Research report submission

Investigating the relationship between the success and failure factors of business Incubators and those of micro-enterprises

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DECLARATION

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
SCHOOL OF MECHANICAL, INDUSTRIAL AND
AERONAUTICAL ENGINEERING

INDIVIDUAL DECLARATION WITH TASK SUBMITTED FOR ASSESSMENT

I, **Vishal Shrivastava** with the student number, name and signatures shown below, am registered for the course **MECN 7000**, course name, **Dissertation Report** in the year 2017.

I herewith submit the following task, titled **Investigating the relationship between the success and failure factors of business incubators and those of micro-enterprises** in partial fulfilment for the above course.

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- I have followed the required conventions in referencing the thoughts and ideas of others;
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Abstract

South Africa, like other developing economies, is viewing business incubation as a viable solution to develop sustainable enterprises that can grow the economy and reduce unemployment. The current economic climate has prompted all stakeholders to achieve sustainable and inclusive growth, and business incubation has been identified as a way to achieve this. Business incubators, however, experience challenges, and certain factors lead to their successes and failures that impact on the success or failure of the micro-enterprises they are supporting. Therefore, an exploratory study was undertaken to determine potential links between business incubators and micro-enterprises.

Case studies involving a combination of a business incubator and its associated micro-enterprise were conducted. The study shows that the success of the micro-enterprise and business incubator relies in the fact that both entities need to function as a for-profit business. This can be done by focusing, on a less granular level of the business operations, having an effective business strategy and operating model in place and identifying the success and failure factors. The functions identified impacted the way in which business incubators and Micro-Enterprises operate. Common functions that were found which may have successes on the micro-enterprises and business incubators were having learnership or internship programs in place that allow for continuous learning and close collaboration of information and knowledge sharing between the business incubator and the micro-enterprise. Other common functions which contribute to successes are having procurement strategies and identifying opportunities in the market place; micro-enterprises for growing their business, business incubators for identifying potential businesses to incubate to drive economic value. Among some of the enablers that were found through were aiming for financial management, sustainability, ensuring adequate funding and working with an entrepreneurial mind-set.

Keywords: business incubator, micro-enterprise, inclusive growth

Acknowledgement

I would like to thank my supervisor, Ms. Bernadette Sunjka, for her guidance, patience and faith in this work. I would like to thank my family for their constant support and guidance.

Dedication

I wish to dedicate this report and work to all businesses and business incubators in South Africa who work sweat and tears to build bridges, reduce unemployment and steer South Africa to a better place.

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Nomenclature

ICT	Information and Communication Technology
GEM	Global Entrepreneurship Monitor
SME	Small and Business Enterprise
SMME	Small, Medium and Micro Enterprises
VAT	Value-Added Tax
HR	Human Resource
USA	United States of America
SEDA	Small Enterprise Development Agency
ISP	Incubation Support Program
DTI	Department of Trade and Industry
STP	Seda Technology Program
R&D	Research and Development
PPP	Public (and) Private Partnerships
BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
ROI	Return on Investment
PWC	PriceWaterhouse Coopers
ESD	Enterprise and Supplier Development

1. CHAPTER 1: INTRODUCTION

Historically, South Africa's economy has been considered dual with a very sophisticated and modern formal economy and a very poor and non-digitalised informal economy [1]. The formal economy is concentrated in sectors with the bulk of the economy consisting of pension and foreign funds, with a heavy reliance on foreign investment [2]. Pikkety [3] and his work and challenges highlighting wealth inequality, has received much attention. South Africa ranks high on the GINI coefficient. The relative wealth inequality has reached 0.65 according to Statistics South Africa [4]. This reflects poorly on the equitable wealth of the country, and is unsustainable, unless a poor pragmatic approach to inclusive growth is adopted. Recent political developments have prospected for a new term to be created, namely, inclusive growth. The World Bank punts the idea as a bolder approach for integration of all in the name for wealth creation for the South African economy [5]. They have also created a virtuous cycle of inclusive growth as shown in the figure below.

Figure 1: Virtuous cycle for inclusive growth *[6]*

Enterprise growth leads to a strong economy, increase in disposable income and the boom of entrepreneurial activity [7]. South Africa’s entrepreneurial segments have led it to diversify the economy and incorporate certain elements of the free market characteristics of mixed economies. In this situation, the state plays a crucial role in the economy but remains equally open to individuals to trade freely in the form of enterprises. Free-market characteristics include ownership of private property, individuals having the freedom of choice to trade and transact and competition on price which enhances an enterprise environment [8]. In addition, the state has strived to promote entrepreneurship as a juggernaut overhaul to solve the unemployment and low economic growth in the country [9]. However, in recent times and owing to tough local macro-economic conditions, the growth of entrepreneurial activity has decreased considerably [10].

South Africa, however, ranks among the top 80 for ease-of-doing-business indexes and has a relatively strong business environment [11]. There are several macro-economic features conducive to promoting business growth such as exports and ICT opportunities. Other factors include:

- Sophisticated banking sector
- Conducive business environment
- Stable political environment
- Growing middle class population
- Highly sophisticated tax collection environment
- Sophisticated business networking environments
- Diversified and newly industrialised economy
- Stable legal conditions and access to courts
- Stable legal structures and independent institutions

Given all these, the question arises as to why South Africa’s entrepreneurial intentions and their conversion into entrepreneurial behaviour are so low [12].

Globally, South Africa also ranks low against its international peers when it comes to Total Entrepreneurial Activity measures as per the GEM report [13]. In essence, entrepreneurship in South Africa is not at the levels that it can be.

The current economic climate in South Africa has brought together three main parties of the economy for the first time in several years. Government, private sector and labour have joined hands at looking at ways to inclusively grow the economy. One of the ways that have been identified and earmarked by all three parties is the need to create and initiate SME development and sustainability. Micro-enterprises particularly are viewed as the key tool and measure for inclusive growth [14].

1.1. Problem Statement

Business incubators have been identified as a possible engine for growth to ensure entrepreneurial and business development [15]. They have come into existence to allow for the harbouring of skills and businesses and the growth of these. In addition with the current economic context, business incubators have been identified as a key development tool for the successful incubation of new and existing businesses [16]. These entities, however, experience challenges, and certain factors lead to business incubator successes and failures that impact on the success or failure of the micro-enterprises they are supporting [17]. Very little is known about the links between the factors that leads to successes and failures of micro-enterprises and business incubators. A study of the links between the factors for successes and failures may determine and indicate the path of effectiveness of the business incubators, and highlight gaps and opportunities between the two entities. The purpose of this research is thus to investigate the relationship between the success and failure factors of business incubators and those of the businesses (micro-enterprises) they are supporting [18].

1.2. Critical Research Question

This leads to the critical research question which is as follows:
How are the success and failure factors of business incubators and the micro-enterprises that they are supporting or incubating potentially linked?

1.3. Aims and Objectives

The objectives for this research are to:

1. Identify the key factors for micro-enterprise success and failures;
2. Identify the key factors for business incubators success and failures;
3. Identify the potential links between the success and failure factors between the two entities

1.4. Summary of research method

The research method was based on the case study methodology approach. The case samples consisted of three business incubators (Business Incubator A, B and C) and three micro-enterprises (A, B and C). These entities were interviewed through the use of semi-structured interviews. The three case studies were grouped into the industry within which they operated in and a case study report was written for each. The cases were compared which induced deductions and patterns. This left room for policy implications. This method may be seen in the diagram below.

The ethics clearance certificate number for this research is MIAEC 002/17.

