



South African Institute for Entrepreneurship

- An NGO with a passion for changing mindsets -- from passivity, dependency and fatalism, to self-generated active engagement with future opportunities
- A developer of active-learning programs that change mindsets
- Active in schools, in subsistence agriculture and in start-up small business development. Specialist in “bottom of the pyramid” entrepreneurship engagement and support



Specialists in SMME development strategy and programmes

- Specialist practitioner in SMME development programme design and implementation
- Works exclusively for and with local and provincial government departments and agencies – not private sector
- Extensive direct experience working with hundreds of SMMEs per annum on access to funding and business plan development
- Worked with various funders – NGO, provincial DFIs, national DFIs

Part A

Identifying some of the key constraints
impeding a more effective rate of
application success between seekers and
providers of early-stage SMME working
capital from public sector DFIs.

1. Inwardly-focused institutional culture

Funding agencies tend to wait for applicants.

Marketing is, at best, sporadic and weak.

Over-reliance on mediocre intermediaries.

Offices and branches are formal and intimidating places designed for the agency, not the customer.

2. Lack of understanding by applicants

The SMME generally applies on the basis of a business plan authored by a consultant – and lacks real ownership and understanding of the business model.

Applicants have little understanding of the funding decision-making and risk assessment process, and therefore how to present their case effectively.

3. Mentorship as panacea

Most agencies implement mentorship as the main aftercare programme. However these mentors are often “cookie-cutter” mentors providing generic business advice to a large number of clients – when what is needed are trained and ethical mentors with specific commercial experience in the industry, combined with “teeth” – ie the ability to recommend sanctions or withhold funding tranches.

Mentorship must be combined with practical business and management training.

4. Lack of inter-agency synergy

An applicant unsuited to one agency is unlikely to be referred to a potentially more appropriate agency. He/she is left to their own devices to figure out who to approach.

There is no systematic or logical inter-agency referral system to ensure that applicants get to the agency – local, provincial or national -- that is most suited to provide the relevant funding solution.

5. Declined – and dis-incentivised

Declined applicants are usually given cursory and generic reasons for the decision. This is very damaging.

What is needed is a complete re-think of how declined applicants are treated – they need to clearly understand the level and nature of the risks in their business that are preventing funding, and be assisted with an action plan to address these risks – if they can be addressed at all.

6. Very low awareness of institutions

We continue to be amazed at the very low levels of awareness of funding institutions among small business owners and aspiring entrepreneurs.

Frequently the provincial agencies are better known than the national DFIs.

The perceptions of those who are aware of these institutions is very negative.

There is just too much “disconnect” between the seekers and providers of capital.

Part B

A new and potentially effective initiative
to “leapfrog” some of the apparent
constraints impeding effective
identification and financial support of
SMMEs

