



# SSACI NEWS

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## Hand-holding works for emerging young entrepreneurs



EDP Moses Kali with Audrey Mofolo who owns Prodegy's Talk Shop

This newsletter aims to keep SSACI's partners informed about what the Initiative is doing, and why. It seeks to give sponsors and project-holders a better understanding of one another's perspectives. It highlights issues in the fields of education, training and skills development that affect SSACI's work.

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**A**t a table cluttered with cellular phone parts. Moses Kali and Aubrey Mofolo talk business. This is no cell-phone "chop-shop", but a legitimate and thriving little business, *Prodegy's Talk Shop* in Botshabelo, near Bloemfontein. Its owner, Audrey Mofolo started with capital of just R800 and self-taught technical knowledge from manuals available on the internet. Now he is getting equally-important business skills through an innovative programme of support to emerging young entrepreneurs called intensive hand-holding.

Kali is one of ten business advisors specializing in small and micro-enterprises (SMEs) whose own training was funded by the Swiss-South African Co-operation Initiative (SSACI) and who now offer free business advice to youth-owned SMEs in Mangaung. The project is a joint venture between SSACI, German Technical Co-operation (GTZ), the Department of Labour (DoL) and Mangaung University Community Partnership Project (MUCPP).

Business-skills training is usually only available as formal, classroom-based courses with a predetermined curriculum and minimal

post-training support. Few micro-entrepreneurs, especially those in the informal sector, can avail themselves of such courses. For one thing, they cannot afford the fees and, for another, they cannot afford to leave their businesses unattended while they go off to study. If that were not enough to sink the whole notion of formal training in the micro-enterprise context, experience has shown that the skills needs of micro-entrepreneurs are so varied and so situation-specific that they cannot readily be addressed by generic, theory-based, off-the-shelf courses.

The intensive hand-holding approach solves these problems. It takes the training to the entrepreneur and tailors it to suit each one's specific needs at any given time. An advisor like Kali visits 8-12 client enterprises per week, literally sitting with the entrepreneur for an hour or two at a time to observe and discuss the business. In the course of the discussion, the advisor will help the entrepreneur to identify his most important current need and find a way to fill it. The advisor may simply offer some practical, business-savvy advice.

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## Intensive Hand-holding

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Or he may provide some hands-on training in skills such as record-keeping, book-keeping, marketing or quality-control. When the advisor cannot provide the required inputs himself, he directs the entrepreneur to an affordable alternative source.

Business linkages are part of the advisor's stock-in-trade. Kali has been able to arrange for some of micro-entrepreneurs he services to attend free workshops and seminars arranged by banks, SARS and other business institutions. He has connected other young micro-entrepreneurs with established businessmen and women in the formal sector who are willing to provide free mentorship.

Kali – a typical advisor within the intensive handholding approach – is himself a kind of entrepreneur. He sells his services to a client – in this case MUCPP, the project management agency – and is paid mainly by results measured in terms of the number of enterprises aided to increase their revenue, profits and size (measured by staff complement).

Thus, basic market principles of supply and demand, of the service-provider's accountability to the client and of payment for value-added are incorporated into the heart of the approach, making for and 88 in Mangaung, the second, are being serviced by 15 advisors. Indications are that 80% of enterprises that have received intensive handholding since the project's inception in 2005 have also experienced growth in revenue, profits and employment.

Encouraged by the success of intensive hand-holding in Mangaung and Kroonstad, the first two pilot sites, DoL is looking to partner with both SSACI and GTZ in replicating the approach elsewhere.



Pulane Montshiwagae with an emerging entrepreneur

Funding for this project has come mainly from SSACI, a CSI consortium of Swiss companies trading in South Africa. Its members include such well-known names as ABB, Ciba, Clariant, Credit Suisse, Hilti, Holcim, Nestlé, Novartis, Schindler and Swiss Re. Much of the ground-breaking conceptualization was done by GTZ.

With its ever-relevant content and flexible mode of delivery, intensive handholding may just be what informal sector SMEs in South Africa have been looking for to get them out of the survivalist rut and into the mainstream of the economy.

