needs and challenges of the communities within the Cape Winelands district. It was also found that beneficiaries are not aware of the roles they play in job creation and poverty alleviation. The ESFP is not directly aligned to a policy but are based on the principles of the Constitution (RSA, 1996), the White Paper on Local Government (RSA, 1998), the Municipal Finance Management Act (56 of 2003) (RSA, 2003) and the National Small Business Act (102 of 1996) (RSA, 1996a). The official's knowledge on social entrepreneurship is limited on the role of businesses in a social context. The role of the CWDM Business Support Programme is very important as the official is not skilled in providing advice and guidance on how the business should be managed. The monitoring and evaluation of the Programme is an important factor in the overall sustainability of the Programme.

The information regarding the selected five successful and five unsuccessful beneficiaries has been organised according to the three themes in the questionnaire namely geographical and official business information, the business performance of the business prior and after the seed funding and the impact thereof and the social performance of the business prior and after the seed funding and the impact thereof. The selected successful and unsuccessful beneficiaries indicated their business registration status and it was found that the registration of a business does not necessarily reflect on a business being successful or not successful. The success of the business does not necessarily influence the amount of funding that was provided for the beneficiaries and the ESFP is not specific in what type of business is supported or in which sector the business presides in. The ESFP is inclusive and supportive of both male and female entrepreneurs but the business growth stage was not taken into account in the allocation of funding.

The business performance section revealed that basic business principles were applied by the successful beneficiaries in ensuring that their businesses are still operational. The target markets for both the successful and unsuccessful businesses differ as the unsuccessful businesses focused on the community while their businesses were operational whilst the successful beneficiaries focused on a broader customer base namely government entities

and the Province. Both beneficiaries are informed and aware whether they have competition, which is also indicative of being intact with the business. The annual turnover amounts communicated by the beneficiaries are estimates and are not necessarily dependent on the success of the business as some of the successful beneficiaries' turnovers are lower than some of the unsuccessful ones. It was determined that the equipment procured did assist the businesses and was mostly beneficial in expanding the business. The monetary value of the business was also communicated as estimates and therefore it can be assumed that this information is not known by the beneficiary.

The social performance findings and analysis revealed that the businesses emerged because of a need that existed but also to create employment and that training and funding was mostly needed prior to the receiving of the seed funding. Employment creation is in line with one of the main objectives of the ESFP and in totals twenty-one (21) permanent and thirty-seven (37) casual jobs were created by the selected ten beneficiaries. The main contribution made by these selected businesses to the community after receiving the seed funding was to address the needs of the community and to provide employment.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

The objective of the study was to investigate how successful the Entrepreneurial Seed Fund Programme (ESFP) has been for the past five years. Also to investigate if the funding provided could enable entrepreneurs to have sustainable businesses in the Cape Winelands District. The study established that the Cape Winelands District Municipality (CWDM) does promote social and economic development by supporting small, medium and micro enterprises (SMMEs) through its ESFP. The study evaluated the role of SMMEs not only as small businesses making profit but as businesses addressing social issues through entrepreneurial activities.

This chapter starts by giving a summary of the study by capturing important aspects covered in the study, and highlights what social entrepreneurship is and the roles of social entrepreneurs as well as the contributing factors contributing to the success and failure of businesses and social enterprises as derived from the literature review. In addition, the chapter further provides recommendations that were drawn from the study that could be useful for the CWDM and other funders in establishing sustainable SMMEs. The Chapter then concludes by suggesting an initiative that will focus on the development of a sustainable funding programme for SMMEs.