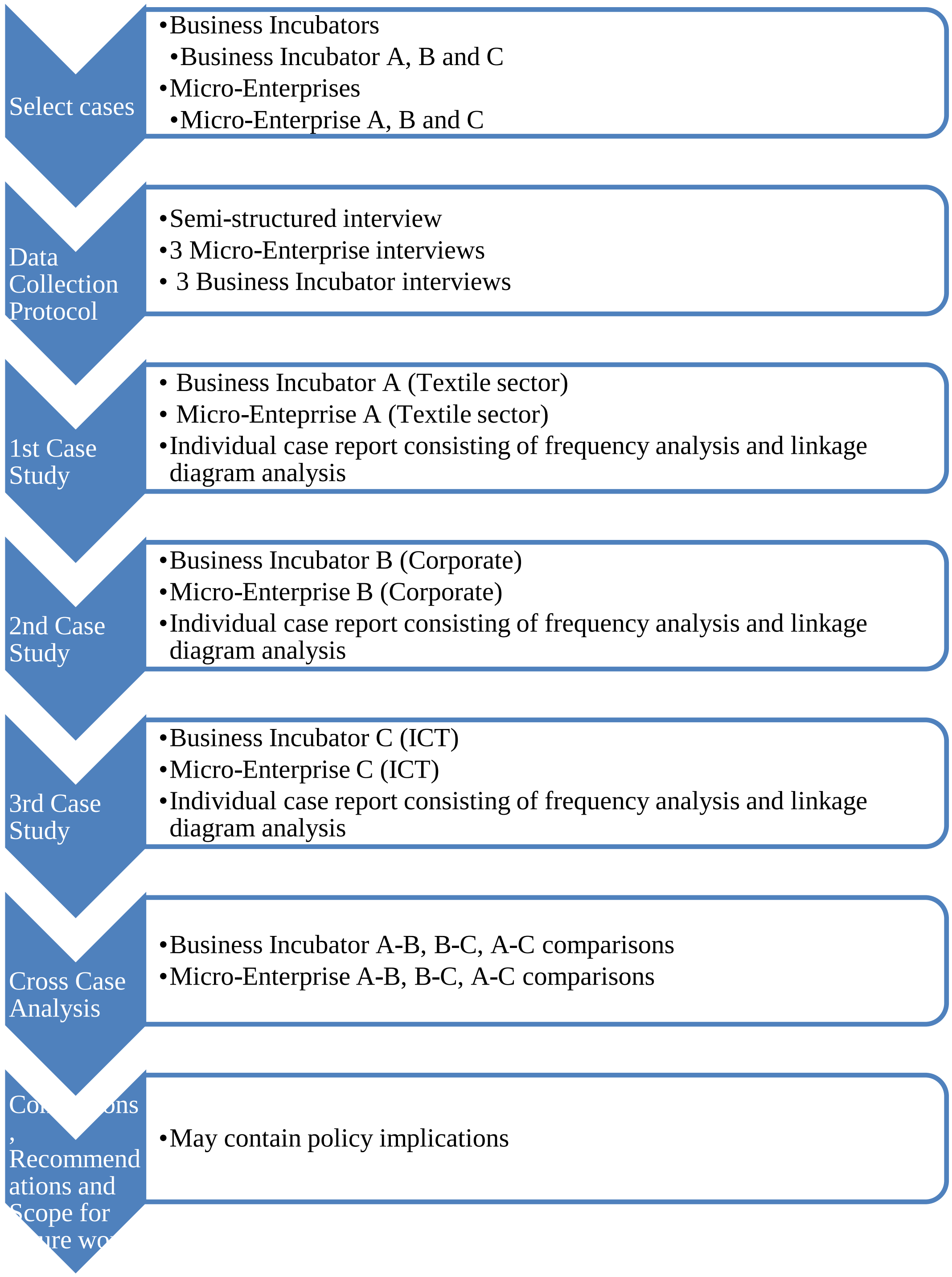

Figure 2: Summary of research method

1.5 Limitations and Assumptions

The limitations of this research were:

1. Definitions pertaining to size of the micro-enterprises by assessing their revenue streams were ignored because definition of micro-enterprises is based on turnover and financial data was confidential and lack of information thereof
2. Owing to availability of the interviewees, responses were only obtained from entities operating within the textile, corporate and ICT sector in South Africa
3. Success and failure factors of micro-enterprises were obtained from existing literature pertaining to Small-Medium Enterprises owing to lack of research on micro-enterprises

1.6 Outline of chapters

The report is structured as follows:

- CHAPTER 1: INTRODUCTION
  - This contains the pretext of the research which introduces the problem statement, the aims and objectives and summaries the research method
- CHAPTER 2: LITERATURE REVIEW
  - This showcases the political and contextual economic factors of business incubators and micro-enterprises in South Africa
- CHAPTER 3: RESEARCH METHODOLOGY
  - This section describes the case study methodology applied
- CHAPTER 4: ANALYSIS AND RESULTS
  - This section contains the frequency charts for the interviews, linkage diagrams and cross-study analysis
- CHAPTER 5: DISCUSSION

    - This section provides an in-depth analysis of the results and relates it to existing literature and research
- CHAPTER 6: CONCLUSIONS, RECOMMENDATIONS AND SCOPE FOR FUTURE WORK
    - This section contains the conclusions obtained from the research, recommendations and scope for future work which may be an extension of this research report

2. CHAPTER 2: LITERATURE REVIEW

The purpose of this literature review is to provide an understanding of the micro-enterprise and business incubator environment in South Africa. Success and Failure factors for each entity in the extant literature are identified to provide a basis for the study.

2.1 Categories supported by the Small Business Act 1996 of the Republic of South Africa

The transitional government after the 1994 National Elections realised the importance of Small Businesses, and the value it adds to the economy. They enacted a legislative framework now known as the Small Business Act. The Small Business Act created a council and the National Business Support Strategy that supported small businesses or businesses that operated within certain categories. There were four categories identified that the Small Business Act should create [19]:

2.1.1 Survivalist Enterprises

These are activities by people unable to find a paid job or to get into an economic sector of their choice. Income generated from these activities usually will fall short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises [20].

2.1.2 Micro-Enterprises

These are small businesses, often involving only the owner, some family member(s) and at least one or two paid employees. They usually lack "formality" in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. However, many micro-enterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support. In addition, some of these characteristics may actually be redundant [20].

2.1.3 Small Enterprises

These constitute the bulk of the established businesses, with employment ranging between 5 and about 50. The enterprise will usually be owner managed or directly controlled by the owner-community. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the wide differences in various sectors like retailing, manufacturing, professional services and construction [20].

2.1.4 Medium Enterprises

These constitute a category difficult to demarcate vis-à-vis the “small” and “big” business categories. It is still viewed as basically owner/manager controlled, though the shareholding or community control base could be more complex. The employment of 200 and capital assets (excluding property) of about R15 million are often seen as the upper limit. In terms of this study we are concerned with medium-sized enterprises which face obstacles and constraints which cannot be solved through normal market forces and private-sector action. It follows from these distinctions and it is a fundamental principle of the government’s SMME support strategy that the problems of each of these four categories need somewhat different policy stance. Equally important for small business support in South Africa is the recognition of the particular problems and needs of enterprises initiated, owned or controlled by those who are disenfranchised and/or otherwise discriminated against in the past. Aside from the racial dimension, i.e. enterprises owned and controlled by black South Africans, reference should also be made to women and all other disadvantaged and marginalized groups, including those in remote rural areas as well as disabled, elderly people and the youth. Such enterprises are found in all four of the above categories. Since publicly funded support for small enterprises should only be granted to those really needing it, the government created the mechanism to identify types of enterprises based on sector, size and developmental criteria [21].

2.2 Micro-Enterprises

In South Africa, a micro enterprise is categorised as a business with a turnover of less than ZAR 200 000.00 [20] and employs less than 5 people within the business. These businesses experience several challenges and only a very small percentage of businesses are able to break out of the introductory business life cycle phase [22]. A critical success factor lies in the progression of these businesses into the next phase of the business life cycle growth phase [6]. Micro-enterprises' success and failure factors are synonymous with the reasons why most businesses fail. Minimal research has been done in South African businesses. However, based on a study that was done on the success and failure factors, some of the reasons for business failures are (among others) [23]:

2.2.1 Poor planning

Poor planning, an extension of efficient mismanagement is a cause of failure for micro-enterprises. Managers tend to, at times, fail to plan strategically for the business and not coordinate managerial tasks correctly. Examples of these managerial tasks may include planning, organising, leading and controlling, among others. In some cases, this is largely to do with strategic planning and direction [23].

2.2.2 Lack of business education training

Albeit contentious, one of the main reasons of micro-enterprise failure is lack of sufficient business education and planning. Most business personnel are ill informed about the legal aspects concerning the business. There is also a lack of understanding of the business risks associated with investment decisions and operations [17].

2.2.3 Lack of employee satisfaction

Owing to lack of buying power and formalised structures, micro-enterprises tend to hire family and friends to assist in the operations. Research has also shown that funds from the business may be used for personal needs of the family. At other times, relatives may not necessarily possess the relative skills and experience to run micro-enterprise operations. The personality of the micro-enterprise is such that they are sensitive, positive and helpful; qualities which may be compromised should a family member being more involved in the micro-enterprise [23] .

2.2.4 Lack of customer relations

Most micro-enterprises fail because of lack of daily contact with customers, lack of special promotions, price changes, and lack of new product features. That is why the customers may be the first to hear about significant changes in the competitors' distribution network. Many micro-enterprises also fail to understand the customer buying patterns and trends [25].

2.2.5 Lack of budget management

Some experts argue that micro-enterprises face problems in terms of using discounted cash flows for capital budgeting and procurement. In essence, funds need to be allocated for micro-enterprises to expand customer base and failure to adhere to prudent financial management in the infancy stages of the businesses will result in failure for the business [26].

