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Project Proposal

The Mamelodi Business Clinic: Empowering businesses to strengthen local economy and create jobs



Project Leader: Prof Alex Antonites, Head of Social Entities, Faculty of Economic Management, University of Pretoria, Pretoria 0002
Tel: +27 (0)12 420 3119, **Cell:** +27 (0)82 894 6602, **Email:** alex.antonites1@up.ac.za@up.ac.za

Development Officer: Lebo Ngwatle, Department of University Relations, University of Pretoria, Pretoria 0002
Tel: +27 (0)12 420 2977, **Fax:** +27 (0)12 420 4630, **Cell:** +27 (0) 76-090-5449, **Email:** lebo.ngwatle@up.ac.za

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Executive Summary

The South African government sees small businesses as one of the main drivers of economic growth, poverty reduction and job creation and wishes to significantly grow the contribution of small businesses to the country's GDP over the next 15 years. However, with approximately 5 out of 7 new small businesses failing within the first year of establishment, the failure rate of small businesses remains a challenge. To achieve the envisioned economic growth, small businesses in South Africa thus require more support to improve their success rates.

The University of Pretoria established the Mamelodi Business Clinic in 2011 to assist the large community of existing and new small business owners and entrepreneurs in the township of Mamelodi, to improve the success of their businesses. Mamelodi is a densely populated community in the north-east of the City of Tshwane. Due to high levels of unemployment (63.6%) in Mamelodi, many residents have become entrepreneurs in order to make a living but struggle to keep their businesses afloat or growing.

It is the vision of the Mamelodi Business Clinic to play a leading role in creating high-innovation and profit driven township businesses.

The Mamelodi Business Clinic supports these business owners by providing three distinct training courses as well as business mentorship. The courses support business owners to establish, maintain and grow their businesses successfully. All learning and training is conducted on tablets that are offered to each delegate. The training is followed up by visits to the businesses to provide mentorship. The training has had direct impact on over 600 aspiring entrepreneurs in the period between February 2014 and February 2015.

The training costs R10 500 per delegate is. The clinic accommodates at least 20 delegates per training block. Funding is required for the training, mentorship as well as the continued sustainability of the clinic to build on its successful track record.

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1 Support for small businesses required to boost South Africa's economic growth

“Empowering black businesses, particularly your small – medium enterprises, is absolutely essential if we are going to transform and grow the economy of our country” Cyril Ramaphosa¹.

It has been estimated that small enterprises provide employment to approximately 50% to 60% of South Africa's labour force and play a significant role in economic growth and job creation. The newly established Ministry of Small Business Development aims to increase the contribution of Small, Micro and Medium Enterprises (SMMEs) from the current contribution of 35% to between 60% and 80% of the Gross Domestic Product (GDP) over the next 15 years².

However, the failure rate of small businesses is high. The Minister of the Department of Trade and Industry, Rob Davies, has indicated that five out of seven small businesses fail within the first year of trading³. The high failure rate indicates the great need for early-stage support to ensure that the aggressive economic growth strategy that has been outlined in the National Development Plan is realised.

The University of Pretoria is providing support to small businesses in the township of Mamelodi. With approximately 7400 people per square km⁴, Mamelodi is one of the most densely populated areas of the City of Tshwane Metropolitan Municipality. Mamelodi has a high unemployment rate and faces many challenges including poor education, crime and drug addiction. Many residents in Mamelodi have become entrepreneurs in order to make a living. However, many of these business owners struggle to keep their businesses afloat or growing. The aim of the University's Mamelodi Business Clinic is therefore to empower and

¹ <http://shandukablackumbrellas.org/>

² <http://www.gov.za/minister-lindiwe-zulu-launch-start-nations-south-africa>

³ <http://www.entrepreneurmag.co.za/advice/starting-a-business/small-business-advice/small-business/>

⁴ <http://www.citypopulation.de/php/southafrica-cityoftshwane.php>

Note: although the unofficial population of Mamelodi is often quoted as close to 1 million, the 2011 census states a population size of 334 577.

develop these township-based entrepreneurs, thereby strengthening the local economy and creating jobs.

2 The Mamelodi Business Clinic

The Mamelodi Business Clinic was established in 2011 and is overseen by the Department of Business Management in the Faculty of Economic and Management Sciences. It provides certified business training through the Continuing Education (CE@UP) channel at the University as well as mentoring, advisory and counselling services to business owners and entrepreneur in the Mamelodi area.

