

EMPOWERING ENTREPRENEURS IN SOUTH AFRICA

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The hope for the economic future of Africa is tied to entrepreneurship and its potential for empowerment and transformation. It is with this belief in mind that we launched the Entrepreneurship Empowerment in South Africa (EESA) program twenty years ago. This past August we presented EESA as a model invention program at the annual meetings of the Academy of Management in Atlanta, highlighting key lessons learned over the years.

EESA is a unique partnership involving three American universities (University of Florida, Texas A&M, and University of Colorado) with the University of the Western Cape in South Africa. Each year, twenty-eight American and twenty South African students, with four faculty members as mentors, spend seven weeks working in hands-on consulting engagements to help early stage ventures move towards sustainability. Over the years we have worked with more than three hundred entrepreneurs.

The theme for the EESA Program is “in the spirit of Masikhule” which is a Xhosa word meaning “to grow together.” We employ a unique process consulting approach that involves the consultants as partners with the entrepreneurs, working through problems jointly to generate creative and effective solutions. The process approach builds around helping the entrepreneur to see their business as a flow of processes, including a record and bookkeeping process, a selling process, an operating process, a logistics process, a cash flow process, and so forth. It centers on the notion of “teaching a man to fish” rather than “giving a man a fish”.

Student consultants work in teams of six, which are formed to balance backgrounds, skills and experiences. EESA is a rigorous program where each team is assigned to two entrepreneurs and must produce a minimum of four deliverables (problems solved) per entrepreneur. They begin by applying the Supporting Emerging Enterprises (SEE) model, which we have designed over the years as a comprehensive tool for first assessing each business and prioritizing needs. They also work through a number of case studies we have

written that focus on past clients.

The entrepreneurs are based in the townships of Khayelitsha, Gugulethu, Blue Downs, Langa, and Philippi, located just outside of Cape Town. Many have been unregistered businesses, but this has changed as the government, recognizing their important potential, has focused more on formalizing these ventures. Most have been in business for about a year. The businesses have included transport companies, small construction firms, restaurants, printers, hair salons, glass replacement, clothing production, funeral homes, tennis shoe washing, a maker of paper, and a maker of spinach-based products, among others.

Most of these entrepreneurs have fallen into what we call the “commodity trap.” They find themselves largely selling a commodity—a product of service that is undifferentiated, where entry barriers are low, there are many competing providers, firms are forced to compete on a price-basis, which results in low margins or losses. The typical entrepreneur is supporting a family and a number of others, and struggles to separate personal from the business needs and to put money back in into the business. They rely on casual employees, family members, and some permanent employees.

A review of deliverables over the years has identified the thirteen most common problems, and the consistency of these issues over time is striking. They include: lack of proper books; entrepreneur doesn’t understand what the numbers are telling her; poor cash flow management; no clear segmentation/targeting of customers; little marketing/a shotgun approach; pricing too low and uniformly; not well-differentiated; operations not systematic—reliance on tacit knowledge, habit, reaction; lack of computer literacy beyond word processing; buying at retail which severely undercuts margins; insufficient reinvestment in business; money to fund front end of jobs/opportunities; and, too busy working in the business to work on the business.

Many other lessons have been learned along the way in terms of what it takes for a program



like EESA to succeed. High engagement levels with the entrepreneurs, and getting students out of their comfort zones and seeing themselves as consultant not students, are critical. So too is the need to focus on developing not just the business but the entrepreneur. The process must generate tailored solutions that move a venture through stages of development. Changing behavior requires client involvement in the solution, as well as use of role models and success examples. The ability to move these clients away from a reliance on winning government tenders is also important. In the end, however, it is all about facilitating sales and increasing margins.

We have seen significant success with the program. About 75% of the entrepreneurs are still in business five years after the engagement and have seen introduction of new products/services, entry into new markets and growth in revenue, employees, operations, and equipment. Perhaps the biggest change is in the entrepreneur’s confidence and how they see themselves as professionals. Our most successful client has gone from one to over forty locations and has launched a franchising model. Another exciting outcome has been the number of South African students that have become professional consultants based on their EESA experience.

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