

SIYB TRAINING BUZZ

MAY 2010



CONTENT

- Women's Entrepreneurship Development (WED Capacity Building – Page 1
- 21 steps to start your business – Page 2
- The Companies Act of 2008 – Page 7
- Very small is beautiful for the majority of our people – Page 9
- Government fails BEE – Page 14
- Government to review BEE strategy – Page 15
- What steps must I take to create a winning tender? – Page 16
- Social enterprise (SE) development – Page 19

WOMEN'S ENTREPRENEURSHIP DEVELOPMENT (WED) CAPACITY BUILDING

WED Capacity Building Seminar

A WED Capacity Building Seminar was hosted in Pretoria from 24 to 27 May 2010 by the Women's Entrepreneurship Development and Gender Equality (WEDGE) project of the International Labour Organisation (ILO). The seminar was attended by people involved in promoting entrepreneurship and WED from organisations in South Africa and Lesotho, including BDS Providers; SME support institutions; government, business and women entrepreneur support units; employers' and workers'

organisations; women entrepreneur associations and disabled persons' organizations (DPOs); micro-finance and other financing institutions targeting women entrepreneurs.

The overall objective of the project is to create an enabling national environment for the promotion of women's entrepreneurship development and gender equality to support poverty reduction and job creation initiatives in South Africa.

The project is funded by the Norwegian Government and aims to strengthen the national institutional capacity of the Government of South Africa; to redress existing gender imbalances in enterprise development. This is done through approaches and activities aimed specifically at women and small enterprise initiatives that are gender sensitive.

The overall objective of the WED guide is to promote the full participation of women in entrepreneurship and economic development, and facilitate the creation of new and better jobs by women entrepreneurs. It seeks to build institutional capacity in WED, particularly in developing countries. It has a strong focus on business creation, formalization and expansion. The content includes the following topics:

- ILO's approaches for supporting women entrepreneurs, including basic principles on gender

equality in SMME development and WED;

- A framework for offering effective business development services to promote women's entrepreneurship;
- The role of lobbying and networking in promoting women's entrepreneurship;
- Various tools and instruments for promoting WED;
- Assessing the needs, challenges and gender-related issues of growth-oriented women entrepreneurs choosing to expand their business operations

Look for roll-out of the WED Capacity Building programme in your area. For more information contact Carmen Armstrong, National Project Coordinator, WEDGE South Africa on (012) 818-8000 or armstrong@ilo.org or Marina Clarke on (021) 595-4900 or economicdev.no@epilepsy.org.za.

21 STEPS TO START YOUR BUSINESS

By Tim Berry

Starting a business doesn't have to take months or years. Follow these steps and have your business ready to launch in no time.

Are you looking for the fast track to starting your business? You want to make sure you hit all the high points but don't get bogged down in too many fine points that lead you nowhere, right? Then read this guide, and get your business running in no time...

Step 1: Start with a viable idea

Start thinking about whether your core idea makes a viable business.

How do you know? Well, honestly, you don't always. It helps to take a step back, try to be honest and objective with yourself, and ask these questions:

- Does anybody need (or want) what we're going to be selling? How bad is the need, or how much do they want it? Think about it in commonsense terms. Vigorous market research will come later.
- Will they pay for it? While they say people will beat a path to your door for a better mousetrap, that's not always true. Think about it in your case.
- Are they paying for something else, now, already? Can we go from that to honestly believing they'll pay for what you're going to offer?
- How will you focus? Do you have a strategy, or are you planning to do everything for everybody?

The answers to these questions may seem obvious, but the point of this exercise is to give yourself a reality check. Essentially, you're asking whether there's a market for your product or service. If you're laying out a lot of money, and especially if that's somebody else's money (like investors), it's worth it to do the background research.

Step 2: Determine ownership

There are no formulas for ownership, and it may seem awkward at first, but if you're partnering with someone, it's a thousand times easier to do it now than to wait until

after the money starts flowing. Determine the percentage of ownership, who does what, whose idea it was and how much that matters. There are no formulas for ownership. The closest thing to it is money spent, especially if you add in time spent (so-called sweat equity) and work that into a money value. It's extremely hard to value the original idea – I say the idea has very little real value, because it's the work that matters. You have to talk through this. For now, talk about it first, and leave it to settle for tomorrow.

Step 3: Get the agreement in writing

Now that you have mulled over the potential legal issues surrounding ownership, it's time to get concrete. Today, get a draft of the agreement in writing. We don't mean go to the attorney, but we do mean write down the main points of your agreement with the other people involved. You don't need formal legal language. That will come later (actually, Step 17). What you want is a simple, plain agreement: percentage of ownership, money invested, time invested and who owns what.

Step 4: Name the business

That might be just using your own name, but usually it's more than that, including not only coming up with the ideas, but also checking them for availability, and registering the name to make it legally yours.

You don't have to make it final, at least not yet (you will later, Step 17 again). Start with the ideas, though, and start thinking about it.

Many people misunderstand what you can and can't do with names. You can waste a lot of time with those misunderstandings.