6.2 CONCLUSION

The development and growth of SMMEs play an important role in addressing poverty and unemployment. Government plays an integral part in ensuring that its citizens participate in economic activities. Local government is guided by policies to ensure that its processes, programmes and projects are structured to promote social and economic development within communities. The CWDM as a developmental local government has established the ESFP in 2005 to assist SMMEs in accessing seed capital and providing business skills and training as well as mentorship. Entrepreneurs, who have either emerging or established businesses, are selected as beneficiaries through an application, evaluation and selection process. Therefore the funding covers the spectrum of business development within the business growth life cycle from birth to maturity stages. Once selected, access to seed capital is in the form of a grant-in-kind through the purchasing of equipment on behalf of the SMME by the

CWDM. The goal of the ESFP is to grow the economy in order to create jobs and eradicate poverty by training new entrepreneurs and the ones that have been operating largely informally to sustain and become viable entities. The evaluation of the ESFP focused on investigating what impact the seed funding had on five successful and unsuccessful businesses.

The ESFP was developed within a micro and social entrepreneurship context. Therefore, it was important to understand the concept of social entrepreneurship as well as how it differs compared to business entrepreneurship. In the literature review, the concept of social entrepreneurship and traditional business entrepreneurship was discussed. Social entrepreneurship aims to create social capital through creating employment and addressing poverty whereas business entrepreneurship focuses on profit and financial gain. In both social and business entrepreneurship, entrepreneurship plays an important role in terms of business concept, innovation, planning and marketing. Establishing and maintaining a competitive advantage depends on entrepreneurial skills and in the case of social entrepreneurship the market focus will be on community involvement. In addition to the many factors of traditional business management, factors contributing to the success and failure of SMMEs have been explored for both social and business enterprises. The advantages and disadvantages of business and social entrepreneurship gave insight to the unique environment of both types of business management and the potential benefits for each. The study also looked at the concept of sustainability which introduced key elements in sustaining programmes and projects. Funding and non-financial support such as the seed funding and business training are key factors in ensuring sustainability. However, future planning and support will enhance the longevity of a programme's sustainability.

From the research conducted and analysis done, the main findings revealed that the CWDM does promote social and economic development by supporting SMMEs through its ESFP. This is in line with the objectives of the Programme which aims to address poverty and social development as well as with Government policies such as The White Paper on Local Government (RSA, 1998:23) and Section 153 of the Constitution (RSA, 1996b) which advocates prioritisation of community needs, social and economic interventions.

The biographical information which was gathered from the beneficiaries indicates a variety of businesses which are supported by the ESFP; these include businesses from different sectors including retail, manufacturing and business. The CWDM, through the ESFP, therefore do diversify its local economy through supporting different businesses by affording them an opportunity to sell and market their unique products and services. The allocation of

funding to beneficiaries is not influenced by the registration status of the business, the number of years in operation or the type of business. In fact, six of the interviewed beneficiaries only started their businesses when they received funding which is indicative of the Municipality's commitment to support emerging businesses within the Winelands area. From the sample of successful and unsuccessful beneficiaries, both male and female entrepreneurs were recipients of funding which indicates that the Programme is inclusive of both sexes. The biographical information of the interviewed beneficiaries indicates that the Programme affords opportunities for all SMMEs within the Cape Winelands to apply for seed funding.

The information on the business performance of the SMMEs gave a comparison of how the businesses performed prior and after receiving the equipment; and the impact thereof on the business. For both the successful and unsuccessful businesses, the request for funding was to either start or strengthen the business; this is in line with what the Programme aims to achieve namely establishment of new businesses and growing existing ones. The impact of the equipment did boost both successful and unsuccessful businesses though one of the unsuccessful was not able to start the business at all due to the need for extra financing. For the majority of the interviewed beneficiaries, the equipment procured did assist in providing the business owner with a livelihood and the business with opportunities such as new markets and being the only service provider in the area. The seed funding also increased the value of the businesses because of more opportunities which resulted in the emerging businesses having a positive turnover and existing businesses having an increased annual turnover. The business performance of the businesses still operating to date did indeed improve.