The **objectives** of the Mamelodi Business Clinic are:

- to contribute to the goals of the local economic development (LED) plan; enterprise development (ED) and broad-based black economic empowerment (BBBEE);
- to develop Small, Micro and Medium Enterprises (SMMEs);
- to develop a dynamic, diverse and thriving local business environment.
- to inspire a culture of entrepreneurship

The services offered at the Business Clinic fall into three categories: training, mentorship and support.



2.1 Business Training

Training is offered to 25 business owners per week. The clinic offers three business training courses.

- **Start-My-Business Training:** This course is aimed at young aspiring entrepreneurs who wish to establish a business. The five-day training course (see Appendix A) prepares the participants for the leap to start a business.
- **Manage-My-Business Training:** This course is aimed at established business owners who wish to improve their business skills (Appendix B). The five-day training course focuses on all functional areas of management.
- **Grow-My-Business Training:** This course is aimed at owners of established and profitable businesses with a profit margin of more than R10 000 per month who wish to grow their businesses aggressively and increase their market share (Appendix C). It equips the entrepreneur or business owner to grow the business footprint and profitability through radical and incremental innovation.



All training is highly focussed on the use of technology to provide a competitive advantage. Each delegate attending the course receives a tablet.

All three the business training courses focus heavily on marketing, financial management, personal financial management, general management, entrepreneurship, innovation, ethics and responsible leadership. Subject areas relating to record-keeping, finances and marketing are conducted on the sponsored Prestigio tablets. The tablets are loaded by Prestigio with business apps and software to the value of R4 000.



Delegates are assisted to develop their own webpages and set-up social media as a way of marketing. Through constant Wi-Fi access in the training venue, delegates are able to conduct market research and source new suppliers. Delegates are also shown how to set-up and use email as a preferred form of communication.

2.2 Business Mentorship

After training has been concluded, the Business Clinic consultants schedule follow-up meetings with the delegates to monitor their progress and provide mentorship. The following support is provided:

- **Business Mentoring:** All delegates attending training at the Business Clinic receive on-going mentorship to provide advice and to address shortcomings.
- **On-site Business Support:** This form of support is offered to businesses that are struggling to establish themselves in the market as well as large businesses struggling to meet demand for their products or services.

During 2014, 50 top ranking Mamelodi-based businesses were visited on a monthly basis.

2.3 Business Support

In addition to training and mentoring other forms of business support are offered. These include:

- **Computer literacy training:** Offered to business owners and aspiring entrepreneurs in order to improve their technological skills. The purpose of the training is to remove

old-fashion business methodology and replace with cutting-edge technological methodology.

- **Business Networking:** These events are normally outside office hours to allow all business owners to attend. The event acts as a business directory for Business Clinic clients where business partners, clients and suppliers can be sourced in a safe and reliable endorsement.

3 Personnel

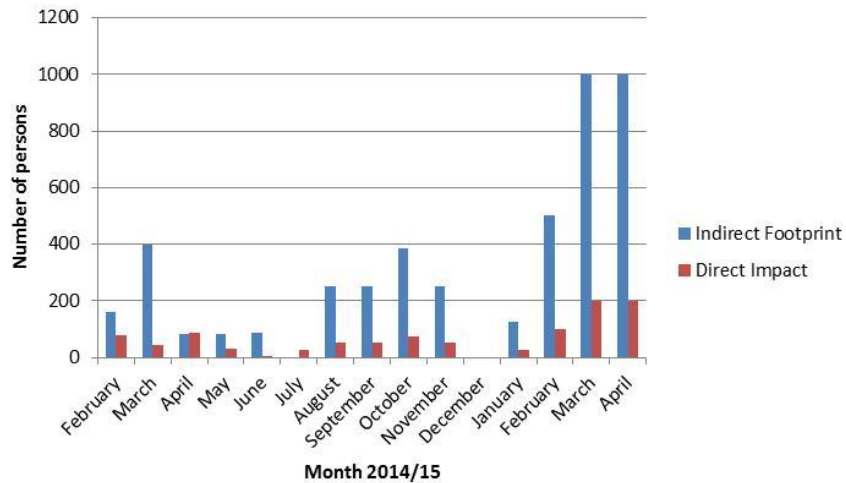
The Clinic is headed by the director, Johann van der Spuy. Two full-time business mentors, Mr Thabo Mokoena and Ms Nokz Ndaba, are employed. The Clinic's full-time employees are assisted by a panel of external business consultants who are frequently contracted to assist with the mentorship of entrepreneurs and business owners.

4 Impact

The Business Clinic has grown its offerings to meet the demand for its services. There is a great demand for the training and all courses are fully booked weeks in advance.