Step 5: Think about the initial sales forecast

Some people dread the forecasting, but your business won't succeed without it. How can you estimate expenses without knowing sales? How can you estimate your initial cash needs, as part of your starting costs, without knowing sales?

A lot of people think sales forecasting is some highly sophisticated scientific thing they don't know how to do.

Don't worry; back here in the real world, a sales forecast is an educated guess. How can you forecast something brand new?

Break it down into pieces. Lay it out onto a spreadsheet over 12 months and make your estimates for each month.

Think about how many tables, how many stalls, how many hours? How much per each? Multiply those units by the rands per unit, and you have a sales forecast.

Step 6: Create an initial expense budget

Like your sales forecast, lay out a spreadsheet with rows on the left, months along the columns and a sum at the bottom to come up with an initial expense budget. Think about rent, utilities, marketing costs and payroll. Note: remember to include what you're going to pay yourself.

Step 7: Estimate starting costs

Start this with two simple lists: expenses you'll incur before you start, and the things (assets) you'll need to have. Expenses are things like legal costs, fixing up the location, setting up your website and so on. Assets are the things (inventory) you're going to sell.

The harder part is estimating how much money you need to have in the bank, to support the company through the normal drain period during the early cash-negative days. You have to lay this out month by month, comparing your sales to your expenses, watching the way the money goes in and out. Remember, in most business-to-business settings, you have to wait to get paid.

Step 8: Plan your marketing strategy

Think about your target market. Imagine a hypothetical, ideal customer. Determine his or her age, gender, job, favourite media and family situation. It's important to know your customer well.

What's your message? Can you say it in a single sentence? What if you have just one sentence that your customers will listen to? Where would you send that message? How would you reach them? Think about your marketing strategy and implementation details. Take the time to go through a short but focused marketing plan to make sure you understand what it will take to market your business.

Step 9: Develop your look and feel

Start developing a sense of the look and feel of your company as your buyers will see it. What will your

logo look like? What sense will it have to convey? Old-fashioned? Trustworthy? Leading edge? Everybody has a brand. What will yours be? How will you get that idea across to customers and potential customers?

Develop your look and feel with logos, signs, letterhead and graphic standards. These are your branding essentials, and you need to have them in place before you get much further.

Step 10: Start building your website

Have you started your website already? Have you been thinking about it? Today's the day to get going with that. If you're building a Web 2.0 application or any website that's core to your business, then you might have to settle for simply having begun by the end of the three weeks.

For most businesses, you can have a website built very quickly. Think about the basic elements of your website, and at least get a site up with basic information about you, your business, your products and your services.

These days there are some good shortcuts available: take a look at TypePad, WordPress and blogger platforms, for example. These were built for blogging but can apply to many small sites, with little to no formatting work.

Step 11: Think about how you're going to get paid

Think about how your customers will pay you. If you're going to be selling to consumers, then you probably

want to establish a merchant account so you can accept credit cards.

These days, because of the online suppliers, there are a lot more options. In the old days you had to go straight to your favourite bank, which had a detailed and time-consuming process. These days, you have the option of setting yourself up with some web stores (like Amazon, Yahoo! and others) that can handle that part of it for you. If you're selling to businesses, then think about invoices and credit policies for business customers. There's no underestimating how important getting paid is.

Step 12: Try making a sale

Have you been able to make a sale yet? Maybe you should take today to peddle your goods. Even though you're not fully established yet, lots of businesses (maybe most of them) start selling before they're fully launched.

This is where you get to make sure that people want to buy what you're selling. Even if you can't make a sale, because things aren't ready, talk somebody through it. The selling will continue for as long as your business is open, but we wanted to include it here as well because so many businesses are born at the moment the first customer says "yes".

Step 13: Get an insurance policy

Take time to talk to an insurance broker and get your business insurance started. These days, you can do a lot of research or even do the whole thing online. And if not, remember the old-fashioned

telephone style of finding the right people. Talk to any insurance broker you can think of, ask some questions, and if he or she isn't the right one, ask who else you should talk to. Find the right person by asking the wrong person who else you should talk to.

In the doing, you'll find out what kinds of insurance are appropriate for the type of business you're starting.

Step 14: Build your dream team

Have you been thinking about how to build your team? Do you know the people you want to bring on? It's time to start ironing down the team and the employees, and start the recruiting process. Depending on your specifics, you'll probably need job descriptions, and you'll need to place ads on the right websites.

Start thinking about your employee list. Who will you need to help you out when you actually open for business? Will it be just you and your business partner? Do you need to hire service people? Drivers? Designers?

To get started, take another look at the financial planning you did in steps 1-7, see who you can afford to hire and start looking.

Step 15: Think about your business location

Most people know they're either going to work out of their home or they know where their office will be. They're considering the right location, how it should look, where it should be, what else is nearby, and so on.

Even if it's a home office, you've probably been thinking about it. Now's the time to make sure you're set up. Desk, computer, telephone, Internet, quiet if you need it, view or not, the whole nine yards.

For a retail shop, workshop or office space, if you haven't done so already, start looking. It's almost time to make a decision.

