

**Supporting Entrepreneurs to Become Sustainable  
A National Priority for South Africa  
22 May 2012**

Entrepreneurship is one of those subjects that everyone in business talks about. Everyone knows it is important both for small and large firms to be innovative with products, agile in response to market opportunities, and supportive of those creative people who come up with new ideas.

But today I want to address a problem that, in my opinion, is the major stumbling block to the achievement of a true entrepreneurial culture in South Africa. This problem can in brief be described as a lack of vision, or to put it another way, the absence of visionary leadership.

We live and work in a political economy, not an environment that is either politics, or economics, but is both. In this political economy what is most important is that leadership at all levels of society should demonstrate - and not merely pay lip service to - a commitment to creative freedom. This commitment must embrace a kind of Marshall Plan to mobilise the national spirit in pursuit of a true developmental state that rises from the grassroots upwards.

A developmental state cannot be imposed on the people, from the top by means of government interventions. Much less can it be generated by simply pumping money into subsidies that would seem to promise wholesale job creation for the unemployed, especially the youth.

When government calls all the shots and everyone is scrambling for a piece of the taxman's pie you have not a welfare state but something like a warfare state. We clash in the streets because we are at odds with each other over how to get the political economy moving towards broad-based national development.

We need consensus, not conflict; negotiation, not negativism.

We need to agree that true human development - which implies economic and social development, along with leadership responsibility and accountability - requires an ethical commitment to a common destiny in which all citizens can share the benefits of the political economy.

In this respect, development comes from within the individual and communities on the ground. It is something that is felt strongly as a motivator, it drives the entrepreneurial urge, and it implies that we - all of us from corporate industry to township start-ups - share a single compelling aim.

That aim is to rid ourselves of poverty, dependence, racial stereotyping, corruption and criminality - the ugly realities that form a deadly nexus destroying the soul of modern South Africa. We have to turn things around and become the chief architects of our own democratic developmental state. How is this to be done?

First let me analyse very briefly how the topic of entrepreneurship and the growth of small and medium enterprises (SME's) is currently understood in those circles where everyone talks about these subjects. SME's should be the backbone of our economy because big business and the state simply cannot provide enough jobs.

Entrepreneurs must take the step up from start-up to sustainability as formal enterprises. What we are witnessing, however, is that many enterprises remain informal, under the taxman's radar, and they are harassed by police and other authorities who seem to regard them as blots on the business landscape.

Do we correctly understand what entrepreneurship is?

In the dying days of apartheid I had a bone-chilling experience when I was a small business operator running a meat wholesale cum butchery outfit in Orlando East. When they sent an inspector to visit my little outfit he spotted that my Ford Granada had an installed car phone of which was very rare at that time, before cellphones. Upon getting back to his bosses he moaned that sourcing from me as a small business was grossly inappropriate because in reality I was a big fat black cat that did not deserve a leg up.

Certainly, this was a nasty racial slur, but my question is: How much have attitudes really changed? If an inspector today were to find an entrepreneur well-equipped with information technology, smart premises and well marketed products, would the reaction be that this person does not need a leg up? Entrepreneurs with panache are what we want to see! They must have a CAN DO attitude.

Subsequent to the inspector's visit, payments for my supply of meat to this utility would take 30-60 days when in fact the utility could afford to pay cash or within 30 days at the very worst. Protestations and pleas on my part yielded no positive results. This was enough to cripple my small business operation, which it did.

Let's look at the prevailing ideas about entrepreneurship. It is largely seen as individual enterprise where someone with a good idea finds a niche and exploits it for personal gain. The same model emphasises that at some point the entrepreneur has to learn the skills of management and delegation, that is, he or she has to make the difficult transition from start-up to sustainability and further growth. Unfortunately this is where many fail and within 6 to 18 months they fall off a cliff into an abyss from which few can ever return. Some may struggle on as subsistence businesses but they do not grow beyond that.

This is a functional view of entrepreneurship which leads business planners to recommend key interventions. These include support services, incubation, easier finance, management training, tax breaks and much else besides, to ensure that the entrepreneur leaps the abyss. As Chairman of Nedbank I recognise that all of these interventions are vital. Nedbank provides a number of services to small and micro businesses, not just in the way of finance but also seminars and training programs such as, "Simplybiz", the online portal, the TV show It's My Biz, and Small Business Friday. We have inspiring programmes of finance and other forms of support, and along with other banks we try to build a growing small and medium enterprises business clientele for the future from the start-ups of today.

But surveys seem to suggest that - contrary to popular opinion and government's belief

- lack of finance in South Africa is not the key obstacle to small business development, Access to finance is much more available than is the case in many and even most countries.

A bigger problem lies with the enabling environment, or lack of it. A World Bank report on the Ease of Doing Business has found that South Africa is one of the more difficult countries in the world in which to do business and start a company. This suggests that obstacles to starting and running a business must be removed - for example, too much state regulation, too many forms to complete, or too many demands from the taxman - points made in a recent report by Adcorp.

Further than this, we also know that the entire education system from primary schooling to tertiary level is in crisis. Half-educated, sermi-literate and non-numerate matriculants emerge seeking jobs, of which there are too few in the corporate sector or in the ranks of government. They then have to depend on themselves and are scarcely equipped to do so - so the cry goes up for the state to provide jobs.