2.2.6 Lack of technology

Micro-enterprises that are contemplating purchasing new technology have great difficulties since they don't possess the knowledge and the high opportunity cost of scarce management time, in isolating the cash flows pertaining to the project [27]. Many micro-enterprises lack time, resources, technology or expertise to research and develop new business ideas and innovations. This weakness can become a critical factor limiting growth and expansion in small businesses.

2.2.7 Poor location and infrastructure

Location is everything when determining the success of businesses. Having an ideally located business to customers and distribution points allows for businesses to be more connected in the supply chain of goods and services [28]. However, owing to survivalist nature of micro-enterprises and the lack of adequate financial resources in businesses, micro-enterprises tend to open businesses wherever convenient to the business owner. In some cases, a location may be chosen where premises are empty and low rent.

Further success factors were identified through South-African focused research but focused explicitly on Small-Medium Enterprises. Kunene suggests the following factors affecting SME success [29]. These are namely external and internal factors. Aspects of the external factors were [29]:

- Socio-Demographics include facts of the entrepreneur's background, like age, gender, race, height, birth order, family background, education, parental status, social values and beliefs of the entrepreneur and exposure to role models
- Local markets consist of markets in the national economy
- International markets consist of markets in the international economy

Economic factors consist of the factors pertaining to the national and international economy. The success of a new venture depends on the state of the national economy at the time the business is launched. Economic factors consist of [28]:

- Enterprise density is defined as the number of firms in a given population at a given time and refers to the percentage of existing and possible entrepreneurs because in South Africa the enterprise density is low at 2%, meaning there is room for expanding active enterprises, and this low density acts as a disincentive to firms to exit
- Inflation affects the wealth of individuals as interest rates may rise and consumers' spending is affected
- Taxation affects is one of the key factors inhibiting SME development is taxation such as VAT and corporate tax and tax costs reduce the cost of doing business as companies may not have the means to administer taxes
- The ability to deal with change and being comfortable with being uncomfortable is an important trait in business

Policy institutional factors consist of the political climate and legal requirements of doing business in nations and can be a possible enhancer or major stumbling block in entrepreneurship development. Examples are [29]:

- Macroeconomic policies consist of legislation, regulations and laws that facilitate business and economic development
- Judicial elements that govern laws and legislation
- Bureaucratic elements such as corruption and red tape affect the business investment and funds previously allocated for investment may need be channeled for illegal means
- Cost of compliance consists of costs that emanate from business operations for government requirements
- Public support entails government's support for SME's in the form of knowledge and expertise to ensure growth of the business beyond the initial incubation and early survival

- Regional political stability is important as this ensures intra-African trade and affects businesses in the region

Socio-cultural factors reflect the country's stage of development. These social conditions and aspects of the country's culture may create environmental goodwill that will benefit SME's. Factors pertaining to these are [29]:

- Access to public infrastructure such as water, electricity, serviceable roads, telecommunication systems, telephones, electronic media and postal and logistic services
- Access to money or capital entails the availability of appropriate resources for businesses to grow and secure necessary expertise and raw materials to put entrepreneurial ideas into practice
- Access to labour ensures productivity and ensures that the correct expertise is being assigned to the correct role for the business
- Access to other economic resources includes access to key players in the value chain such as bankers, suppliers, lawyers, training personnel and other personnel that can facilitate business development and growth
- Crime factors impede business growth and security enhances investment levels, sales and business success
- Quality healthcare is an important influence on entrepreneurial success and the ability of entrepreneurs to work effectively and efficiently
- Cultural factors include human and organisational psychological elements such as power distance, uncertainty avoidance, individualism, masculinity and good role models

Market opportunity factors account for industry-specific factors associated with the industry in which the firm operates and they represent market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers. Examples of market opportunity factors are [29]:

- Market conditions are the conditions pertaining to different stages that industries are at in the market and these stages can influence entrepreneurship and business development
- Demand for supply is crucial as businesses rely on markets for survival and markets require money to turn their interest into effective demand for supply
- Competitive
- Concentration, along with market actions and strategies of competitors, has an impact on the entrepreneurial process
- Stable access to markets and marketing brokers, as well as the ability to overcome barriers to entry into a specific industry, is crucial for enhancing entrepreneurship and SME success

Company demographics factors firm survival such as size and age of the business, organisational structure that a business undertakes to conduct their operations, networks and product innovation and competitiveness [29].

Entrepreneurial demographics and characteristics are often considered the most influential factors relating to the performance of an SME and its competitiveness. Examples of the factors are [29]:

- Need for achievement and internal locus of control in maintaining oversight and drive in the business
- Having initiative, self-confidence, self-efficacy and self-esteem to execute business ideas
- Ability to network, mobilise resources, tolerate ambiguity and adapting to change
- Identifying opportunities and taking risks to exploit those opportunities through creativity and innovation
- The most crucial characteristic of any entrepreneur is leadership, hard work and perseverance, energy, integrity and the ability to learn

The demographics of the entrepreneur build on the capabilities and skills of the entrepreneurs. Competent management skills are a prerequisite for the success of small-and-medium enterprises [29]. Business and management competence are a set of factors associated with successful businesses as they provide relevant personnel the necessary skills to perform the tasks and roles successfully and the power to act decisively. These skills include being able to identify and evaluate market opportunities, to set up realistic and measurable goals, to develop business plans, to secure resources required and set up a new venture; to produce and service the market; to manage conflict effectively; and to achieve the overall industrial efficiency as well as effectiveness that lead to the growing of the business. Capabilities are related to entrepreneurial performance and personal skills such as communication, advanced literacy and numeracy. However, factors that affect the capabilities and skills of the entrepreneurs are the business management skills and management skills related thereof. Examples of these are [29]:

- General management skills
- Planning skills
- Financial management skills
- Marketing and networking skills
- Supply chain management skills
- Operational skills
- HR management skills
- Legal skills
- Business systems and processes skills
- ICT skills
- Technical skills

2.3 Business Incubators

Unless an idea is incredible, and successfully executed, most businesses will not transgress all business cycles and become a listed conglomerate [30]. Therefore, and conventionally judging, businesses will need to move through the business life-cycle [31]. When a business enters the market, it would be typically categorised as a micro-enterprise [32]. One mechanism created by the private and public sector that can facilitate this progression is business incubators. Business incubators can be broadly defined as units of businesses that can provide discretionary and systems support to new and introductory entrepreneurs. Both sectors have created various types of public-sector led incubators in South Africa to harness specialised skills and market new technologies [16]. These Incubators typically would measure their success by how many businesses they can make sustainable over a period of time.

Private sector led incubators operate in a similar manner. Most of these incubators would typically attempt in incubating businesses to do business with them first, and then incubate them later become fully sustainable. Post 1995, the Department of Trade and Industry sought strategic initiatives to foster small businesses that could contribute to the South African economy and diversify it. As a result, they looked at various possibilities around the world and settled on the business incubation model. The business incubation model has proved to be a great success factor in developed countries such as the USA [16].

However, business incubators do not target any small entrepreneurs, and many operate in a very niche-focused market. In South Africa, the business incubation landscape is categorised by two major environments, namely technology centres and business incubation. Examples of business incubators and the segment that they operate in can be seen below [33]:

Table 1: Names and types of business incubators *[33]*

Incubator Name	Focus Area
Aurik	Start-ups
African Rose	Emerging essential oil farmers and agro-processing

Chemin	Start-ups in the chemical industry in Port Elizabeth, KwaZulu-Natal, East London and Midrand.
The Downstream Aluminium Centre for Technology	Small enterprises in the aluminium casting industry in Richards Bay
Egoli Bio	Start-ups involved in life sciences and biotechnology ventures
Furntech	Small enterprises in the furniture manufacturing sector
The Innovation Hub	Start-ups in the knowledge-intensive, green economy information, sustainable development, communications technology, bioscience, electronics and advanced manufacturing and materials
Shanduka Black Umbrellas	Small black businesses
Mpumalanga Stainless Initiative	Small enterprises in the manufacturing sector
Mobile agri-skills incubator	Small agricultural enterprises in Mpumalanga
The Seda Nelson Mandela Bay incubator	Small Information, Communications and Technology enterprises in the Eastern Cape.
Raizcorp business incubator	Provides full business support to drive entrepreneurs to profitability
Lepharo	Copper, Zinc and Base Metals
Mapfura Makhura Incubator (MMI)	General business incubation

Business incubators have proven to provide a nurturing platform for Micro, Small and Medium Enterprises in developed and developing countries [34]. However, in developing countries in particular, business incubators continue to face operating challenges and barriers. This is particularly true for South Africa where, as previously stated, business failure and unemployment still continue to be particularly high [35].

