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MULTIPLIER EFFECT

Female-owned SMEs have the potential to make a significant contribution to the economy – a notion that government and the private sector are putting their weight behind

BY IGA MOTYLSKA

Economic transformation and inclusive economic growth in SA can only be achieved with the equal participation of female employees and women-owned businesses, among other segments of society. Government and the private sector looking to support SMEs would be well-advised to support women-owned businesses for their greater ability to scale, higher likelihood of being more strongly profitable and tech literate than their male counterparts.

According to SME Survey's 2015 report, there are around 650 000 formal active small enterprises in SA. Approximately 51% of the population is female, yet more than half of the country's small enterprises are owned by males, around one-third are jointly owned by males and females, and just 14% are women-owned.

'This is a powerful indication of the lack of opportunity or incentive for women to start or run businesses, and suggests great scope for further empowerment of women in business,' according to the survey, which was conducted by World Wide Worx, on behalf of SME Survey.

The 2013 Understanding Women Entrepreneurs in South Africa report, by business environment specialists SBP, states that female entrepreneurs

face greater challenges relating to their business in comparison to their male counterparts, such as greater domestic responsibilities; lower levels of education; fewer female business role models to look up to and learn from; limited access to investment capital; culturally induced lack of assertiveness and self-confidence in their ability to succeed in business; and gender stereotypes.

However, it is fascinating to note that while male-owned companies slightly dominate smaller businesses (those with one to 10 employees and 21 to 30 employees), female owners feature more strongly in the 76 to 100 and 101 to 200 company-size groupings, according to the survey.

Furthermore, 'a male-owned company has a 74.2% chance of being profitable in general, a women-owned business has a 72.7% chance of being profitable, and a jointly owned company has a 71.8% chance of being profitable', according to SME Survey. Meanwhile women-owned companies have a higher chance of being strongly profitable (36.1%) than jointly owned companies (30.2%) and male-owned companies (28%).

The survey also indicates that female business owners have a higher tech literacy in that they are more willing to use digital and online tools to market their products and services (and in general),

use the cloud and provide online information about their businesses. Meanwhile, local SMEs still rely heavily on their own financial resources – 57% of business owners have used their own capital to fund their business, while government funding accounted for just 1.8%, and bank loans for 2%.

Financial support and mentorship is sorely needed in SA, from both the public and private sector. The SA government established the Department of Small Business Development in 2014, currently under Minister Lindiwe Zulu, to strengthen economic and legislative drivers to help stimulate entrepreneurship among the previously disadvantaged, women and youth, and to increase employment, while reducing poverty and inequality.

Earlier this year, the state allocated R3.9 billion to the department over the next three financial years as part of SA’s economic transformation plans, with the expectation that the department will create 90% of the 11 million new jobs planned ahead of 2030.

There are a number of government-led and funded initiatives that support SMEs. Notably, the Isivande Women’s Fund – which is managed by the Industrial Development Corporation on behalf of the Department of Trade and Industry – aims to accelerate female economic empowerment by providing finance – from R30 000 up to R2 million – and non-financial support to women-owned businesses that are starting up or have scope to scale. Additional governmental support comes from the National Empowerment Fund, the Small Enterprise Finance Agency, and the Small Enterprise Development Agency.

The latter has witnessed the participants of its Women in Business Coaching programme improve their turnover and employ more people, which has encouraged the agency to increase its financial and training support for the programme, and extend its reach across the country.

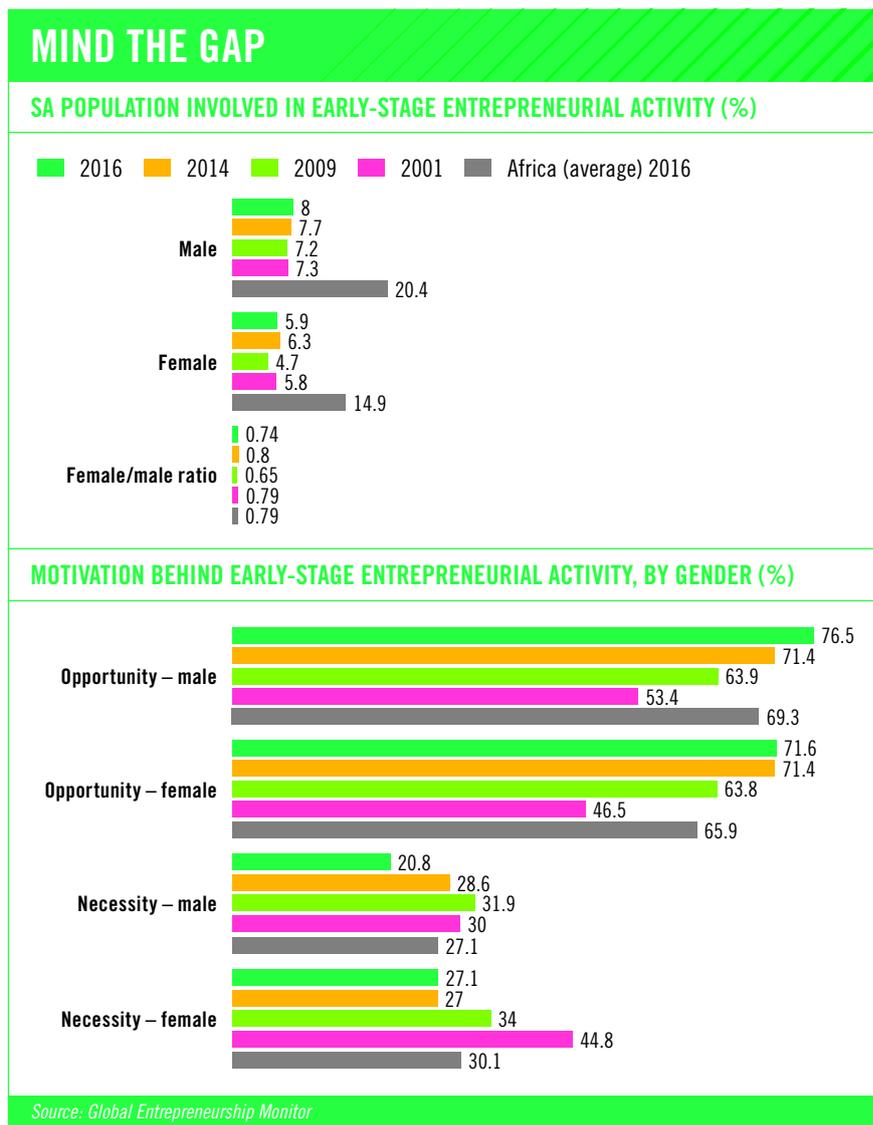
Corporates are also heeding the call to uplift female entrepreneurs, particularly as part of their CSI. Since 2007, Old Mutual’s Masisizane Fund has approved R522 million in loans for in excess of 300 enterprises across three high-impact sectors – agribusiness, franchising, and supply chain and manufacturing. Funding varies from R500 000 to R10 million, depending on the business requirements, and it has helped facilitate 7 950 jobs in its efforts to help SMEs grow sustainably. ‘The promotion and development of entrepreneurship is one of the priorities identified in the South