The CWDM initiated the ESFP within a social entrepreneurship context which aims to support partnerships between the Municipality and small businesses which can address poverty alleviation and social development. Prior to receiving the seed funding, the successful and unsuccessful beneficiaries identified challenges within their communities which they either did or anticipated to change; this can be viewed as a common goal which exists between the funder and the beneficiary in realising the Programme's objectives. The injection of the seed funding assisted these social micro-entrepreneurs to rise above their circumstances and contribute to the well-being of their communities through job creation, giving donations to schools, providing affordable services and addressing the shortcomings experienced by community members. Employment created among the successful and unsuccessful beneficiaries included self-employment, casual and permanent jobs. The ESFP also coordinated access to business and skills development training to support beneficiaries;

the successful beneficiaries apply the skills in their business operations and the unsuccessful beneficiaries will still be able to utilise the skills. The ESFP does provide a platform for entrepreneurs to achieve social change and cohesion through their business activities.

The ESFP supports a range of enterprises which are diverse and have different needs. The financial support provided through the ESFP did have a purpose even though not all beneficiaries managed to make a success of their businesses. The successful entrepreneurs whose businesses continue to operate years after receiving support are achieving the goals and to an extent exceeding the Programme's objectives. It is indeed these successes that contribute to the ESFP's longevity and sustainability. The Programme empowers entrepreneurs to create their own economic opportunities and make positive contributions to their communities.

The study also identified some challenges that influence the sustainability of the ESFP. Firstly, the monitoring and evaluation of the ESFP is negatively influenced as the amount of beneficiaries increase each year and the officials responsible for the Programme experience difficulty in re-visiting previous year's beneficiaries to evaluate the progress of the business. The unsuccessful businesses could be classified as those who required more assistance in order to become sustainable in the long run as their successful counterparts. Secondly, a lack of understanding the concept of social entrepreneurship exists among the LED staff working with the Programme. This is not complementing the goals and objectives of the ESFP; and evaluating the shortcomings of the beneficiaries is hampered by lack of knowledge. Finally, there are no measures in place to retrieve equipment from a beneficiary who did not start with the business during the year of funding. This mean that the objectives of the Programme cannot be realised and no measures are in place such as a policy which gives guidance to situations that might occur.

6.3 RECOMMENDATIONS

The results of the study indicate a sustainability element which exists in the ESFP. The following recommendations are made to further enhance the Programme's sustainability in future.

6.3.1 Recommendation one

Analysis on economic needs

An analysis should be done by the LED Department to determine what economic activities lack in the five municipal areas of the CWDM. A diverse local economy can be beneficial but market research should be done to ensure the survival of the businesses in the long run. Small business survival is dependent on the community's needs and an economic analysis could increase overall interest. The analysis could also be done per sector in order to group entrepreneurs according to their trade and speciality.

6.3.2 Recommendation two

Explain purpose of funding

Before the selection of the beneficiaries on the ESFP, workshops should be done by the CWDM to explain clearly the purpose and benefit of the fund, its objectives and the expected results. CWDM also needs to be realistic and clear in what it aims to change and enhance through the ESFP. This should be done in order to differentiate between the types of enterprises that will be eligible to qualify from the ESFP.

6.3.3 Recommendation three

Equip officials with skills

Officials working with the ESFP should have the necessary skills to identify challenges that the beneficiaries might experience. If there is a skills shortage, the necessary training should be provided or recruitment of equipped staff should take place. Government programmes need to be staffed by well-trained, experienced and committed officials if they are to provide tangible benefits to entrepreneurs.

6.3.4 Recommendation four

Reconsideration of funding

The funding to emerging businesses should be reconsidered. The majority of the successful businesses were already in operation when they received funding and were already exposed to best business practices. A pre-training programme should first be implemented to evaluate the viability of emerging businesses before funding is granted. This will eliminate businesses such as one of the unsuccessful beneficiaries who received funding but did not operate the business at all.

6.3.5 Recommendation five

Reconsider amount of beneficiaries per year

CWDM should also reconsider the amount of SMMEs to be funded per financial year. As stated in chapter 1 (10) of this study, the amount of beneficiaries increases each year and the officials working with the ESFP have not been able to do follow-up visits to previously funded businesses due to their workload. Government programmes need to be properly and regularly evaluated, and constantly improved.