This builds on the fact that business incubators are not necessarily the most equipped to deal with business successes [36]. In some cases, they lack the skills to continue to provide entrepreneurs with the necessary knowledge that they need to provide and the ability to successfully incubate their ideas. Below are examples of success factors for business incubators:

1. Access to entrepreneurial management

Selecting and attracting adequately skilled professionals to manage various business functions within business incubation is a precarious task for many incubators. Nieman and Niewenhuizen [37] agree that one of the main factors that contribute to successful incubation is the correct entrepreneurial talent instilled to grow businesses. Incubator managers need to be intensely creative and innovative in fulfilling incubation functions. The following functions are critical for business incubation success:

a. Management direction
b. Technical support
c. Consulting style

In addition, partnership and sustainability is important for developing successful incubators. Incubators should also consider the following strategic imperatives:

a. Incubators should create a board to govern activities
b. Experienced and knowledgeable staff should be hired to guide and lead business incubation
c. An incubator should attract as many investors as possible, private and public.

2. Lack of entrepreneurial skills

There is considerable evidence in literature that states that entrepreneurship actually requires intense technical support, entrepreneurial skills, and management experience to mention a few [16]. In addition, entrepreneurial activities do not pay enough attention to technicalities, efficiency and financial education. Some can argue that business incubation in developing countries continue to face multiple challenges with respect to creativity and innovation. Well-trained management are also important as business incubators need to think in an entrepreneurial manner to take opportunities in the market.

3. Sustainability and support for SMME's

Business incubators need to function in a high-growth macro-economic environment. Lack of growth in a business incubation environment is measured by the incubators ability to raise capital, employ qualified people, and maintain the resources to run the incubator efficiently and productively [23].

4. Access to Technological based facilities

Incubators need to be up to date with the latest forms of technology to succeed. The correct form of information regarding access to markets, appropriate space and flexible leases in the market, shared basic services and equipment and technology services are some of the factors that have been mentioned as key to incubation successes. Technology renders change management easier and access to information is faster, thus rendering services faster to clients and providing information that is more applicable to changing times.

5. Access to funding, source capital and sponsorship

One of the key factors for incubators to succeed is access to funding and sponsorship. Incubator access to successful funding and sponsorship is good management. Good management is also tied to ideal access to entrepreneurial management and leadership. Incubators may be privately or publicly funded. Public funding would come from state or public entities such as SEDA (Small Enterprise Development Agency) and the Incubation Support Program (ISP) through the Department of Trade and Industry (DTI). Private incubators would typically need to have their own program for funding. These private incubators actually have to function as a profit making entity [38] in order to sustain itself (linked to sustainability above).

Common business incubator models are those that consist of public and private partnerships. Particularly, in the initial stages, public sector support is vitally important. As incubators become established, external support can decline or cease, so that incubators have to identify sustainable, flexible revenue streams for their organizations to survive and perform effectively. Only in very few circumstances are incubators not expected to achieve financial sustainability. There is a view on financial sustainability saying that business incubators are established to mentor and guide start-up companies to a position of health and financial viability so they should themselves be striving to achieve the same. Another view says that government should not fund incubators unless a specific market failure exists. There are few examples of incubators reaching financial sustainability. In developing economies most of incubators are not in a position to cover all operating costs with earned revenues or return on client investment in the short-term. In Malaysia, incubators are dependent on Government funding and there are few incentives to develop self-sustainable financial models, while in South Africa few steps have been taken in terms of sustainability but there is a wide recognition about its importance and the willingness to make soon progress to implement it. Some of the business models for business incubators are seen in the table below:

Table 2: Types of business models for business incubators *[34]*

Type of model	Description

Rent Model	Rental charges to clients can be source of funds, though incubators need to achieve a significant size before this becomes a major income source. Rent in many incubators in USA, China, Brazil and other countries is the main income source (up to 40%) and can make incubators self-sustainable if large enough. In South Africa, incubators get 20-30% of their revenues from rents. Sometimes initial rental are subsidized. In most cases public grants are provided directly to the incubator but in some cases grants towards rents are given to incubator clients, helping to focus the incubator staff on the need to attract sufficient clients to fill the space available. The level of rent subsidy usually declines over time to near market-related levels. The benefits of this strategy are to gradually introduce commercial discipline to clients, to counter charges that clients compete with non-incubated businesses with an unfair advantage, and to progressively increase the sustainability of the incubator.
Equity Model	Incubators can take minority stakes (2-6 %) in incubated businesses, often in

	return for free and low rent periods, enabling future income from dividend payments. An additional equity (e.g. 1-2%) may be further added for additional periods spent in the incubators. The relative smallness of the incubator‘s shareholding means there are many opportunities for it to liquidate its position. To work, the equity model requires scale and portfolio quality. This is the model mainly developed in New Zealand and it is also becoming adopted in Brazil, by university based incubators. Australia introduced an ambitious version of this model whereby incubators took up to 45% equity in their tenant companies. These incubators only incubated ICT companies. As for China, it represents a special variation of the model as it is the central government that is funding the incubators but also taking equity in their tenant companies.
Royalty Model	According to this model revenues earned by the client will legitimate a royalty payment for the incubator. Usually the royalty is at around 5% of the revenue and is limited in time (on average 5 years). As the royalty can undermine the financial management of clients that are

	in their start-up phase thus needing sources, it might happen that incubators agree to postpone payments at when companies can afford them. This type of model requires then a lot of trust, communication, and exchange between the parties. New Zealand has three incubators currently using the royalty model, two of which adopt the equity model too.
Deferred Debt Model	In this model the services provided to the client are valued, along with incubator‘s overheads, and then charged in the incubation fee. The client has up to 10 years to pay back the debt to the incubator. Once the client has left the incubator and/or when it has reached an agreed financial target, the total debt due to the incubator is fixed and the repayment can start. Repayment can be in a lump sum or partial payments.

Typically, incubators in South Africa look at the following set of parameters to evaluate the impact that business incubators are having. These are listed below:

- Improving the business performance, profitability and survival rate of newly established technology based SMME’s (e.g. new SMME’s created, % of SMME’s surviving after 1st and 2nd year),

- Promotion of Black Economic and Women Empowerment and (e.g. % of black owned SMME's established, % of black empowered SMME's established; number of woman owned projects initiated)
- Promotion of economic growth and employment creation (e.g. jobs – direct and indirect – created)

The public policy on the use of business incubators in South Africa agrees on the following recommendations [39]:

1. Consistency between objectives and the broader strategic framework
    a. Incubators should not be treated as stand-alone operations and should not be conceived for stand-alone goals. Incubators are designed and implemented to pursue defined objectives as part of a broader strategic framework (territorially orientated [regional strategy] or of particular policies [job creation, social policies, competitiveness] or a combination of these factors).
    b. Strong consistency with overall economic goals needs then to be combined with a long term approach (on average at least 10+ years), which is needed to ensure the establishment and sustainability of the incubation industry as well as the proper functioning of the business environment where incubators operate.
    c. Policy makers should consider a deeper investment in understanding the drivers of success in particularly effective business incubation models. These investments should be followed with pilot initiatives that seek to test the findings and replicate these models in a variety of environments.
2. Consistency between objectives pursued and suitable service mix

    Incubators can be established to meet a range of public sector objectives, from social inclusion to fostering growth of innovative businesses. Incubators need to design a range of services tailored on their target groups. As well as the basic administrative services designed to reduce operational costs of clients, a mix of business (training, coaching, mentoring) and technical (production advice, access to specific equipment, etc.) services are required to meet the needs of their target group. The actual service mix should reflect an analysis of the needs of clients for the specific objectives of the incubator.

3. Stakeholder support

The involvement and support of stakeholders (consisting of sponsors drawn from the business community, government, the local society, venture capital providers, entrepreneurs, etc.) and incubator management are vital for incubator success. It is important that there is clarity, consistency and cooperation from all stakeholders. There should be consensus on a mission that defines the incubator‘s role in the community and quantifiable objectives to achieve the mission. Incubator programs should develop stakeholder support, including a resource network and capacity building initiatives.

4. Investing in pre-incubation
    a. A pre-incubation program to assist potential entrepreneurs to develop their ideas and learn basic business skills through a mixture of training and coaching is critical to ensuring that the incubator takes on clients close to business launch.
    b. Incubator clients should be selected through clear evaluation criteria appropriate to the objectives of the incubator. Pre-incubation should help potential entrepreneurs to prepare their applications, but should not be a guarantee of acceptance.
    c. In public policy terms this means incubators should set out a clear strategy for pre-incubation, indicating numbers to be involved, how they are supported and expected numbers and time periods to generate clear clients. A clear and transparent set of selection criteria to be applied to applicants must be defined and communicated at an early

stage. It should reflect the objectives of the incubator and its target market.