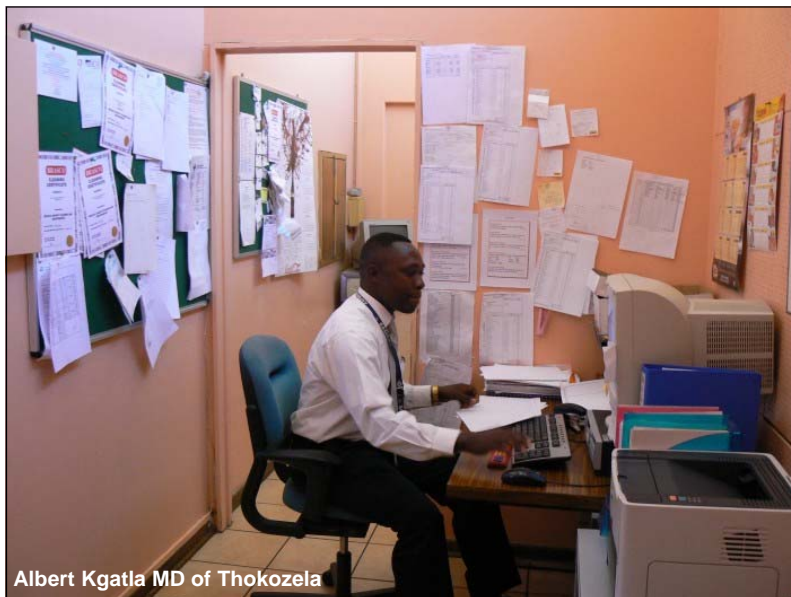
## Mentoring ensures growth of Thokozela Food Enterprises

**Thokozela Food Enterprise** was created as a result of Novartis pharmaceutical's corporate social responsibility programme aimed at empowering members of staff from previously disadvantaged backgrounds. Thokozela, a wholly managed black-owned and managed company, provides catering services to Novartis. Early in 2007, Novartis asked SSACI to provide mentoring to Thokozela in order to help it develop into a more profitable and sustainable

business. Over the past six months, Thokozela has been receiving business advice from a SSACI mentor, Mr. Mzi Memani. Albert Kgatla, the Managing Director of Thokozela spoke to SSACI's Programme Manager Thantshi Masitara about the impact of mentoring on their business.

**Thantshi Masitara:** What were some of the challenges you faced as a new business?

**Albert Kgatla:** We had little understanding of what running a business involved. We did not know how to address needs of clients, how to market and grow the business, or how to manage the finances. We used to collect and deliver all the cash slips and vouchers to our accountant once every month. The accountant would make all our payments. We knew nothing about VAT, UIF, Employment contract, PAYE and so on. (Continued on Page 3)



Albert Kgatla MD of Thokozela

now record every discussion and decisions we make. We handle most of our own finances, including invoicing, payments, book keeping and VAT. Our accountant simply checks our record keeping. We have improved our customer care. We listen to the complaints of clients and respond appropriately. We introduced a "suggestion" box and this has helped us to improve our menu and food preparation. We now have a menu which satisfies the diverse needs of our customers including vegetarians, meat eaters and Halaal requirements. Novartis conducts regular hygiene audits of the premises, which we understand because we now see the connection between hygiene and profits. A single case of food poisoning could destroy our business so we are very diligent about hygiene.

TM: What mentoring have you received from SSACI?

AK: It began with a series of on-site workshops on key concepts and skills, including legal requirements like VAT, income tax and UIF. We also learned about the recruitment and employment of staff, and how to keep proper personnel records. We learned about the need to take care of staff and the importance of training them. Other sessions covered costing, marketing, sales and customer care. The mentor gave us practical work to do. For instance, I had to collect cash slips and vouchers of daily transactions, organise them and then record them in a Cash book and make ledger entries. The mentor took me through an analysis of sales and income based on the records. Before then, I did not realize that so much useful information could be obtained from records. Exercises like this helped us to reduce wastage and improve profits. Other exercises focused on marketing and strategy. The mentor expected us to apply what we learned in our business. During follow-up sessions, we analysed the results and modified our action plan for next time.



Thokozela caters for the diverse needs of its customers including vegetarians and those who eat halaal or kosher food. Stringent hygiene is maintained during food preparation.

TM: What significant changes have you implemented in the business as a direct result of mentoring?

AK: The mentoring we received from SSACI has led to many improvements in the way we run our business. As a result, business has grown substantially. We have gone from one contract to four. We have also increased our staff from three to seven fulltime employees and, during busy periods, have employed up to six temps. We used to hold management meetings without writing down decisions. We

we are very diligent about hygiene.