There are brokers to help, and they won't charge you because they get their commission from the landlords (which you should keep in mind as you deal with them because it's always good to remember who's paying). Find a broker who'll work with you; one who listens to you about what you want and don't want.

Today, take steps to establish the location, whether it's simply adding desks and phones in your home office or making calls to revamp a restaurant or manufacturing plant. For some people and businesses, this takes more than three weeks. Sometimes you can't even lock in the location you want in that time. But start planning the office space in which you want to work, as this can create the most lag time.

Step 16: Set up your accounts

With some good accounting software, you can keep track of every transaction – every cheque, each invoice you receive and those you send out. Keep careful track of spending and invoice categories, and before you know it, you're doing the bookkeeping. The best way to choose your new accounting software is to check with your bank so your systems will be compatible.

That will save you endless frustration with inputting records.

Step 17: Create the legal documents

Way back in Stage 1, you got together with the others involved and wrote down your agreements on who is supposed to own how much of the business, who does what and who is putting in how much money. And you started looking at possible names for the business. Today, get it locked in by creating the legal entity online talking to an attorney or both.

Do yourself a favour, though, before you start the attorney's meter running: Make sure you understand the basic trade-offs, so you can spend the billable attorney time making the right choices, rather than just understanding the options. We don't recommend setting up your business without an attorney (online or not), but if you get informed first, you'll reduce the expense.

Step 18: Start hiring

You're nearing the end of your three-week start-up. Just three steps left, so if you're going to have employees, it's time to hire them or at least begin hiring. You started the recruiting process last week, so you should have some people in mind. Don't do job interviews without first going over a simple review of what you can and can't say. A lot of what would at first glance seem like common sense is technically illegal. For example, you're not supposed to ask someone his or her age or marital status because that information can lead to the appearance or suspicion of discrimination.

Step 19: Get funding

This is another one that depends on the details. It can be as easy as deciding to spend a few thousand rands you already have or as hard as raising millions of rands from professional investors.

Your simple start-up, involving a home office and a computer, might need nothing more than what you can get at a retailer like Dion or Makro in an afternoon.

If you have to raise more money than you have, you need to write a detailed business plan, find potential investors and do a lot more work. If you're looking for professional investment, you almost certainly won't get that in three weeks (although there are some rare exceptions). You can still get your business going with the money you can get quickly so that you look that much more attractive to investors.

Step 20: Think about Opening Day

This should be fun: Imagine the big party, the searchlights beaming into the sky, a brass band. Well maybe not all that, but opening day is a good event to start your business marketing right.

Plan your opening day and make sure everyone knows about it. Write a press release, talk to local or trade reporters and generally let people know about your business. You want to build buzz so that when you open, people are aware of you.

Step 21: Start your business

You're up and running, and in 21 steps, just as we had hoped. That

makes today the first day of the rest of your business.

Today you'll want to take another day to make the sale.

Focus today and see how many customers you can get in the door, figuratively or literally, depending on your business.

On your first day, remember to observe what's going right, what's going wrong and to note what could be better.

Your business will quickly become different from what you expected, and that's OK. The key is to record what's different and why, and make course corrections. In the real world, your planning should become management. So review your plan vs. actual frequently, and run your business better.

Source:

www.entrepreneurmag.co.za, 19 November 2009

THE COMPANIES ACT OF 2008

By Ricardo Wyngaard

Article Five: The non-profit company and the non-profit trust

This fifth article compares key aspects of a non-profit trust under the Trust Property Control Act of 1988 (the Trust Act) and a non-profit company under the Companies Act of 2008.

The legislation:

These two acts differ significantly in size. The Trust Act consists of 27 sections which can easily fit into 6 pages. The Companies Act of 2008 has over 200 sections and, together

with its regulations, cover well over 200 pages. Despite the difference in size, a number of court decisions have, over the years, given meaning and content to the Trust Act. The courts will also further interpret the Companies Act when it comes into operation.

Legal Status

The difference in legal status of these two entities has, at times, created some confusion. Unlike the nonprofit company, which is a juristic person, in terms of section 19 of the Companies Act, a trust is a unique form of entity that does not have separate legal personality. The implication is that a separate juristic person created through a non-profit company, but a separate legal person is not created with the establishment of a non-profit trust. The Supreme Court of Appeal has found that it is incorrect to refer to a trust as a 'separate legal entity'. This means that the assets and liabilities in a trust vest in the trustees in their official capacity, but not in their personal capacity.

Duties of Directors and Trustees

The duties of directors are more clearly reflected in the Companies Act. The Trust Act is scant in reflecting the duties of trustees. Section 6 of the Trust Act provides that trustees must in the performance of their duties and the exercise of their powers act with the care, diligence and skill which can reasonably be expected of a person who manages the affairs of another. The courts have provided additional clarity on what the duties of trustees are. For example, the courts have made it clear that trustees must

avoid a clash of their own interest with that of the trust.

The Companies Act now codified a number of standards that directors must comply with. These standards are no doubt aimed at increasing the levels of accountability, transparency and corporate governance within companies.