5. Address gaps in the business environment
    a. In addition to services designed to meet the needs of individual clients, incubators are often asked to develop services or to intervene in order to address weaknesses in the business environment. Incubators need to analyse the local business environment and propose solutions to any particular problem faced by their clients if successful growth businesses are going to be successfully launched.
    b. Incubators should build on their reputation and network of relationships and collaborations in order to positively influence the business environment dynamics. Nevertheless, existing weaknesses in the regulatory and enterprise support frameworks should be targeted also at government level through the adoption of adequate initiatives supporting SME activities. Policymakers may also take into consideration the opinions of incubator associations when identifying main strategic priorities.
6. Commercial approach
    a. When the incubators are designed to improve the growth and success rates of new businesses, they need to be focused on satisfying the needs of clients and delivering high value cost effective services to enhance the clients' commercial focus. As such the incubator should adopt the same business-like approach to their operation.
    b. The policy framework needs to encourage a business mind-set and/or discipline for a public benefit in line with the set objectives and assess the performance of incubators in those terms. This has an impact also on the funding policy adopted.
    c. The grant application process should require clear business and action plans from the applicant incubators, along with measurable

performance outputs in terms of clients, financial sources etc. that indicate the commercial intention and expected achievement.

7. Ensuring elements of competition
    a. Public support can be important in the early stages of incubation programs. However, governments are suggested to ensure the efficient use of funds. This can be achieved through the organization of open competitive rounds for grant funds, which can contribute also to develop a commercial approach of applicants.
    b. Introducing an element of competition into the provision of grant supported services has also been demonstrated to greatly improve performance in most instances.
8. Financial sustainability
    a. A financial self-sustainability goal can be encouraged and actively promoted as it will also contribute to an efficient management of the incubator. The benefit of this strategy is to gradually introduce commercial discipline to clients. To achieve sustainability, incubators often need to develop a range of alternative funding sources, both public and private.
    b. Initial public funding can be granted but then should decline in favour of other funding models (commercial income, equity in incubated companies, royalties, etc.).
    c. When applying to grant funds, incubators can also be asked to indicate which funding model they intend to adopt in the longer term.
9. Networking and public-private partnerships
    a. Partner networks contribute to incubator successes through sharing the wisdom reaped from both achievements and failures, and help expanding market opportunities for entrepreneurs and graduates. These networks typically include universities, R&D centres, industrial contacts, financial institutions and professional service providers such

as lawyers, accountants, marketing specialists, venture capitalists, angel investors, and volunteers.

b. An incubator needs to have clearly defined mechanisms to ensure that it and its clients are in contact with key stakeholders in important networks, and that the incubator is clearly recognized as a centre of expertise within these networks.

c. Strong cross-sector partnerships – or PPPs – can create important value for incubators by filling gaps in the organization's service model, mitigating operational risk and creating a platform for influencing the broader business environment. PPP models should be promoted either in the ownership or in the governance of incubators.

d. Associations can also play a relevant role in creating networks among members.

10. Incubator Manager

a. An effective, committed, knowledgeable incubator manager and staff are critical to the effectiveness of an incubator. The manager in particular needs to be able to lead the support team, manage the incubator‘s important networks, understand the business needs of clients and pre-incubation businesses, as well as support the staff of the incubator in delivering effective services to meet these needs. Failure to employ a suitably skilled and motivated manager is one of the key reasons for the failure of an incubator.

b. The business plan for an incubator should preferably set out the qualifications and experience of the proposed manager. At the very least a clear personnel specification, job description and recruitment and selection system should be spelled out in advance of funding. Policies that unrealistically limit salaries, appoint managers on the basis of performance in government or other bureaucracies, or recruitment not based on competitive criteria, are very unlikely to lead to successful incubators. Donors should consider investing more directly in leadership development of incubator managers, including capacity building for high potential individuals, global networking and knowledge-building opportunities, and disseminating effective strategies for recruiting and retaining talent in the incubation sector.

11. Monitoring and appraisal
    a. The design of a monitoring and appraisal system for a business incubation program is critical to identifying unexpected problems that are preventing successful outcomes and where further improvements can be made, as well as to tracing best practices to share within the incubator network.
    b. The introduction of indicators of performance as a part of a monitoring and appraisal system is also important to ensure the achievements of concrete results as well as to allow a constant program improvement.
    c. Constant internal monitoring should be carried out also by incubator managers.
    d. Benchmarking exercises can be helpful to incubator managers for understanding how well they are doing performance-wise compared to peer-to-peer programs elsewhere – in the country or even worldwide – and in understanding what they can do differently to improve their performance with clients.
    e. Supporting and enhancing good entrepreneurial clients are important to ensure that participants in the business incubation program are progressing

2.4 Public policy with regards to business incubators in South Africa

A business incubator will focus on a range of services on clients that are designed to help them launch well managed businesses. This mix of services is generally drawn from: administrative services (photocopying, bookkeeping, etc.); business advice services (coaching, counselling, mentoring, training), technical services (technical advice, access to expensive equipment, etc.), finance raising, and networking opportunities (between clients, links to wider business community). Other services (loan & venture capital funds, lobbying for special services/ bureaucratic treatment, etc.) are sometimes developed to help clients overcome specific problems in the given business environment [29].

It is often a stated intention that an incubator will become sustainable through commercial income, though this is only achieved where the actual income has a realistic chance of covering costs and other objectives do not mitigate against this [18].

The services available within business incubators vary in relation to the specific objectives of their establishment, the resources available, and the wider environment. Within this caveat we offer a description of pre-incubation, incubation services and post incubation support to enable the reader to clearly understand how incubation is differentiated from other SME support programs [18]. The definition indicates the high cost of providing incubator services and suggests this is only justifiable in relation to the incubator helping to achieve high growth businesses with low failure rates, unless there are strong social objectives that have to be taken into account (i.e. helping socially excluded groups to launch businesses) [40].

The objectives for strategic planning for businesses in South Africa were as follows [41]:

1. Technology transfer and innovation
2. Creation and development of sustainable and globally competitive SME's that contribute towards and accelerated growth of the South African economy
3. Supporting selected groups

The strategic framework involved launching the National Industrial Policy was launched in January 2008 and foresees also small enterprise support. The Small Enterprise Development Agency (SEDA) is in charge of coordinating SMEs support intervention. Incubation policy was piloted in 2001 through the GODISA program and is currently part of the STP (SEDA Technology Program) [17].

The incubator should plan to support businesses in an industry that is structurally and contextually feasible and attractive in the country or region in which it plans to operate. For example, a biotech incubator focused on pharmaceuticals will struggle in a region where sufficient R&D funding is absent. At the same time, the incubator must have a substantial feedstock of suitably qualified and interested entrepreneurs. It is therefore useful to perform market research to identify the size and the requirements of their target market before proceeding too far in investing in its final portfolio of resources and services [42].

Currently, incubators are more and more intended to provide a convergence of support, towards creating growth-potential, technology based ventures. They are meant to promote technology innovation through interaction with universities and research centres, introducing new ventures to functioning clusters of high technology enterprises and direct advisory services for enterprises initiating innovative products and services. Thus incubation becomes part of a wider program for the encouragement of research and development (R&D) technology transfer and innovation and can call on a wide range of support programs. The role of business incubation in these programs facilitates the intersection of innovation and entrepreneurship thus having a particular powerful impact on the environment. The incubator becomes a place where wages go up because these new firms must compete on human capital and knowledge, where businesses grow from small to medium, and where local economies connect themselves to global economies. For example, in South Africa, the primary objective is to transfer technology and become a knowledge based economy. The ICT and technology transfer model generally developed the following [43]:

1. General research-technology based business incubators:

a. initial focus on simple business incubators with technology as a central theme
b. located in industrial estates or clusters
c. linkages with the R&D institutions are gradually supported and developed together with various related policies (incentives, tax structure, real estate development, foreign direct investments, skill-development and education programs)
d. incubation may be sponsored to help build local services and suppliers, which also helps localize ownership, to key industrial clusters

2. Business incubation with university relationship. The Brazil case indicates the importance of the Universities to their model of business incubation. Essentially, the university or academic institution has a role as a founder (as in Brazil) besides being a source of resources such as research, expertise, space and/or funds

Although most business incubators share a commitment to supporting growth-oriented enterprises at the early stages of their development, there is a relevant diversity in incubator models developed. This diversity reflects the need for a customized approach to effecting change in distinct, complex environments with different local barriers to innovation and entrepreneurship. In general, success incubator programs, promoting new business sectors with a focus on innovation and technology transfer need to be embedded in wider frameworks for technology transfer and innovation development, usually implying [43]:

- The encouragement of applied R&D (i.e. grants for joint research between companies and academic bodies);
- Development of industrial clusters (financing training programs, encouraging joint activities etc.);

- Improve education/human capital (e.g. initiatives to strengthen skills of the work-force to the new evolving technologies, e-learning and open education);
- Creation of an adequate infrastructure like Science and Technology parks or industrial parks providing high quality services where firms in the new sectors can co-locate.