SPIRIT OF ENTERPRISE

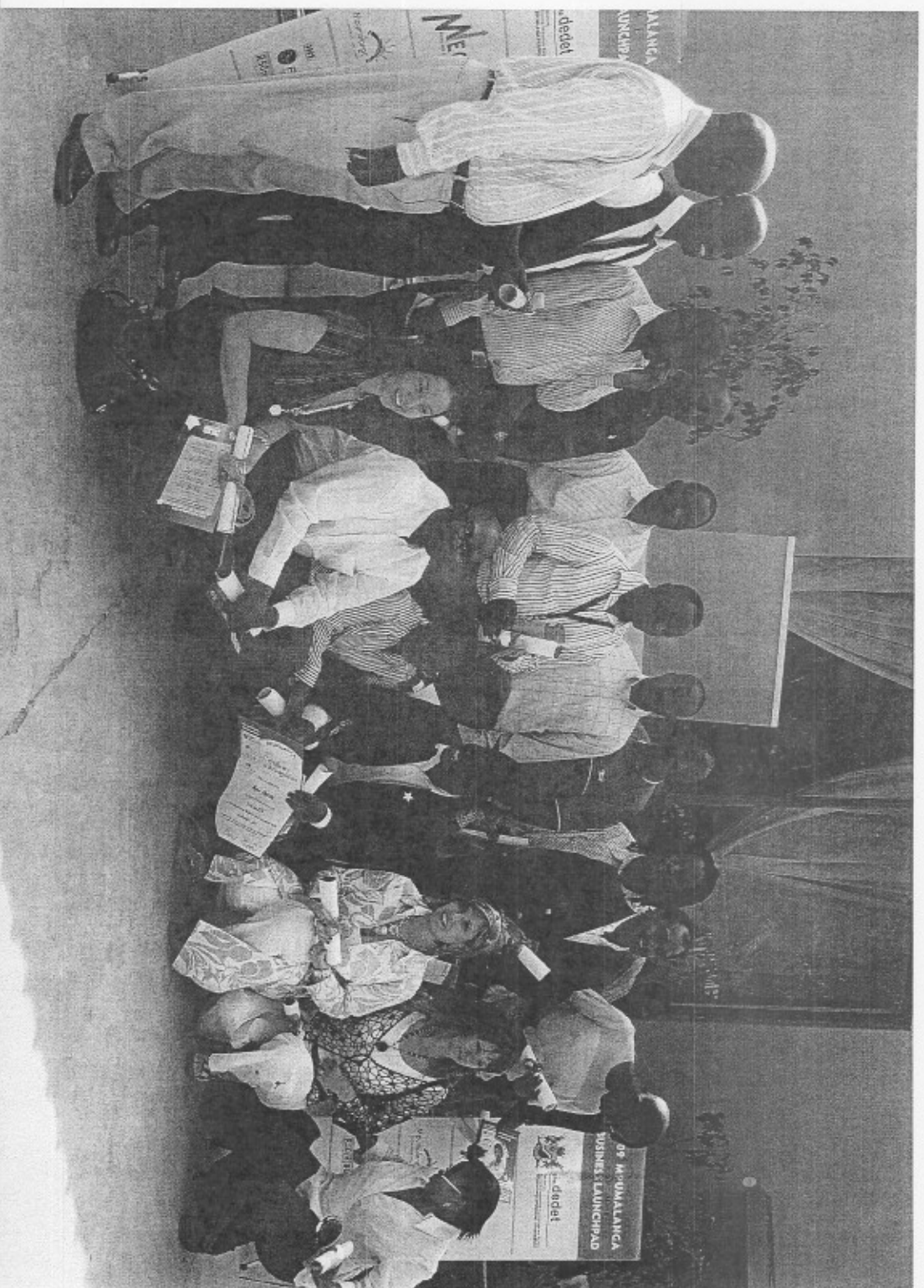
National Entrepreneur Competition

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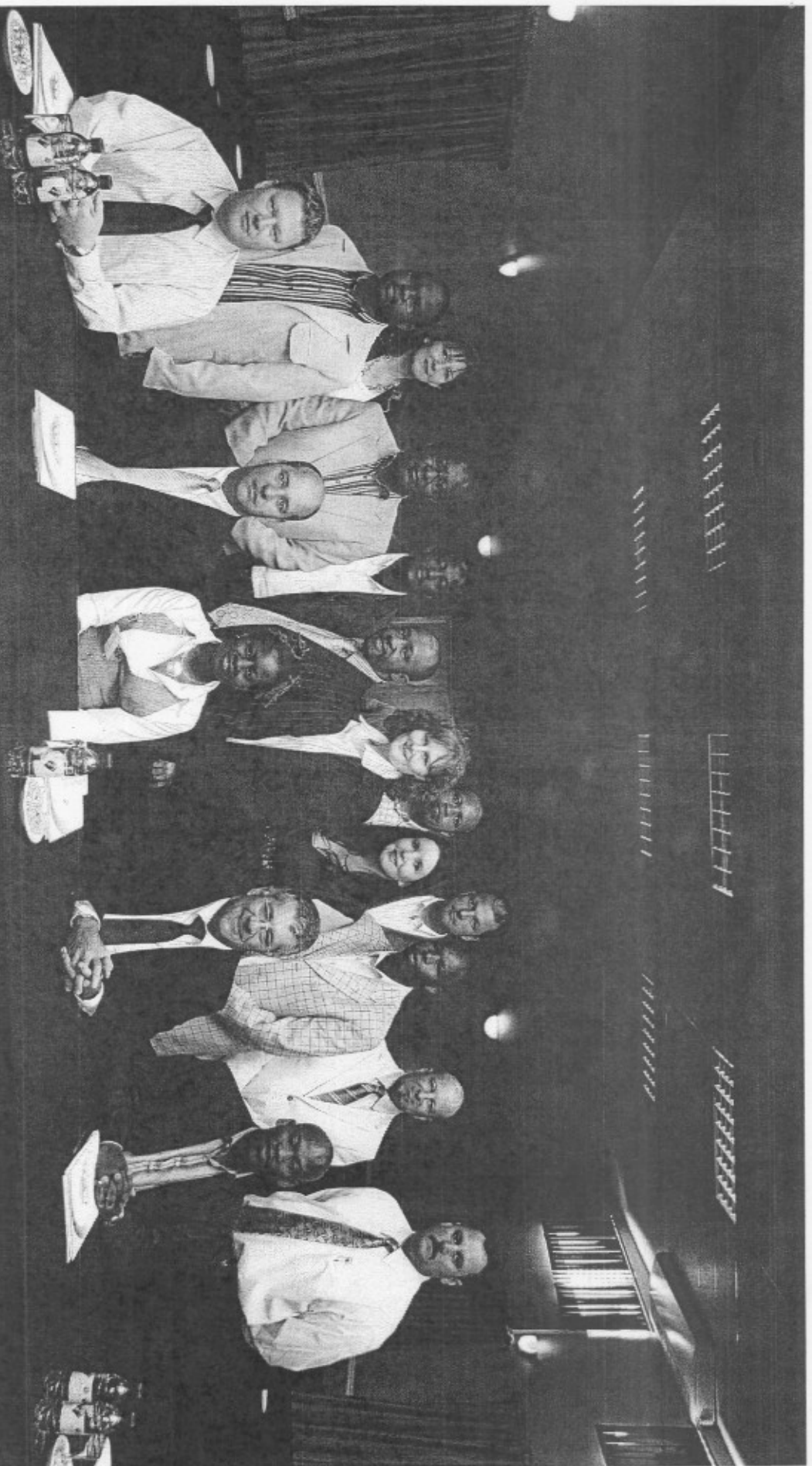
A national and accessible business plan competition to inspire, identify, develop and fund a corps of high-potential entrepreneurs like Max Lechaba of Welkom.





Such competitions – combining awareness drives, training workshops, special business plan template entry forms and progressive judging phases have worked successfully in various provinces to identify entrepreneurs worth funding – this can be scaled up dramatically to a national level for those seeking funding between R50,000 and R5m.

There are hundreds of experienced business experts who will gladly give time and expertise to assist with the evaluation process.



Fast-track applicant training, screening and matching

A national call for entries, in a competition format combined with business plan workshops, could easily identify 1,000 entrepreneurs for potential funding – startups and trading businesses looking to expand -- categorised according to 3 or 4 funding bands, and matched to specific institutions.

These entrepreneurs can then receive focused support to ensure their applications are properly prepared and evaluated, so that for the next 5 years there is a better quality flow of applicants.

Adjudication: blend of self-assessment and expert appraisal

Primary filtering of applicants will be through questionnaires and simulation games.

Participants will grow in basic business skills as well so ability to reflect on their own business readiness.

Judging panels will select those potentially fundable, and “stream” them to the relevant institution.

Multi-faceted “rewards” for entering

Not a “winner takes all” competition reward model

Entrants would be streamed to different channels

Those with well-developed, cogent business plans would be given further guidance in preparation for funding.

Those showing entrepreneurial promise but with flawed business proposals would be offered one of several existing “business in a box” business opportunities.