Liability

Even though a non-profit trust is not a body corporate, the trustees are not automatically personally liable for the debts of the trust. In fact, trustees are not more liable in their personal capacity compared to directors of a company.

Both directors and trustees may be held liable if they are in breach of their legal duties.

The Companies Act is more explicit on the duties of directors and their potential for liability. A director of a non-profit company may be held liable for any loss, damages or costs sustained by the company in situations where there has been:

- a breach of fiduciary duty,
- failure by the director to deal with a personal financial interest, and
- failure by a director to act in good faith and for a proper purpose.

The Companies Act has also extended potential liability to committee members appointed by the board – even though such committee members are not members of the company.

Record-keeping, Reporting & Regulation

The Trust Act does not require trustees to submit audited financial

statements to the Master of the High Court. This may however be required by the trust deed and it is common for non-profit trusts to appoint an auditor (or accounting officer) because the Master may require trustees to otherwise furnish security. The Master may request trustees to account for the trust property and to deliver any document relating to the trust property.

Companies, on the other side, are more comprehensively regulated. The Companies Act regulates the preparation and content of annual financial statements of non-profit companies (for more detail see *Vol. 5*). Non-profit companies may be audited, independently reviewed or neither. It is expected that the Companies Act regulations will compel certain non-profit companies to be audited.

Conclusion:

Groups that want to establish a non-profit organisation (other than a voluntary association) will have to carefully compare the legal and other differences between a non-profit trust and non-profit company.

Source: NPO Legal Issues, May/June 2010

VERY SMALL IS BEAUTIFUL FOR THE MAJORITY OF OUR PEOPLE

By Jan Beeton

Survivalist entrepreneurship continues to be discounted in South Africa in favour of small to medium employment creating businesses. In our quest to focus exclusively on the employment creating potential and

economic growth contribution of the more formal and growth oriented small business sector, we ignore at our cost, and at our nation building peril, the fantastic resource and value of micro and survivalist businesses. Whilst such entrepreneurs are a response to desperate circumstances, they nonetheless have phenomenal social and economic value which is so often overlooked in their role as useful start up economic endeavours and sources of work (as opposed to idling about and unemployment):

- A cradle of human capital formation
- A key entry level point for attaining work and business experience
- An opportunity to access the mainstream economy.

The informal sector was 'discovered' in the 1970s when Keith Hart first used the term. This was then quickly embraced by the International Labour Organisation (ILO). This view largely saw the informal sector as "Covering marginal livelihoods and survival activity outside the regulatory reach of state and not yet able to be absorbed by industry." The sector has in fact always been seen as transitory and a temporary safety net for the unemployed and marginalised. Yet it has persisted, refused to decline or disappear and has in fact often increased in different parts of the globe. Its contribution to national economies has been significant and in many developing countries it employs the majority of workers and offers increasing employment when the

potential of other sectors to create jobs is declining.

Let's talk livelihoods rather than jobs

Perhaps we should talk about livelihoods, rather than jobs and employment, to see the incredible value of survivalist micro entrepreneurs. Individuals are working and generating income for themselves and their families at a subsistence or survival level, even if they are not creating work for others. And quite often they do that as well. Just imagine the growth in grant pay-outs and in unemployment if people were not creating their own work. The idea of livelihoods rather than jobs is such a useful mindset shift, just by changing the words we use when we talk about the sector.

The livelihoods concept affords the majority population a respectable space to work in to get on to the ladder of self improvement and income generation which can lead to other and better things over time. Isn't this what we mean when we talk about a 'developmental economy'?

'My greatest challenge has been to change the mindset of people. Mindsets play strange tricks on us. We see things the way our minds have instructed our eyes to see.'

(Muhammad Yunus, Grameen Bank)

A Gateway to the Future

What is so often overlooked is that micro or survivalist entrepreneurship is very often the gateway to so many other possibilities and opportunities in

- Further education
- Formal employment

- Larger and more lucrative business establishment.

There are many real life stories of this happening. A couple of stories from the writer's experience are:

The owner of an informal settlement day care centre who after receiving some mentoring support registered for a formal qualification in early childhood development.

A micro trader who did some basic and advanced training in business skills and is now registered for a BCom degree. He is currently in his second year.

An informal settlement hairdresser who after receiving some sound business advice now owns and manages a chain of informal hairdressers in different townships.

A trader who took a skills training course in motor vehicle air conditioning and went on to secure formal employment.

We have created a society that does not allow opportunities for people to take care of themselves because we have denied them those opportunities.

(Muhammad Yunus, Grameen Bank)

Reductionist Thinking

The trick is not to see survivalist entrepreneurship in terms of direct cause and effect thinking but rather as part of a developmental continuum and process. It may take several or many failures, repetitions, and simply trying again, before the potential for success and growth develops as a possibility at this level and takes off. It might take deviations and changing paths quite often. The survivalist sector is not a

straight cause and effect line of action to result, i.e. start-up to economic and social impact. That is why we discount its value and potential to contribute to our growth and development as a nation. We must start to think more systemically and holistically, however, and exercise our creativity and patience, to understand that the value of this sector needs to be seen within a longer-term and much more dynamic framework.