2.5 Conceptual Framework

The key aspects of the literature review highlights a strong public policy surrounding the development of enterprises through business incubators. There are also several types of business models as mentioned. The sort of business model application depends on the type of industry that the business is operating in. There are also several metrics that a business incubator and an enterprise focus on, as per good business rules. These may be regarded as success and failure factors. The literature review highlights on a high-level the context of this research, and depicts high-level reasons as to why micro-enterprises fail, and what the challenges and success factors of business incubators. It also depicts that the South African economic landscape has recognised the roles of micro-enterprises, and by extension, Small-Medium Enterprises, and that of business incubators. The literature also reflects the amount of work and effort that is currently undergoing on the fundamental level of economic activity among the public to build a strong a cohesive economy.

The literature review provided a conceptual framework. The success and failure factors were obtained from research. The public policy and ancillary research provided a basis of discussion. A conceptual framework consists of concepts and, together with their definitions and reference to relevant scholarly literature, existing theory that is used for your particular study. The conceptual framework must demonstrate an understanding of theories and concepts that are relevant to the topic of your research paper and that relate to the broader areas of knowledge being considered.

A conceptual framework is used to limit the scope of the relevant data by focusing on specific variables and defining the framework will take in analysing and interpreting the data to be gathered. It also facilitates the understanding of concepts and variables according to given definitions and builds new knowledge by validating or challenging theoretical assumptions.

This can be seen in the diagram below.

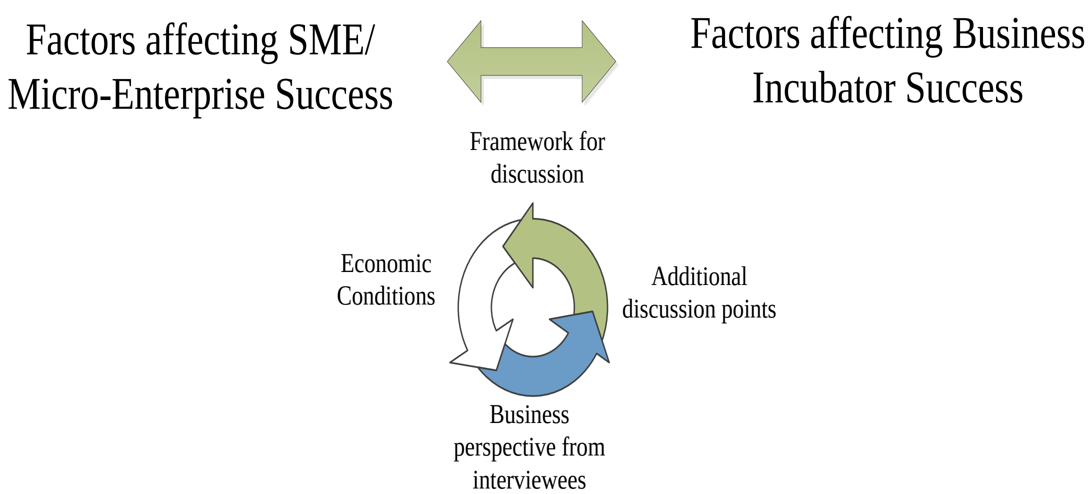

Figure 3: Conceptual framework

3. CHAPTER 3: RESEARCH METHODOLOGY

The case study protocol method was followed as part of the research methodology.

3.1 Case Study Research

Owing to the limited information pertaining to micro-enterprises, business incubators and the relationship thereof, an exploratory study through qualitative research was selected as an appropriate research tool. The case study research was adopted as a suitable methodology to address the objectives of this research.

Case study research is crucial to understanding a complex issue or object and can extend experience or add strength to what is already known through previous research. Researcher Robert K. Yin [44] defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. Case study methods may be complex because they generally involve large and complex amounts of qualitative and/or quantitative data [45]. The case study method can be used to build upon theory and in some events, produce new theory. The advantages of the case study method are its applicability to real-life, contemporary, human situations and its public accessibility through written reports. Case study results relate directly to the common readers everyday experience and facilitate an understanding of complex real-life situations [46].

Critics of the case study method believe that the study of a small number of cases can offer no grounds for establishing reliability or generality of findings. Others feel that the intense exposure to study of the case biases the findings. Some dismiss case study research as useful only as an exploratory tool. Yet researchers continue to use the case study research method with success in carefully planned and crafted studies of real-life situations, issues, and problems [46] .

The prescribed methodology is shown below for the case study research [47]:

- Determine and define the research questions
    - Crucial to establishing a firm research focus
    - The research object in a case study is often a program, an entity or group, or a person
- Select the cases and determine data gathering and analysis techniques
    - The cases may be interviews, case studies from existing literature, or any other form of data
    - Multiple cases may be used
    - The study must be well constructed and to ensure construct, internal and external validity and reliability
- Preparation to collect the data
    - Systematic organisation of the data is key to prevent the researcher to becoming overwhelmed with data
    - Good reviewers will review documents looking for facts
    - The final preparation step is to select a pilot site where the study can take place using an appropriate data gathering method
- Collecting data in the field
    - This would be in a method relevant pertaining to the research
    - Renegotiation of arrangements with the objects of the study or addition of questions to interviews may be necessary as the study progresses
    - Renegotiation of arrangements with the objects of the study or addition of questions to interviews may be necessary as the study progresses
    - Field notes are used to categorise and reference data
    - Field notes record feelings and intuitive hunches, pose questions, and document the work in progress

- Evaluate and analyse the data
    - Raw data is examined using many interpretations in order to find linkages between the research object and the outcomes from the data source
    - Throughout the evaluation and analysis process, the researcher remains open to new opportunities and insights
    - The case study method, with its use of multiple data collection methods and analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen the research findings and conclusion
    - Triangulation may be in the form of obtaining data from at least three data sources
    - Analysing data may also opt for determining patterns

3.2 Case Study Design

Design begins with formulating appropriate research questions that will shape the structure of the study to come. At this stage one should clearly define what the 'cases' in the case study will be. The research design is a logical plan for getting from initial set of questions to be answered to a set of conclusions [44]. However, case studies are unsuitable to study the prevalence of a phenomenon. The components of a case study design may be:

- A study's question
- Its propositions (purpose in the case of exploratory case)
- Its unit of analysis
- The logic linking the data to propositions (through pattern- matching)
- Criteria for interpreting the findings

Case studies may be designed as single case or a multiple case. The rationale for a single-case study designs are:

- Represents a critical case in testing a well formulated theory
- Represents an extreme case or a unique circumstances
- Representative or a typical case (representative of experience of a large institution)
- Revelatory case (previously inaccessible to scientific community)
- Longitudinal case (how certain conditions change over time)

There are two types of single-case design based upon the unit of analysis:

- Embedded design: This design consists of multiple units for analysis
- Holistic design: This is a case study consisting of a single case

The multiple-case studies consist of several units for replicated units for analysis. The key here is to differentiate that the multiple case studies are replicated and not used for sample logic. The replication is based on a rich theoretical framework (usually obtained from existing research). There are two types of replication:

- Literal replication: this replication predicts similar results
- Theoretical replication: this replication predicts contrasting results but for predictable reasons

Generally, multiple-case studies are preferred over single case studies. This is because multiple case studies offer robust analytical conclusions and increases external validity. Multiple-Case study design also doesn't require making a strong argument in justifying choices for the cases. Heuristics, or calculated guess work may also apply for replication. Guidelines are [44]:

- Settle for two or three replications when the rival theories are grossly different and issues at hand doesn't demand an excessive degree of certainly

If rivals are subtly different, and if high degree of certainly is desired, one should go for five to six replications.