4.1 Number of people benefitting from the training

The graph below indicates the number of people that benefitted from the training over the past 15 months. The direct impact indicates the number of people who have attended the training courses and the indirect footprint indicates the number of people who have attended a networking/public/open event held by the Clinic as well as family members and employees of trained business owners. In South Africa every entrepreneur supports an average of five dependents.



4.2 Success story: an example of the impact of the services offered on a local business

Khora Africa Foods⁵ is a business owned by Boitumelo Moeng and Missis Phoku. The business was established in 2005. Since 2011 the business had serious cash-flow issues. The Khora manufacturing plant in Pretoria-West could not operate sufficiently in order to serve demand due to a lack of operating capital. The result was a dwindling market presence and supermarket customers who lost interest in the product. The entrepreneurs approached the Business Clinic for assistance.

Through intervention, the company has been hooked-up with SEFA for affordable long-term finance to purchase the required processing machinery and some short-term finance to get operations rolling again. Without the intervention of the Business Clinic, this wonderful indigenous African food and its founding entrepreneurs would be out of business. The Clinic provided further assistance through Growing-My-Business training in order to boost the long-term sustainability and prosperity of the business.



⁵ <http://www.khorafoods.co.za/>

See Appendix D for more businesses that benefitted from the training.

5 Budget

The running of the Clinic exceeds R 1 147 832.00 per year (see table below) excluding the cost of the venue and offices as well as the cost of the tablets and software that are provided to the delegates. Training costs R10 500 per delegate. The Business Clinic wishes to render a free service to the Mamelodi Business community and therefore requires funding to cover the costs of the delegates with capacity for at least 20 delegates per group.

| Item | | Expenses |
|-----------------|--------------------------|-------------|
| Salaries | Part-time consultant 1 | R 91 872 |
| | Part-time consultant 2 | R 91 872 |
| | Full-time consultant | R 145 464 |
| | Admin Support & PR | R 145 464 |
| | Director | R 396 000 |
| Events | Networking evening | R 89 495 |
| | Business forum gathering | R 70 788 |
| Travel Expenses | Car-hire | R 29 976 |
| | Flight expenses | R 26 937 |
| Office Expenses | Stationary | R 11 988 |
| | Paper | R 17 988 |
| | Telephone | R 29 988 |
| TOTAL | | R 1 147 832 |

6 Conclusion

The Mamelodi Business Clinic offers a valuable service to the Mamelodi community through training and supporting small business owners and entrepreneurs to run and grow their businesses successfully. Through your company's support, the University of Pretoria can assist in developing successful small businesses in Mamelodi, thereby supporting the local economy and creating sustainable jobs.

Appendix A:
Starting MY Business: Course contents

| | |
|--|---|
| <p>Day 1: Setting my Scene</p> | <ul style="list-style-type: none"> • The need, role and impact of entrepreneurs in the global world of business and economics • Why do I need my own business? • What is the “own business” environment like? • Who are typically entrepreneurs/own business owners and what does it take to start my own? • Preparing myself for the challenging world of the entrepreneur • Finding and defining by passion |
| <p>Day 2: My idea</p> | <ul style="list-style-type: none"> • Identifying feasible business opportunities • Creatively generating ideas to satisfy specific needs in the opportunity frame • Selecting the most suitable business idea • Gathering information towards building my business • Planning the resources requirements (people, money, raw material and technology) • Preparation for starting up (strategic planning) |
| <p>Day 3: Activating my customer</p> | <ul style="list-style-type: none"> • Understanding my customer segments. To whom will I sell in future? • Conducting marketing research towards understanding the new customer segments and targets • Creating my winning brand aligned with the selected target market/s • Digital presence and marketing (social media, web sites and other) • Technology driven business development |
| <p>Day 4: My wealth</p> | <ul style="list-style-type: none"> • Understanding the role of money as driver of business set up • Differentiating between business finances and personal finances • Creating a personal and business budget • Financial planning and projection • Finances and failure • Record keeping • Understanding the purpose of an accounting system • Basics of cost structuring • Bootstrapping principles applied • Quotes and invoices (electronic creation and application) |
| <p>Day 5: My voice</p> | <ul style="list-style-type: none"> • Basic business language (creating my presence: how to write an email, answer a phone, response time, immediacy, speaking and transacting with self-confidence, presenting my offering) • Sales (techniques, persuasion and closing the deal on all platforms, payment pebbles/pocket POS) • Presenting my business (Powerpoint – 3 slide presentation, on tablet: me, my offering and my future) |