A Sleeping, Awakening, or Roaring Giant?

We should take heed of current statistical evidence of this emerging economic power house in our midst. There is indeed potential at the bottom of the pyramid.

We can even begin to see the so-called second economy of our country as 'a first economy in waiting'..... here are some statistics to boggle your mind:

- The informal retail sector in South Africa is increasingly acknowledged by manufacturers and wholesalers as an important delivery channel of goods to consumers. A report compiled by Prof André Ligthelm of the Bureau of Market Research (BMR) of Unisa and published a couple of years ago on the characteristics of the informal retail sector, estimated the share of the informal trade sector at already R32billion in 2002. This represented approximately 10% of retail trade sales in South Africa.
- In contrast with the often expressed idea that the informal

and formal sector operate as two separate 'economies' with limited linkages, the study found considerable linkages between the two sectors.

- Linkages are manifested in various ways through, inter alia, increased product delivery to informal retailers, promotion sales available to them and even the availability of supplier credit to especially township general dealers.
- In various reports issued by the City of Johannesburg, the council has estimated the number of informal traders in Greater Johannesburg alone at some 85,000. The council views informal traders in two ways – as an economic opportunity and as an opportunity for people to make a livelihood.
- According to the Traders Crisis Committee, there are more than two million informal traders in the country who, through their income obtained from trading, sustain the lives of some 10 million people.
- A report from a conference on the informal economy held in Ethekwini in November 2006 had this to say:

Key facts about the informal sector and economy are:

Although individual earnings in the sector are low, overall its contribution to GDP (currently 8-12 percent) continues to grow;

25-30 percent of the labour-force works in the informal economy;

The informal sector is one of the few areas of the economy where

numbers of workers continues to increase;

The vast majority of workers in the sector are from historically disadvantaged communities.

- During the recent economic downturn that bit deep last year, it was the informal sector that created work for people.

International Approaches

Rapidly developing nations such as India, Brazil and China take the micro enterprise sector very seriously indeed. It is a major part of their economies and is estimated to be the key success factor for the rapid growth of the Chinese economy currently.

It has been estimated that about 93 percent of total employment in India is constituted by the informal sector. The National Commission for Enterprises in the Unorganised Sector was constituted in 2004 in India to look into the problems, challenges and potential of the sector.

In Brazil, 40 percent of the national economy is accounted for by the informal economy and 60 percent of the workforce. Brazil has a Micro and Small Business Council as part its National Confederation of Industry.

China's economy continues to thrive despite an absence of sound financial and legal systems. This is largely due to the country's dependence on 'informal' structures and the growth of entrepreneurship in the region. This is according to report published in 2002, an extract is produced below.

'Informal' entrepreneurship is the key to China's Success

(19 Aug 2002. Source: Knowledge Wharton).

China is turning conventional business wisdom on its head. Business scholars in recent years have argued that sound financial and legal systems are vital to economic growth. China lacks all of the above, but the country's economy is growing like gangbusters - averaging 8.35 per cent expansion for most of the 1990s.

'There's this paradox that China has been doing extremely well,' said Wharton finance professor Franklin Allen, who has studied the issue with Jun Qian, a former Wharton PhD student and now a professor at Boston College, and Meijun Qian, a Boston College graduate student. At a conference on 'The Future of Chinese Management' held April 22, 2002, at the Wharton West campus in San Francisco, Allen and his colleagues proposed an answer to the Chinese economic puzzle: The key to the country's success lies in its fast-growing 'informal' sector.

Allen, Qian and Qian define this sector as all firms not controlled by the government or publicly traded. They say this swath of the economy relies on factors such as cultural norms and economic competition to promote good corporate governance, and depends more on bonds of trust and reputation for financing rather than traditional Western sources of capital.

'It's not so much the banks and the stock market that are important, it's

the informal sector that's driving China's growth'.

So, what do we need to think about and do here in South Africa?

Firstly we need to ask the question what is the problem here in South Africa with accepting the survivalist sector as part of our economy?

The writer's answer to this question is that our general way of business life is hugely influenced by a mentality of materialism, 'up market' approaches to business, a profit above all mentality, and 'the bigger the business the better' thinking – it drives business in our country and our people at all levels.

Prevailing values of accumulating large amounts of money quickly, a get rich quick and ego driven mentality, personal enrichment before all else, image and status, all overshadow more relevant approaches for the majority population in our country of thinking small, thinking inclusion, thinking caring and sharing, in order to build a sustainable nation over the longer term.

Examples of what we need to do are:

1. We need to stop discounting the survivalist sector.
2. We need to stop seeing this economic sector as peripheral and marginalised.
3. We need to stop treating it as a 'CSI case' and a 'poor cousin'.
4. We really do need to accept that we are a developing country and work more with the requirements of a developmental economy and its realities of poverty and

marginalisation, as well as with the survival and coping strategies of poor people living on the fringes.