The three case studies comprising three sets of business incubator/micro-enterprise pairs were constructed. Each pair was embedded into each case study with a corresponding interview associated with each. The three case studies were analysed and results generated for each. Scoring and relationships were determined between the business incubators and micro-enterprises embedded within each case study. The figure below depicts the approach taken for the research:

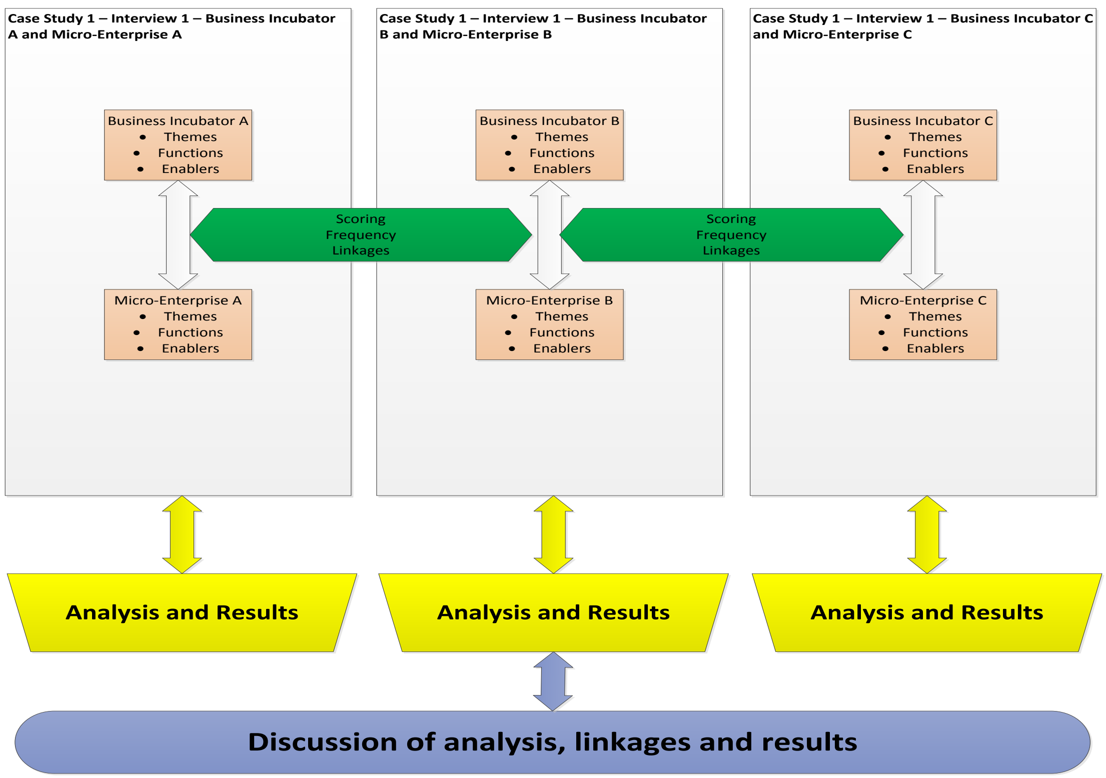

Figure 4: Case Study approach

3.3 Data Collection Procedures

A qualitative research approach was chosen because of direct and personal contact with the relevant people/personnel at the business incubators and the micro-enterprises.

3.3.1 Semi-structured Interviews

There are three types of interviews for a research paper [48]. The first being structured interviews and the second being unstructured interviews. Structured interviews are similar to formal interviews whereby the closed-ended questions are set in a standardized order and the interviewer will not deviate from the interview schedule and ensure that all questions are specifically answered and do not probe beyond the answers that are received. The strengths of structured interviews are that they are easy to replicate, easy to quantify and easier to test the reliability of the data [49]. Unstructured interviews are those whereby questions are unstructured and open ended. Unstructured interviews may be useful for phenomena where very little to no knowledge is known about that.

There is a third method that involves characteristics of both structured and unstructured interviews termed as semi-structured interviews. Semi-structured interviews are those whereby an interviewer and an interviewee engage in a formal interview using an 'interview guide'. The interview guide consists on a list of questions that are previously considered based on previous research and literature [49]. The objective of semi-structured interviews is to understand the interviewee's or respondents views rather than make generalisations about behaviour and phenomena. The basis of the questions may range from "Tell me about" and "You earlier mentioned", to questions that may arise during the interview session [50]. The advantage of semi-structured interviews is that it creates a positive rapport between the interviewer and the interviewee. There is high degree of validity as people are able to communicate topics and complex questions and issues in more detail.

However, semi-structured interviews are very time consuming and may not be very reliable as it becomes difficult to cross-reference at that moment during the interview.

Based on the characteristics of these interviews, a semi-structured interview methodology will be adopted. This will provide rich insights into the operations, strategies and success and failure factors of business incubators and micro-enterprises.

The semi-structured interviews were conducted at the setting of the interviewee. As mentioned under the Literature review above, the natural setting enabled the interviewees to be more relaxed. It was communicated prior to the interview commencing what the interview would entail and what the outcomes would be. The interviewees were fairly comfortable in communicating their thoughts on the matters at hand. They were also informed that the conversations would be recorded for research purposes. The interviews conducted with three incubators and micro-enterprises were critical for information saturation, and mooted data reliability through triangulation and member checking. Member checking functioned well with the three-level coding system as the categories or descriptions were tested between case studies.

The duration of each interview varied. These were due to time limitations and availability of the interviewees. However, this did not impact the research methodology with regards to the content analysis and linkage diagrams.

The semi-structured interviews were used to explore any problems and successes related to the factors of business incubators and micro-enterprises. The discussion focused around on the success and failure factors of business incubators and micro-enterprises, but there were several other themes, functions, and enablers that arose.

Interviews with 6 interviewees (3 interviewees for business incubators and 3 interviewees for micro-enterprises) were conducted at the case sites. The questions posed served as a framework and the discussion was guided by the conversations of topic at hand. A set of interview guides with a list of questions were crafted in such a way that they are mostly the same for all interviewees. These questions were not ardently followed but provided a basis of discussion. Since this was an exploratory study, the objectives of the discussion were to allow for it to remain open and allow for the interviewees to explain perspectives on various topics. A full list of questions guiding the interviews can be seen in Appendix A.

The interviewees were all subjected to a consent form. The consent form allowed for the interviewer to engage without restrictions and publish the findings from the interviews. The interview consent forms can be seen in the

Linkage diagrams were employed to facilitate the interview and to map the links between the success and failure factors and other categories and themes. The linkage diagrams also depicted the level of emphasis between certain categories and themes.

3.3.2 Case Study Analysis

The semi-structured interviews were transcribed and content analysis was used to standardise the content from the interviews. The content analysis may have provided varying descriptions. The coding that followed standardised all the descriptions into simpler representations. These were in the form of abbreviations of descriptions that contained more than two words, or, the first three letters of a word. This code structure didn't exceed more than 3 letters. The responses from the interviews were also cognisant of the fact that there was a bias and opinion. Taking this into account, a technique called simultaneous coding was ardently applied. This also assisted in identifying patterns characterised by similarity, difference, frequency, sequence, correspondence and causation. The filters applied were that of a business and economic development since all coding is a heuristic and judgment based analysis. These will be all discussed below.

3.3.3 Content Analysis

Content analysis is a method that may be used with either qualitative or quantitative data and in an inductive or deductive way. Qualitative content analysis is commonly used in nursing studies but little has been published on the analysis process and many research books generally only provide a short description of this method. When using content analysis, the aim is to build a model to describe the phenomenon in a conceptual form. Both inductive and deductive analysis processes are represented as three main phases: preparation, organizing and reporting. The preparation phase is similar in both approaches. The concepts are derived from the data in inductive content analysis. Deductive content analysis is used when the structure of analysis is operationalized on the basis of previous knowledge. Inductive content analysis is used in cases where there are no previous studies dealing with the phenomenon or when it is fragmented. A deductive approach is useful if the general aim was to test a previous theory in a different situation or to compare categories at different time periods [51]. Content analysis does not proceed in a linear fashion and is more complex and difficult than quantitative analysis because it is less standardised. There are no simple guidelines for data analysis: each inquiry is distinctive, and the results depend on the skills, insights, analytic abilities and style of the investigator [52]. One challenge of content analysis is the fact that it is very flexible and there is no simple, ‘right’ way of doing it. Researchers must judge what variations are most appropriate for their particular problems.

Regardless of the ‘quality’ of qualitative data, its sheer quantity can be daunting, if not overwhelming. Depending on the level of detail, six interviews may easily run to 50–100 single-spaced pages of transcribed text. Hundreds of pages of data can lead the researcher to think that it cannot be managed. In addition, many interesting points that are not related to the topic under study often come up when analysing the data. In that case, keeping the research question in mind is an essential aspect of content analysis. Even in the middle of chaos, the researcher must always be able to go back to the research tasks and only look for units of analysis that have relevance to them.

If qualitative data are compressed too much, the very point of maintaining the integrity of narrative materials during the analysis phase becomes lost [51]. If the conclusions are merely summarized without including numerous supporting excerpts, the richness of the original data disappears. It is sometimes difficult to give a thorough presentation of the results of qualitative research in a format that is compatible with the space and word limitations in professional journals.