No lasting solution will be found down that road. But to find solutions we have to start further back and deeper down in society, beyond purely functional remedies. If an entrepreneurial culture is to emerge across the wider spectrum it needs a certain kind of leadership offering a vision of our future based on positive stakeholder relationships.

We are all stakeholders in modern South Africa with its global partners in trade and we - as well as they - all stand to lose or gain from entrepreneurship. In a nutshell, we must seek to attain the Millennium Development Goals of eradicating hunger and poverty by pulling ourselves up by our own entrepreneurial bootstraps - and that means all of us. Are we doing what we should?

Let's take some pointers. Corporate business, for instance, is doing too little to encourage entrepreneurship within its own protected walls. The 2011 Global Entrepreneurs Monitor (GEM) report, showed that less than one half of one percent of employees are actively engaged in Entrepreneurial Employee Activity in this country, compared with a country such as Uruguay where nearly 5% of employees are busy with new business ideas.

Big business must play its part- but what about government? What is it doing to construct an enabling environment? According to the World Bank's Ease of Doing Business 2012, in the top rated country, Singapore, it takes 3 procedures, 3 days and cost only 0,7% of income per capita to start a business. In South Africa, ranked 35, it takes 5 procedures, 19 days and costs 0,3% of income per capita to start a business.

Last week, at the Soweto International Conference on Entrepreneurship and Small Business Development, held at the University of Johannesburg's Soweto Campus, several speakers including President Zuma emphasised that the townships should be thriving centres of economic activity and excellence rather than mere labour reservoirs. Yet this will remain a dream until it becomes easier to do business.

And what of small businesses themselves - what are they doing to pull themselves up to sustainability? The troubled issue of hostile labour relations breeds an environment in which good management-worker relations are not built up from the start. Many small businesses are labour-minimisers because they fear being dragged off to the CCMA every

week, diverting valuable management time from entrepreneurial activity.

To become sustainable in democratic South Africa you have got to base your labour practices on respect for human dignity and rights, decent wages and cultural understanding. None of this has to cost the entrepreneur an arm and a leg. Efficiency rather than exploitation must be the watchword in small businesses just as it must be in big business.

Against this background of corporate, government, and small business shortcomings, we have researchers and advisors telling us that small businesses are at a natural disadvantage. They lack scale and thus bargaining power, they lack skills and thus efficiency, they have limited knowledge and information, they often lose clients because they cannot meet large orders, they battle to access training programmes, and they face high fixed costs because the regulatory and policy environments do not cater for SME's.

This is a gloomy picture, based on the functional approach to entrepreneurship. The functional approach is not wrong - it seeks to correct real problems in the practical context with which the entrepreneur must grapple - but as I said, there has to be a more fundamental set of solutions to our national crisis of small business sustainability. In my recent book *Attuned Leadership: African Humanism as Moral Compass* (Penguin SA, 2011), I argued that leadership in our political economy must humanise itself to deliver a more caring, socially responsible, and democratically accountable form of capitalism. This may sound like a very worthy but abstract and not very practical recipe for business success.

I sincerely believe, however, that the African philosophy of Ubuntu is a discipline that can correct many of the ills of the type of rampant, destructive, predatory capitalism that has swept the global economy into recession. Ubuntu makes leaders accountable to the led; in business it implies that the enterprise is embedded in its community of stakeholders and should spread the benefits of profit-making activity.

This does not imply that everyone deserves equal rewards for unequal contributions (the recipe of communism). It does imply that rewards must be equitable and business transparent. Unless we do turn capitalism around to serve mass needs the Millennium Goals will remain forever out of reach.

Which means in effect that our business and political leaders, at all levels from local to national and international, must come to the service of small business on a grand scale. The idea of a Marshall Plan of the type that saved Europe after World War 2 is appropriate.

Let us seek a new national consensus around the concept of the developmental state that is founded on the energies of the people themselves. Their creative freedom can be liberated if it is fully resourced by government and business, comprehensively planned and rolled out, and supported by nationwide stakeholder involvement.

We have the institutions to do it and the wherewithal and knowledge to draw up and execute plans. This cannot be a Stalinist undertaking of centralised, bureaucratic five-year plans. To portray this vision and call forth the support of communities - many of whom are currently sceptical about capitalism because they are too often its victims - is the task of ethical, human-centred leadership.

Functional analyses of entrepreneurship miss the key point that businesses cannot survive and thrive without the energetic participation of their stakeholders. By concentrating only on the character of the entrepreneur and the difficulties of transitioning to sustainability - better management and so on - the functionalists fail to recognise the role of leadership vision and community involvement in business life.

Entrepreneurs know this very well because when they start up at the grassroots the most important element of their success is popularity at the interface with customers. We live in a relational world, and recognition of our mutual dependence is the first step towards working together as a nation.

This point is recognised in broad theory. Trade and investment research papers on SME's produced by the OECD and the United Nations conclude that the long-term survival of SME's is heavily dependent on their relationship with other elements of the corporate community including foreign enterprises and large domestic corporations (whether state-owned or private).

What we have to do is actualise this mutual dependence. My own watchwords are the motif of Ubuntu: *umuntu ngmuntu ngabantu* - I am because you are, you are because we are. Entrepreneurs are entrepreneurs because of their customers, companies and small-scale entrepreneurs are symbiotically interdependent. Government and corporate business are interwoven in one political economy. It behoves us all to optimise this multifaceted interdependence. With that principle in mind, a Marshall Plan to put entrepreneurs on the road to sustainability is entirely possible.