5. We need to acknowledge and accept that we have a survivalist economic sector that is not temporary and that we should be working with it and acknowledging its phenomenal value and the significant economic contribution it makes to the country.
6. We need to build supplier and value chains that are more inclusive and diverse, creating links between developed and developing businesses as a national priority.
0. We need to make micro-credit available on a broad scale – we even need to think about establishing peoples' banks—banks that have a primarily social rather than a profit purpose. (Muhammad Yunus who won a Nobel prize in 2006 for championing tiny microcredit loans to the poor in Bangladesh, is now pioneering this idea which he calls "social business" as a way to fight poverty - business not for profit, but to solve social problems).

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www.ged-developmentconsulting.co.za.

Source: www.ngopulse.org, 3 May 2010

GOVERNMENT FAILS BEE

It is no secret that B-BBEE has not reaped the results that its developers had anticipated upon the legislative inception of the B-BBEE Codes. According to Keith Levenstein, CEO of EconoBEE, Government's failure to even make an effort to comply with the B-BBEE codes is a major contributor to this sad state of affairs. EconoBEE has recently undertaken a short desktop survey by asking various stakeholders and public entities for their own BEE scorecards, and the results are simply deplorable.

Many of BEE's top role players are non-compliant and do not have a scorecard to speak of. SANAS, the accreditation body of verification agencies, refers to a self-rating conducted internally in 2008. The Department of Labour and its associated entities, including the UIF, Compensation Commissioner and CCMA, have no scorecard. The National Empowerment Fund, the dti company that assists with financing of BEE ownership deals, as well as Cipro, Proudly SA, and the BEE Council, responsible for advising the President on BEE issues, have all failed to even attempt a scorecard.

When EconoBEE approached Thabo Masombuka, Head of the Secretariat for the BEE Council and a Director at the BEE unit at dti, he stated; "... the Council is... an advisory institution set up to advise government on the

progress and matters related to B-BBEE and therefore does not have ownership, management and does not engage in any other activity that is measurable in terms of all other elements of the BEE scorecard. To expect the Council to have a B-BBEE scorecard clearly flies in the face of logic."

Keith Levenstein states that whilst it is true that some of a company's spend with these entities are exempt in terms of their preferential procurement calculation, this does not imply that these entities do not need a scorecard, in the very least, to set a good example: "What is most disconcerting is that most seem to be completely unaware that a B-BBEE scorecard would be good for them, and in terms of the Codes, they do need one. One of the missions of the BEE Council is to monitor BEE compliance of government and enterprises. They have no interest in producing their own scorecard."

Levenstein continued his argument to say; "It is trite to state that these public enterprises cannot get a scorecard because they do not have ownership – the specialized scorecard takes this into account and allows all enterprises without ownership to earn all the points from the remaining six elements."

The survey revealed that some public enterprises do have scorecards: Eskom has a level 2, whilst the energy regulatory body, NERSA does not and continues to use ownership and HDI status as its sole criterion for tender processes. SABC has earned a level 4, but again the communications regulatory

authority ICASA has not undertaken the scorecard calculation process. Telkom is level 4 and SAA is a weak level 8, but has at least gone through the effort to calculate their score.

Says Levenstein; "We would like to see government and public enterprises obtain a scorecard, because it would show government's commitment towards its own policies. It would help those organizations understand the issues involved in getting a scorecard, designing a strategy to build up the scorecard and then the administrative work in getting that scorecard verified. In particular, it would be nice for SANAS to make an effort and understand the frustration some of their requirements are causing. Ultimately, we'd like to see them set an example by leading the way."

Whilst EconoBEE and other advocates of BEE promote the use of the B-BBEE scorecard to stimulate business and the economy as a whole; the government believes that "getting a BEE scorecard flies in the face of logic." This is a blatant indication of government's failure to support and sustain progress of B-BBEE.

On Monday, 24th May the NEF organised a conference on their 2020 vision for B-BBEE. The tone of the delegates present was that government should stop using the "carrot approach", and apply the "stick". The dti minister Rob Davies stated that government will look at a new strategy for B-BBEE. We can only hope that he wields the stick on government, rather than criticise private enterprise alone.

Source: EconoBEE newsletter, 26 May 2010

GOVERNMENT TO REVIEW BEE STRATEGY

Trade and Industry Minister Rob Davies says there is a need to review Black Economic Empowerment (BEE) strategy.

"There's need to review the strategy, look at what is working and not working, look at how effective we can make BEE work in order to enhance its impact overall and in particular how we use it to make sure we are developing real productive capacity by black people who have been excluded from the economy," the minister said on Monday.

Speaking at a Broad Based Black Economic Empowerment (BB-BEE) seminar organised by the National Empowerment Fund (NEF), Minister Davies said the dti has noted that although BEE's success has been modest, there is a need to review BEE strategy.

Minister Davies said BEE had reached an important and challenging crossroads and the newly established BEE Advisory Council would play a pivotal role in advising on the way forward for BB-BEE.

Also speaking at the seminar, NEF Chief Executive Officer Philiswa Buthelezi said BEE transactions needed to be structured with a bias towards supporting Black people that were operational in the investee companies.