Appendix B:
Managing MY Business: Course contents

| | |
|---|---|
| <p>Day 1: My Management Journey</p> | <ul style="list-style-type: none"> • Creating and understanding the basics of management • Comprehend the process of business management (in a value chain perspective) • Typical issues in small business management • Analysing the current state of business management in my business (performance orientation) • Identifying management related problem areas in my business • Conduct a problem-causal analysis • Analysing the three business environments (internal and external) that is currently and will in future shape my business • Plotting my current business model (status quo) |
| <p>Day 2: My Value-to-customer</p> | <ul style="list-style-type: none"> • Develop a new vision and mission for my business based on the most recent business and markets • Understand and define my real value proposition to my current customer/s as to the ideal value proposition for my business (gap analysis) • Develop a marketing and sales plan • Redefining customer segments. To whom am I selling/producing currently and to whom would I like to sell in future? • Conducting marketing research towards understanding the new customer segments and targets • Understanding my marketing channel (how to translate the value proposition to customer) • New methods to channel/communicate/advertise my value proposition (e.g. social media) • Modern customer relationship management methods (how to retain customers and create customer loyalty) • Consumer protection (understanding the Consumer Protection Act 68 pf 2008 and manage the consequences) • The positive and cost effective role of technology and marketing |
| <p>Day 3: My people and my operations</p> | <ul style="list-style-type: none"> • Human capital management • Human resource planning • How do I acquire winning people as a key resource, keep them, motivate and develop them to grow with me • Understand all the legal aspects concerning the human resources in my business • Understanding the personality and behaviour of the human being in my business • Managing my human resources as people, effectively • Understanding my value chain (primary support activities) • Analysing my supply chain • Purchasing and inbound logistics (from buying to inventory management) • Production and operations management • Outbound logistics • Exporting my products |

| | |
|---|--|
| <p>Day 4: My money</p> | <ul style="list-style-type: none"> • Understanding the current financial performance of my business • Comprehend all the financial elements and context of my value chain • Linking my overall business strategy with financial planning needs and process • Conduct an accurate financial plan for my business • Identify and describe my current capital/financial needs • Project my financial needs in future • Financing and investment decisions • Financial measurement and reporting • Understanding my financial statements • Financial analysis (ratios) • Applying software in assisting my financial projections and reporting • Effective budgeting and cash flow management of my business • Accessing sources of finance and investments for entrepreneurs in South Africa (institutions, programs and procedures) |
| <p>Day 5: My ethics and business pitching</p> | <ul style="list-style-type: none"> • Understanding the comprehensive role of business ethics in modern business • Applying business ethics in my business • Planet, people and profit: finding the balance • Three minute presentations on the impact of the course on my business |

Appendix C:
Growing MY Business: Course contents

| | |
|--|---|
| <p>Day 1: My business and growth</p> | <ul style="list-style-type: none"> • Understanding the nature, impact and conditions of/for growth • My business now (current reflection – value chain mapping) • SWOT (opportunity = growth) • Requirements for growth (capital, equipment, staff, technology, raw materials) • The growth trap (overtrading, cash flows, bridging capital – obstacles) • Applied research in current business environment |
| <p>Day 2: Growing my market</p> | <ul style="list-style-type: none"> • My innovation driven value proposition for growth • My customer for growth, segmentation orientation and alignment • My channels for growth: advertising, social media and applications • Advanced competitive analysis • Digital analytics |
| <p>Day 3: Growth and my people</p> | <ul style="list-style-type: none"> • Analysis of status quo (people inventory), functional area planning • Role of entrepreneur in my business (from working in my business to working on my business) • People development (skills development, motivation, enabling environment) • Human Capital planning: LinkedIn • My compliance (regulatory), labour contracts |
| <p>Day 4: Strategy and modelling</p> | <ul style="list-style-type: none"> • Understanding the nature, impact and conditions of/for growth • Trend analysis and “opportunity for growth” identification and definition • Environmental analysis (internal and external) • My current business model and its potential for growth (opportunity alignment via vision statement) • Strategic planning for growth (comprehending the different strategies for growth) • The venture life cycle and implications for my business |
| <p>Day 5: My growth in practice</p> | <ul style="list-style-type: none"> • Understanding the comprehensive role of business ethics in modern business • Applying business ethics in my business • Planet, people and profit: finding the balance • Panel presentation (business model) – 5 minute formal presentation (Pre- and posterior) |

Appendix D:
Businesses that have benefitted from training at the Mamelodi Business Clinic