African National Development Plan,’ says Zizipho Nyanga, CEO of the Masisizane Fund. ‘The small business sector in South Africa has the potential to make a significant contribution to economic growth, employment and development of our country.

‘In the current state of economic uncertainty specifically in the public sector, the SME sector is regarded as the engine of growth that is essential in creating jobs and employment in the country.’

The fund has a bias towards women, youth and people living with disabilities, and 60% of beneficiaries are located in rural, peri-urban or township areas. ‘We offer entrepreneurs tailored solutions through financial education, capacity development and mentorship,’ says Nyanga. ‘It is important that we don’t just provide access to funding, so our hybrid funding model for enterprise development also provides crucial

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non-financial support such as financial management and business skills.'

Similarly, WDB Investment Holdings (WDBIH), in partnership with Seed Academy and with sponsorship from Shell Downstream South Africa, established the 90-day AccelerateHer programme earlier this year. It is designed to fast track the development of young black women-owned businesses by providing training and funding, while addressing challenges unique to female entrepreneurs. 'Investing in female entrepreneurs has a multiplier effect,' according to Faith Khanyile, CEO of WDBIH.

'Women often invest a higher proportion of their income back into their families and communities than men. Indeed, it is well-documented that when women control a greater proportion of household resources, the family allocates more money toward food and children's education, and children that are healthier and more educated are better prepared to contribute to a developing economy.'

Khanyile adds that the four key areas for the development of women entrepreneurs are education; access to finance; access to mentors and networks; and access to markets. With this in mind, WDBIH initiated a supplier development programme for nine entrepreneurs, seven of which are female. The programme includes high-impact business development support with specialist coaches and masterclasses.

Pick n Pay (where more than 150 small businesses supply the retailer) runs several enterprise-development projects – including a small business incubator, an enterprise and supplier development programme, and an enterprise academy – to assist SMEs in becoming retail-ready to sell their products on Pick n Pay's shelves. While these projects do not directly target women, a large number of recipients are female, says Suzanne Ackerman-Berman, director of transformation at Pick n Pay and chair of the Ackerman Foundation.

The retailer's enterprise and supplier development programme assists selected businesses to enter the retail market by providing mentorship, tools, business development training and technical expertise to support, develop and grow them into sustainable businesses. Candidates learn about suitable marketing and advertising techniques, and negotiating skills among other business skills.

Recipients include Ntombie Nonxuban, who has been manufacturing Pick n Pay's staff uniforms since 2007 and now employs 27 women. Then



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there's Debbie Ncube – she runs a peanut butter business called Eden All Natural, with products that contain no added preservatives or artificial ingredients. 'We provide business development advice and guidance to entrepreneurs as well as small and medium businesses who develop a fresh new product range or propose innovative business models. We aim to ensure that these small businesses remain long-term sustainable suppliers to Pick n Pay,' says Ackerman-Berman.

Some corporates have chosen a public-private partnership (PPP) approach to uplift female entrepreneurs. The Edgars UNITE Orange Day campaign is a PPP (between Edcon, UN Women, the SA government and other stakeholders) that supports female survivors of gender-based violence. It collaborates with shelters to provide women with accredited training in sewing (from its partner, SewAfrica College) as well as entrepreneurial skills.

More than 120 women have been mentored by fashion designers to create their own designs and receive guidance from Edcon's quality assurance team while being exposed to the retail and fashion industry value chain.

'We ensure the women we train are skilled enough to produce garments that can help them generate income for themselves – be it as employees or entrepreneurs – with the potential to grow into suppliers for the retail markets,' says Bernie Brookes, Edcon chief executive. 'This is aligned with our plan to empower our supply chain to source more products from local suppliers and black-owned small businesses to further transform the industry.'

Funding female entrepreneurs and women-owned SMEs has the potential to redefine women's economic roles and reshape the modern global economy, while guaranteeing greater returns – and not merely in terms of profit. ■