She said for BEE to be successful the focus needed to move to a stage where BEE parties were the operational champions in the target companies, driving operational performance, transformation and economic growth.

“BEE, we propose, should also increasingly focus on the creation of new businesses and economic capacity by Black entrepreneurs,” she said.

The historic seminar billed as the NEF BB-BEE Vision 2020, was called “to review the performance to date of BB-BEE, and to chart a new set of aspirations for every sector of the economy, which we hope will be accomplished by year 2020,” Buthelezi said.

As a driver of the Codes of Good Practice for Broad-Based Black Economic Empowerment, the NEF has developed finance products ranging from R250,000 up to R75 million for black entrepreneurs.

The NEF BB-BEE Vision 2020 brought together stakeholders from government and the private sector to examine milestones attained to date and some of the unintended consequences of BB-BEE.

The seminar was attended by key thought-leaders, and speakers included Cyril Ramaphosa, Dr Mathews Phosa, Jimmy Manyi, Sandile Zungu and Prof Andre Schreuder, while the sector co-chairs included leaders from across the economic spectrum.

Source: www.skillsportal.co.za,
28 May 2010

WHAT STEPS MUST I TAKE TO CREATE A WINNING TENDER?

A how-to guide to get you through the tender process successfully.

So, you're a small business and you're plodding along relatively successfully but work is not always a sure thing. What you really need to launch you into the big time is a large contract with a client that will guarantee both work and payment. If you could only get your hands on one, you could breathe easy for a while, and maybe even put some capital aside to execute the growth plans you've previously put on the backburner. Tenders, especially those for government contracts, sound like the answer in this situation, and in many ways they can be. But before you start counting your chickens, familiarise yourself with the ins and outs of the tender process – because it's never as easy as it sounds.

Simply put, a tender is an offer to do a particular job or supply particular goods at a particular price. Also referred to as a bid, it is a process whereby businesses have the opportunity to put forward their goods or services at their price to the organisation that has put out the tender. Because government is spending public money on contracts, and is committed to transparency in how this is carried out, it adopts a tender process as a way of limiting the chances that contracts are awarded on the basis of favouritism, racism, nepotism or any other unfair process. A similar principle applies to companies in the private sector which need to remain transparent about their procurement process.

Once you submit a tender, it will be reviewed according to a number of criteria along with all the other tenders for the same contract, after which government or the organisation will accept the tender and award the contract to its chosen service provider.

This contract is legally binding – it requires the service provider to deliver the goods or services at the tendered price and within a particular time framework, and it requires the other party to pay for the goods or services at the price tendered and on time. Great – so where do the snags come in?

Get started

Firstly, the tender process is an understandably competitive one. Everyone wants the same piece of the same pie so you can be sure that your tender is up against the toughest of your eligible competitors. And although cost is an important factor in deciding which tender is awarded the contract, it's not always the only criterion. Obviously, it goes without saying that you have to be deemed capable of delivering the goods or services required. All government tenders are awarded points and the bidder that obtains the highest number is awarded the contract. But in line with its procurement policy, government gives preferential points to contactors that are owned and operated by previously disadvantaged individuals (PDIs). For example, the Small Enterprise Development Agency (Seda) points out that government adjudicates 80% of tender on price and 20% on the PDI status or gender of the

business owner, for tenders under R500,000. Companies in the private sector often have a similar policy of favouring suppliers with PDI status.

Find the information

But first you have to find out what contracts have been put to tender. National and provincial government departments; municipalities; parastatals and big companies in the private sector all issue tenders. The system is designed to make information on tenders freely available but that doesn't mean you won't have to go looking for it. Proactivity is the name of the game.

Establish your eligibility

Your next step is to determine whether you are eligible to tender for the contract. Seda advises that businesses that meet the following requirements are ready to tender. The business should:

- Be a registered business or be licensed with the relevant local authority;
- Have a good banking record, credit history and relationship with its suppliers and clients;
- Be able to deliver on time, on budget and according to specifications and to deliver consistent quality;
- Be registered with the South African Revenue Services;
- Have an up-to-date tax clearance certificate;
- Pay its bills on time;
- Have the cash flow and other resources necessary to complete the contract;

- Have qualified employees who are registered with the Department of Labour (UIF, Skills Development Levy, Workmen's Compensation);
- Have or can acquire, the right equipment and accessories to complete the tender;
- Have products that comply with SABS or other relevant standard authorities;
- Be proactive.

Partnerships

You may choose to tender with another business in a joint venture but remember to choose this partner very carefully. Make sure you have all the contract documentation in place detailing how profits will be split and what each party is required to deliver. Seda also suggests that you join with two or more other small businesses rather than one partner that's considerably bigger than you are – it's good advice.

Do the paperwork

Once you have identified a tender that you'd like to pitch for, you need to access and complete the tender documents. On this point, filling them out correctly plays a vital part in the potential success of your bid. How hard can that be, you might ask. It's not so much that it's difficult, but more that it requires you to be highly specific and pay close attention to detail. Especially for government tenders. Forget to include your price and you'll be disqualified. Deliver your tender one minute after the deadline and it won't even be considered. If your product or service does not comply with the

specifications of the tender, your bid will be removed from the list and you'll have wasted your time. For national and provincial government tenders you will need to fill out standard forms. Give yourself plenty of time to complete and post, courier or hand-deliver the documents by the deadline.