TM: In what other ways has your business grown?

AK: Turnover has almost trebled. Novartis loaned us R120,000 to get started. We were able to pay it back in less than 6 months and we now finance our own operations fully.

TM: What are your future plans?

AK: Mentoring has helped us see opportunities for expansion. We may tender for more catering contracts. We are also thinking of branching out to other related services such as cleaning.

TM: What kind of commitments must a business make for mentoring to succeed?

AK: Business owners must be open to learning. They must also be prepared to invest time in being mentored. They must have the courage to put what they learn into practice. Then they will see the results.

TM: What have you personally learned from the mentoring?

AK: I have learned how to approach people in a way that brings results for our company. I have learned the difference between a consumer and a customer,

and the importance of customer care and marketing. I really think that companies and government should help SSACI extend its support for small businesses in South Africa. I know of many businesses that have collapsed and I now know from our experience that mentoring could have helped them. I would like to take this opportunity to thank Novartis and SSACI for giving us a chance to make a success of our business. I also want to thank Mr. Mzi Memani, our mentor. He was patient with us and really wanted us to succeed. He encouraged us to work hard and look where we are today!





**F**aced with an acute shortage of local skills, South Africa is increasingly recruiting abroad:

- \* In July 2007 the Ministry of Health announced that it would import 1'000 Tunisian doctors to work in public hospitals and clinics
- \* Also in July, construction company Murray & Roberts said that it had recently hired an undisclosed number of specialist engineers from Thailand and India
- \* In June, the government gave its approval for 13'000 artisans to be imported into the country to avert a crisis in the construction industry
- \* In June, too, the Bombela Concession Company announced that it had just recruited "about 100" artisans from India, the Philippines and neighbouring SADC countries to work on the Gautrain project
- \* In June 2006, petrochemical giant Sasol confirmed that it had brought in 1'300 welders, riggers, crane operators, instrument mechanics and boilermakers from Thailand and other Asian countries to undertake routine maintenance work at its Secunda plant during the September shutdown period. A team of translators had to be engaged to accompany the artisans.
- \* In February 2006, the Department of Home Affairs announced that it would fast-track applications for work permits from foreign professionals, including construction and civil engineering (5'000 permits available), industrial engineering (5'000 permits), mechanical engineering (1'000 permits) and bio-technology (3'000 permits)

- \* In December 2005, the Department of Public Enterprises announced that it was assisting the recruitment of 400 engineers from abroad to help implement the government's infrastructure development programme

Importing skills is not new. During the 1950s and 60s, SA attracted tens of thousands of skilled immigrants – almost all of them from Europe owing to the racial policies then in force – who enabled the economy to grow at an average annual rate of 4.5% in the 1950s and 5.7% in the 1960s. At the same time, though, education and training for the majority of the population was deliberately neglected on spurious ideological grounds. This led to a serious backlog of skills, which has yet to be effectively addressed.

With GDP now growing at 4-5% p.a. after a period of stagnation in the 80s and 90s, the country must again look abroad for urgently-needed skills. This may serve as a stopgap measure but, for both economic and moral reasons, skills must be developed locally. Even in the short term, imported skills carry a heavy price-tag because overseas personnel are expensive to recruit and retain, and short-term contract workers remit much of their wages to their home countries. Research conducted in 2005 by Fraser Asset Management concluded that, owing to a reliance on foreign skills, only 50% of the R21-billion to be spent on Gautrain and 30% of the R110-billion to be spent on Eskom's expansion programme will remain in SA.

There is a risk, too, that the thousands of skilled workers brought in from abroad to help with these and other 2010-related construction projects will leave at the end of their contracts without having passed on their skills to locals. Deadlines may be too tight and artisans' workloads too heavy for the implementation of significant on-the-job training schemes. SA could then be left without the skills to maintain its own infrastructure – a dire scenario that the SA Association of Consulting Engineers warned against in 2004. Since then, the national shortfall in skills has actually increased. SA currently produces only 5'000 new artisans a year while research indicates that the economy needs at least 12'000 a year.

**GALLERY**



Jan Beeton poses with Margaret Phadi who runs the Mpo Day Care Centre in Mamelodi. Beeton provides a mentoring service to Phadi to help her expand her business. The service is part of SSACT's new Mobile Mentoring project where young entrepreneurs receive business development support.