6.3.6 Recommendation six

Networking

CWDM should consider introducing SMMEs to more established businesses within the same industry which in turn can provide guidance and expert advice. A platform such as a small business or SMME forum should be created and promoted between formal and informal, emerging and established businesses. This networking forum should be used to provide intense coaching as well as guidance and advice.

6.4 PROPOSED INITIATIVE FOR A SUSTAINABLE FUNDING PROGRAM FOR SMMEs

The ESFP can be viewed as an evolving initiative which can be amended to achieve the best possible results for the SMMEs within the Cape Winelands area. The following topics are suggested for future research.

The impact of business support training and mentorship on the business growth of the beneficiaries of the Cape Winelands District Municipality's Entrepreneurial Seed Fund Programme. This study will be important as CWDM allocates funding to service providers to equip entrepreneurs with business skills, training and mentorship in order to manage their businesses better and increase viability. CWDM needs to evaluate the value of its Business Support Programme and if it's beneficial to the Seed Fund beneficiaries. Entrepreneurs need to be provided with up-to-date training programmes that focus on the entrepreneurs' needs especially since the ESFP comprises of a variety of businesses. Facilitators of these programmes must themselves be well-trained and/or experienced in the specific area of expertise that they offer for example bookkeeping, They must be committed to provide effective and efficient mentorship as well as an honest evaluation of the entrepreneurs' business ideas.

Another proposed evaluation is that of the Seed Fund entrepreneurs evaluated within in a business incubation programme. This study will be beneficial especially for emerging businesses as business incubation allows businesses to grow within a controlled and managed environment. This will also ensure equitable and sustainable economic growth and enable emerging entrepreneurs to compete in both locally and global markets. A feasibility study also needs to take place to ensure the viability of establishing a business incubator in the Cape Winelands. The Business Incubator should be geared towards supporting emerging entrepreneurs to grow during the start-up period. The aim of the Business Incubator is to mobilise resources and to build capacity within emerging SMMEs based on the available experience and best practices from across the world, to catalyse further investment and support from domestic and international organisations.

6.5 FINAL REMARKS

In this chapter, the conclusions were drawn from the research results. The limitations of the study were listed and recommendations were made to increase the sustainability of the ESFP. From the research conducted, it can be concluded that the ESFP creates an opportunity for micro social entrepreneurs to start and grow their businesses by providing assistance through funding, business training and mentorship. The results of this study illustrated that not all businesses have failed who participated in the ESFP. In evaluating the ESFP it was important to evaluate the Programme in terms of its objectives and to see if it succeeded or failed in what it intended to achieve. Even the businesses who have failed after receiving funding, did share the objectives the Programme sought to achieve. The ESFP should continue to improve and create better support mechanisms for the micro social entrepreneur to ensure that all beneficiaries have sustainable businesses in the long run.

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ANNEXURES

ANNEXURE A: INTERVIEW SCHEDULE TO LED OFFICIAL

NAME OF LOCAL MUNICIPAL AREA: STELLENBOSCH LOCAL MUNICIPALITY

THE EVALUATION OF THE SUSTAINABILITY OF THE ENTREPRENEURIAL SEED FUND PROGRAMME: THE CASE OF THE CAPE WINELANDS DISTRICT MUNICIPALITY

The overall objective of this study is to investigate how successful the Entrepreneurial Seed Fund Programme has been for the past five years, and investigate if the funding provided could enable entrepreneurs to have sustainable businesses in the district.

Dear Sir/Madam

Your assistance is hereby requested to answer the following questions to the best of your ability. All information obtained will be treated confidentially. Your contribution will be of particular value to obtain an understanding of your views and experiences in managing the Cape Winelands District Municipality Entrepreneurial Seed Fund Programme and how the Programme can be improved for future sustainability.

The researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher educational institutions in South Africa. Please note:

- You, as a participant in the research study, are not required to disclose your identity;**
- The information collected will be used for research purpose only; and**
- You have the right as participant to participate and withdraw your participation in the study at any time.**

1. How long have you been managing the Entrepreneurial Seed Fund Programme in your municipal area? Please elaborate on your working experience working with these beneficiaries.

2. The objectives of the Entrepreneurial Seed Fund Programme include creating income opportunities and reducing poverty. In your opinion, is this realistic and achievable? Please mark with an X.

| | |
|-----|----|
| YES | NO |
|-----|----|

Can you provide reasons for your answer?

3. As a LED Project Officer who manages the Entrepreneurial Seed Fund Programme, what policies guide the implementation of the Programme?

4. A business entrepreneur typically measures performance in profit and return. In social entrepreneurship, the social micro-entrepreneur focuses on creating social capital. What is your understanding of social entrepreneurship?

5. When choosing the beneficiaries of the Programme, what criteria were used in the selection process?

6. In your opinion, are there any factors contributing to the success and failure of the small businesses being supported by the Entrepreneurial Seed Fund Programme?

Please mark with an X.

| | |
|-----|----|
| YES | NO |
|-----|----|

Can you provide reasons for your answer?

7. What have been put in place for those beneficiaries whose businesses fail in order to rescue them?

8. What monitoring and evaluation mechanisms have been put in place to ensure that the implementation of the Programme takes place?

9. Do small businesses have a role to play in disadvantaged communities; what has your experience been with the Entrepreneurial Seed Fund and the communities you serve?

Please mark with an X.

| | |
|-----|----|
| YES | NO |
|-----|----|

Can you provide reasons for your answer?

10. What are your recommendations for the future sustainability of the CWDM Entrepreneurial Seed Fund Programme?

Thank you for cooperation and contribution to this study.

ANNEXURE B: QUESTIONNAIRE TO ENTREPRENEURIAL SEED FUND BENEFICIARIES

THE EVALUATION OF THE SUSTAINABILITY OF THE ENTREPRENEURIAL SEED FUND PROGRAMME: THE CASE OF THE CAPE WINELANDS DISTRICT MUNICIPALITY

The overall objective of this study is to investigate how successful the Entrepreneurial Seed Fund Programme has been for the past five years, and investigate if the funding provided could enable entrepreneurs to have sustainable businesses in the district.

Dear Sir/Madam

Your assistance is hereby requested to answer the following questions to the best of your ability. All information obtained will be treated confidentially. Your contribution will be of particular value to obtain an understanding of your views and experiences in being a beneficiary of the Cape Winelands District Municipality Entrepreneurial Seed Fund Programme. This study also aims to make recommendations to CWDM about the implementation of the Entrepreneurial Seed Fund Programme in order for SMMEs to become more sustainable.

The researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher educational institutions in South Africa. Please note:

- You, as a participant in the research study, are not required to disclose your identity;
- The information collected will be used for research purpose only; and
- You have the right as participant to participate and withdraw your participation in the study at any time.

1. OFFICIAL BUSINESS TRADING NAME

| GEOGRAPHICAL INFORMATION | |
|---------------------------------|--|
| Type of business registration | |

| | |
|----------------------------------|--|
| Year you started business | |
| Type of business | |
| Gender of business owner | |
| Age of business owner | |
| Year of Funding | |
| Amount of Funding | |

2. Business performance

BUSINESS OPERATIONAL/ OR NOT

2.1 Is your business operational? Please mark with an X,

| | |
|------------|-----------|
| YES | NO |
|------------|-----------|

| | | |
|--------------------|---|--|
| Indicator 1 | Depending on your business status (operational or non-operational), please indicate reasons for it being either operational or non-operational? | |
| Indicator 2 | If operational who are your target market? If non-operational who were your target market? | |
| Indicator 3 | If operational who are your main competitors? If non-operational who were your main competitors? | |