Help with completing tender documents

It's advisable to contact a Tender Advice Centre (TAC) who will help you get hold of and complete the tender documents correctly. For a list of TACs, visit www.dti.gov.za

Get the price right

Price is a big factor in awarding tenders so you want to ensure that your price is competitive but having said this, you also need to make a profit. Those in the know generally advise that you work on a cost plus 7,5% basis. Working out how much the contract will cost requires you to pay close attention to the specifications in the tender. Labour, materials, equipment, insurance, the length of the contract and how assets like vehicles will depreciate during this time all need to be considered. The length of the contract and whether you will be paid in instalments will also determine if you are going to need bridging finance. Take all these things into consideration when working out your price. Finally, if you don't succeed at your first tender attempt, put the process down to experience and remain tenacious. Once you have delivered successfully on one tender, you have a foot in the door and more success will follow. In the meantime, keep focussing on delivery and

service excellence – whether you are awarded tenders or not, these attributes make for a winning business formula.

Source:

www.entrepreneurmag.co.za, 21
May 2010

SOCIAL ENTERPRISE (SE) DEVELOPMENT

The work of the Social Enterprise Development Targeting Youth in South Africa (SETYSA) project seeks to support the ILO's constituents and partners in their efforts to promote social enterprise development in South Africa, supporting progress towards a conducive enabling environment and the development of appropriate business development service products for potential social entrepreneurs, with a particular but not exclusive focus on youth entrepreneurs.

The focus of the SETYSA project on social enterprise development is aligned with the Decent Work agenda, in particular the pillars on employment creation and social protection respectively, and the links between these two pillars. Thus, the ultimate objective of the project is to encourage the creation of employment opportunities within social enterprises, as well as the social value delivered by the goods and services that they produce.

Social entrepreneurship is an emerging field at both academic and practitioner level and there are no clear agreed definitions of social enterprise and related concepts. The emerging ILO approach used for

the purposes of this project draws on the 2001 Report of the Director-General: *Reducing the Decent Work Deficit – a Global Challenge*, in which social enterprises were described as those which create “sustainable market solutions to social problems”. This approach does not categorise or exclude social enterprises on the basis of for-profit versus non-profit status or other legal form. It focuses on those enterprises with a viable business model, at least in the long term, which may incorporate a variety of income streams, in line with the ILO understanding of the term ‘sustainable enterprise’. However, the project recognizes that some institutions active in the field of social entrepreneurship use different definitions and that dialogue, capacity building and tool development facilitated through the project need to take account of this dissonance.

The project activities include measures to improve business development service (BDS) provision for social enterprises and social entrepreneurs. The project is working with partners to ensure that social enterprises have access to appropriate services that can help them to establish, improve and grow their businesses. At present, social enterprises often fall between the cracks – they have different needs to conventional non-profit organisations which are sometimes supported by the Department of Social Development or other institutions, but they are often turned away from conventional business support institutions as they are seen as ‘projects’ rather than businesses.

This requires efforts to change attitudes as well as ensuring that service providers have the capacity and tools to reach out to, identify and serve social enterprises. As part of this work, the ILO is working with the African Social Entrepreneurs Network to create a Social Enterprise Toolbox for Africa, which contains links to existing resources for social enterprise development, including training materials on which BDS providers can draw to create their own training programmes and other tools. To complement this work, the ILO is working with ASEN and other partners on the development of **new tools for social enterprise** development specifically tailored for Africa.

Real Development based in Port Elizabeth is currently developing five tools:

- Introduction to social enterprise training tool: A half-day introductory training seminar on social enterprise with a trainer development programme;
- Generate Your Social Business Idea (GYSBI) training tool: An adaptation of the ILO Generate Your Business Idea (GYBI) programme with a trainer development programme;
- Generate Your Social Business Plan (GYSBP) training tool: A training tool designed to allow trainees to develop a social business plan based on an existing social business idea with a trainer development programme;
- Assessment tool for social entrepreneurs: A rapid

assessment tool to assess whether an individual has the qualities and characteristics associated with successful social entrepreneurs.

- Assessment tool for social enterprises: A rapid assessment tool to assess whether an existing or potential business qualifies as a social enterprise, based on indicators of adherence to key principles such as social purpose and financial sustainability.

This process is closely linked to the Motherwell Social Business Plan Competition. This Eastern Cape initiative rolls out in June 2010 with training seminars. The deadline for applications from potential competition entrants (registration forms) is 30 June 2010. Social business ideas will be submitted by 6 August 2010 and social business plans on 22 September 2010. An awards event is planned for 21 October 2010. For more information on the Competition contact Ricardo Dames on (041) 503-9100 or Ricardo.Dames@uyf.org.za.

For more information on social enterprises contact Tom Fox or Andile Ntiyane at the ILO on (012) 818-8000.

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