

GIBS/Walmart Research: Understanding the township entrepreneur

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A two-year programme, through generous grant funding support from the Walmart Foundation, has resulted in research that has lifted the veil on South Africa's township economies and the entrepreneurs who drive them; highlighting robust, often thriving entrepreneurial activity spurred on less by need than by opportunity and well-supported by the communities in which these entrepreneurs operate.

The results of the research, contained in a working paper entitled *Capacitating Entrepreneurs for a Sustainable Township Economy*, were revealed during a well-attended breakfast event hosted by the Gordon Institute of Business Science's Entrepreneurship Development Academy (EDA) on 30 January 2020.

The authors of the paper, Dr Kerrin Myres and Sean Smith, conducted the research on a two-year long programme which impacted more than 200 retail sector entrepreneurs in townships across seven provinces. The programme, implemented by the EDA, provided business skills training, mentorship and coaching with the aim of addressing both skills development and personal development to help entrepreneurs create more sustainable businesses. The growth and success of small- and medium-sized businesses, which employ approximately 47% of the country's workforce and contribute more than 20% to GDP, according to Business Unity South Africa, is seen as essential to the development of a robust economy.

Given the central role smaller businesses play in the economy, Myres and Smith set out to understand the mindset of the township entrepreneur and what interventions could positively impact the sustainability and growth of their businesses. Many of the findings challenged long-standing assumptions.

Why entrepreneurship?

The research found that the majority of participants did not become entrepreneurs out of desperation. Nearly a third believed they had identified a good opportunity (28.83%), while 21.31% said they wanted to make use of their experience and skills. Nearly 20% of respondents wanted to make a contribution to their community, while the remainder felt entrepreneurship gave them more independence (11.42%), had no other employment options (8.85%), or believed they could earn more as entrepreneurs (7.23%). As a result, the researchers concluded that township entrepreneurs tended to be genuinely entrepreneurial, rather than victims of circumstances.

Diverse markets and customers

Given that the programme focused on retail businesses, it was expected that consumers would make up the biggest proportion of each business's clientele, which they did at 65.38%. What was less expected was the importance of the small business ecosystem that sustains businesses within the townships. Almost half (48.77%) of the respondents listed other small businesses as key clients, while 21.99% listed medium-sized businesses, 13.10% cited large organisations and for 11.11% corporates were their key clients.

Other key findings include:

- Most participants had completed high school (39.68%) with 23.69% having completed a tertiary qualification.
- Although 23.6% had never been formally employed, nearly half (46.15%) of respondents had been employed for three years or more, in fact 13.7% had been employed for more than 10 years.
- Many of the participants had entrepreneurial business experience in the type of business they were running. Nearly

40% (38.25%) of participants had more than three years' experience in their chosen sector, with 9.51% having over a decade of running their type of business.

- A notable 38.37% of participants were running businesses that were over 18 months old, with 23.06% being more than three years old. This could dispell the notion that township entrepreneurs were purely survivalists.
- Although 31.67% of the participants had unregistered businesses, the rest all had registered entities in the form of sole proprietors (9.02%), partnerships (13.05%), co-operatives (7.24%), close corporations (9.13%), private companies (25.98%) and other (3.91%).

Programme participation

When it came to taking part in the GIBS EDA programme, most participants focused on personal entrepreneurial development, sustained business growth and community development. They were less interested in the short-term immediate gains, such as business leads or access to finance.

Nearly 30% (29.4%) of participants wanted to be able to successfully grow their businesses; 23.31% were looking for personal development as an entrepreneur; 11.23% wanted to improve their entrepreneurial skills, while 11.61% were looking to help develop their communities.

The vast majority of participants had never received any sort of business support with 89.72% saying this was the first formal programme or intervention they would have undertaken.

Course outcomes

When it came to measuring the success of the programme, participants came away with essential business skills which included financial management, costing and pricing, inventory management, employee management, and marketing.

Myres noted, however, that business skills would not be enough to help entrepreneurs on their business journey. "We had to focus on how people think and act," she stressed. The aim of the programme was also to help participants with their personal development journeys. The outcome was that participants reported having more confidence, which ultimately had a spill-over effect on their ability to run their businesses.

The research measured and saw improvements across a number of outcomes including:

- Ways of thinking and acting
- Improvements in operational management in the businesses over the programme period of six months
- Improvements in the challenges faced by participants
- Participants' assessment of their own businesses
- Growth intentions for the businesses
- Preferred ways of thinking and acting
- Confidence in abilities
- Overall rating of business skills compared to others
- Current performance of the businesses
- Business growth over 12 months
- Changes made in the businesses over 12 months.

Participants reported improvements in all of the above measures after completion of the programme. Obviously not everyone experienced the same level of outcomes, but the overall results were encouraging. Ultimately the findings reveal that over the course of the programme, the township entrepreneurs had developed their personal and business skills which resulted in their business operations and market positions improve. The programme, Myres noted, had had a positive impact on the entrepreneurs' behaviour within their businesses as opposed to just their thinking.

Myres acknowledged it was too early to say what the real impact would be, but given the immediate outcomes, it appeared

that the programme had generated positive results that could point to a winning recipe for the capacitation of township entrepreneurs. While more research is required, Myres reiterated that these first findings were very encouraging.

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