Prior to SEED FUNDING

2.2 Did your business have a business plan in place? Please mark with an X.

| | |
|------------|-----------|
| YES | NO |
|------------|-----------|

| | | |
|--------------------|--|--|
| Indicator 1 | What was your business all about before? | |
| Indicator 2 | Who was your main business target market? State it below. | |
| Indicator 3 | What was your annual turnover before receiving the seed funding? | |

After SEED FUNDING

| | | |
|--------------------|--|--|
| Indicator 1 | Business plan in place reviewed and updated regularly? | |
| Indicator 2 | Marketing networks established and new opportunities investigated? | |
| Indicator 3 | What was your annual turnover after receiving the seed funding? | |

2.3 Did your business provide you with a livelihood (employment)? Please mark with an X.

| | |
|-----|----|
| YES | NO |
|-----|----|

Impact of SEED FUNDING

| | | |
|--------------------|---|--|
| Indicator 1 | How did the Seed Fund help to strengthen your business? | |
| Indicator 2 | What impact did the equipment you received have on your business? | |

2.4 Did the Seed Fund contribute to your business being worth more in monetary value? Please mark with an X

| | |
|-----|----|
| YES | NO |
|-----|----|

If so, how much more (rand value)?

3. Social Performance

Prior to SEED FUNDING

| | | |
|--------------------|--|--|
| Indicator 1 | What did you see as the potential benefits for the community where the business is located | |
| Indicator 2 | What were the conditions needed for your enterprise to contribute to economic development in the community | |

After SEED FUNDING

3.1 Did your enterprise have any contribution towards the community?

| | |
|-----|----|
| YES | NO |
|-----|----|

Please elaborate.

3.2 Did you participate in any skills training?

| | |
|-----|----|
| YES | NO |
|-----|----|

What type of skills training?

| | | |
|--------------------|---|--|
| Indicator 1 | How many livelihoods (employment) were there provided for other persons either permanent or casual? | |
|--------------------|---|--|

Impact of SEED FUNDING

3.3 Are there other contributions that your enterprise has made to the community besides employment or income?

| | |
|-----|----|
| YES | NO |
|-----|----|

Please explain the contributions made.

| | | |
|--------------------|--|--|
| Indicator 1 | The business skills you have acquired. How do you use them in your business? | |
|--------------------|--|--|

ANNEXURE C: LETTER REQUESTING PERMISSION TO CONDUCT STUDY

3 May 2011

Mrs. KSC Le Keur
Executive Director: Regional Development & Planning Services

Dear Mrs. Le Keur,

I am registered at University of South Africa (UNISA) for the MTECH: Public Management degree. I would like your/the Cape Winelands District Municipality's permission to use the information of the Entrepreneurial Seed Fund Programme for my thesis.

The title of my thesis is: **Evaluating the sustainability of the Entrepreneurial Seed Programme of the Cape Winelands District Municipality.**

Please indicate your approval of this permission by signing the letter where indicated below and returning it to me as soon as possible.

Thank you.

Sincerely,

Prudence January(Mrs.)

PERMISSION GRANTED FOR THE USE REQUESTED ABOVE:

KSC LE KEUR (MRS.)

Date:

ANNEXURE D: LETTER GRANTING PERMISSION TO CONDUCT STUDY

3 May 2011

Mrs. KSC Le Keur
Executive Director: Regional Development & Planning Services

Dear Mrs. Le Keur,

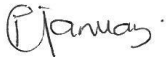
I am registered at University of South Africa (UNISA) for the MTECH: Public Management degree. I would like your/the Cape Winelands District Municipality's permission to use the information of the Entrepreneurial Seed Fund Programme for my thesis.

The title of my thesis is: **Evaluating the sustainability of the Entrepreneurial Seed Programme of the Cape Winelands District Municipality.**

Please indicate your approval of this permission by signing the letter where indicated below and returning it to me as soon as possible.

Thank you.

Sincerely,

Prudence January(Mrs.) 

PERMISSION GRANTED FOR THE USE REQUESTED ABOVE:



KSC LE KEUR (MRS.)

Date: 3/5/2011