3.4 Themes, Functions and Enablers

The semi-structured interviews were used to explore any failures and successes related to the factors of business incubators and micro-enterprises. The content analysis occurred through a three-level cascading coding structure. The cascading coding structure was developed as a means to identify deeper meaning of the first level of analysis. The three levels were given titles and structured in a manner which established a suitable manner of linkage (as shown in the images below). The first level typically indicated theme, the second level indicated the function and the third level indicated the enabler. The function supported the theme and provided an overall direction for the theme. The function indicated as to how the micro-enterprises and the business incubators operated the way they did. The third level indicated the enablers. The enablers guided the functions, or rather, what was required to achieve the functions. The enablers determined what made it possible for the micro-enterprise and the business incubator to function, or operate the way they did. The three-level coding system moved beyond conventional content analysis methods and allowed for perspective on the various topics that emerged from the interviews. The enablers were observed as the bulls-eye and a crucial cog. These were because the themes were redundant without the links of the functions and the enablers. This is indicated best in the figure shown in the below:

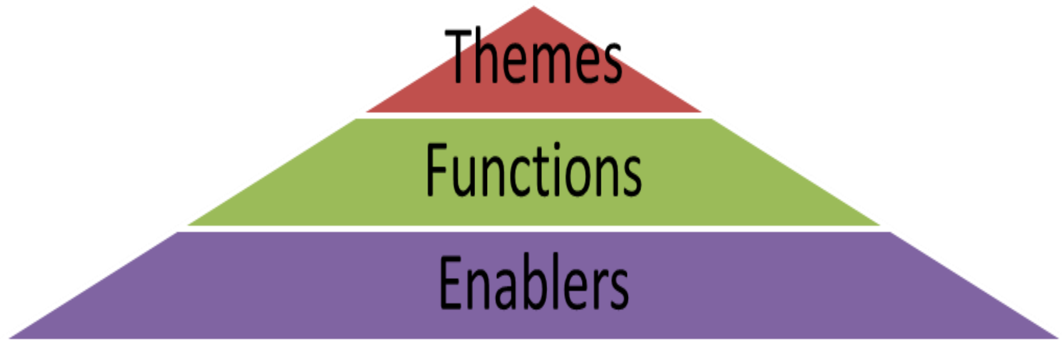

Figure 5: Structure for coding and content analysis

3.5 Code frequencies

Frequencies work well in quantifying qualitative data [52]. In this research, the frequency served more as a count to identify areas of emphasis and focus by looking at the repetition. Code frequency charts were developed for the three interview sets to indicate the level of emphasis of each of the relevant theme, function and enablers. The frequencies obtained indicate the level of emphasis of each of the relevant theme, function and enablers. These were done for the three interview sets.

3.6 Linkage Diagrams

Linkage diagrams were useful in linking the themes, functions and enablers. It is also used in representing systems and the interactions between the elements thereof. The themes, functions and enablers were all mapped into their respective levels and acted as nodes between each level. Owing to the exploratory nature, it was assumed that all loops were balancing. The linkage diagrams were imperative in mapping the incubation process and viewing it through a systems lens. Systems-based thinking has been described as a technique for talking about complex and interdependent factors. By linking together several loops, one can create a concise story about a particular problem or issue at hand [53].

The procedure to construct the linkage diagram was as follows:

1. Create a triangle a split into three areas (themes, functions and enablers)
2. Place all the enablers identified during the content analysis process under the enabler section
3. Place all the functions identified during the content analysis process under the functions section
4. Place all the themes identified during the content analysis process under the themes section
5. Connect the enablers to the functions that were identified under that particular content
6. Connect the functions to the themes that were identified under that particular content

The linkage diagrams were all placed in the appendices as they provided only a graphical outlook of the code frequencies mentioned before.

3.7 Scoring Table

A scoring table was created to score the links. The scoring table provided a score based on a common theme, function or enabler that was determined between the business incubators and micro enterprises or case studies. The correlated theme, function and enabler where also given a description based on their frequency count. This is summarized in the table below:

Table 3: Description for frequency range

Description	Range of frequency count
Very Low	0-9
Low	10-19
Medium	20-29
High	30-39
Very High	40-49

Very (Very) High	50-59

A loosely translated formula can be in the equation below:

$Value = \frac{A_{ii}}{A_{kk}}.\{10,20,30,40,50\} + A_{ii}$ Where i, k=1, 2, 3,4,5,6 and A is a 6x6 matrix

The scoring table can be in the table below.

Table 4: Scoring table

Description	**Very Low**	**Low**	**Medium**	**High**	**Very High**	**Very (very) high**
Very Low	9.00	13.74	15.21	15.92	16.35	10.53
Low	13.74	19.00	25.55	28.74	30.63	22.22
Medium	15.21	25.55	29.00	36.44	40.84	33.92
High	15.92	28.74	36.44	39.00	46.96	45.61
Very High	16.35	30.63	40.84	46.96	49.00	57.31
Very (Very) High	10.53	22.22	33.92	45.61	57.31	59

The scoring table was used to create the following tables which facilitated in establishing the relationships between business incubators and micro-enterprises, and finding patterns between case studies. The description of each column can be seen in the table below.

Table 5: Table showing the application of the scoring table to find the value of the links

Link	Frequency 1	Level Description	Frequency 2	Level Description	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Contains the linked description	Contains the frequency of that description in a particular case study	Contains the level description as shown in the scoring table	Contains the frequency of that description in a particular case study	Contains the level description as shown in the scoring table	Contains the linked score between two entites (either vertical or horizontal)	Ratio of Frequency 1 to Frequency 2 (depending on which one is larger); This indicates the relative importance	Lists the maximum available score for that relationship	Accumulates or sums the linked score	The last value of the cumulitive score divided by the maximum number to show the overall score

3.8 Reliability and Validity

Yin [44] advocates 3 types of validity and ensures reliability. Construct validity is defined as the correct operational measure for concepts and uses multiple sources of evidence and establishes a chain of events.

The researcher should have key informants review the draft case study report
Construct validity is applied in the data collection and composition phase of research

1. Internal validity:
    a. This is defined as establishing a non-spurious causal relationship only for explanatory purposes
    b. This is used for pattern matching, explanation building, addressing explanations and using logic models
    c. Internal validity is applied in the data collection phase of research
2. External validity:
    a. This is defined as establishing the domain for generalization
    b. Uses theory in single case studies
    c. Uses replication logic in multiple case studies
    d. External validity is applied during the research design phase of the research
3. Reliability:

a. Reliability is defined as ensuring reliability of operations of the case study
b. The typical tactic would be to use the case study protocol and developing a case study database
c. Reliability is applied throughout the data collection phases

Data validation and verification was crucial to ensure that the data was correct and that the interview content was mentioning the correct elements on the topics of micro-enterprises and business incubators. The data for validation and verification were obtained from existing literature. Reflexivity, or the interviewee's background, culture, and experiences held great potential in driving the interpretation. This provided new perspective on responses and changes in the dexterity of the data. Analysing the data from the six sources ensured data quality, integrity, reliability and validity of the research. Using multiple sources of evidences or case studies ensured construct validity. However, internal validity was applied that entailed pattern matching and explanation building. This was also the relevance of the literature review that created the case study protocol and ensured reliability of the data.

The data was validated by verifying each content code using these factors. The content was judged based on the description and an appropriate factor description was assigned to these. An excerpt is seen below.

Table 6: Excerpt of validation

From Content Analysis			From Literature Review (Validation)		
Level 1 - Theme	Level 2- Function	Level 3 - Enabler	Level 1 - Theme	Level 2- Function	Level 3 - Enabler
Market	Wholesale	Volumes	External Factors	Market Opportunity factors	Demand for supply

Market	Wholesale		External Factors	Market Opportunity factors	Demand for supply
Market	Wholesale	distribution	External Factors	Market Opportunity factors	Demand for supply

Thereafter, the frequencies were summed for each of these validation descriptions and plotted in graphs shown below.

3.9 Structure of Case study reports

Yin [44] advocates that reports should be structured based on the case study approach (as shown in Figure 4 above. The analysis and results for each case study pairing are presented in a 2- part case study report which is structured as follows:

1. First part: Embedded Analysis
   - Background of the case
   - Micro-enterprise background
     - Frequency diagrams (with interpretations) that elaborates on the embedded units analysis
   - Business Incubator background
     - Frequency diagrams (with interpretations) that elaborates on the embedded units analysis
   - References to linkage diagrams
   - Link and score tables
2. The cross case analysis methodology was adopted in an analogous manner to obtaining the frequencies when comparing the cases. This was to done to determine patterns. The levels for the micro-enterprises and business incubators were directly correlated. These are shown in the table below:

Table 7: Cross Case Analysis correlation mapping

Micro-Enterprise A	Micro-Enterprise B	Micro-Enterprise C
Level 1- Theme	Level 1- Theme	Level 1- Theme
Level 2 – Function	Level 2 – Function	Level 2 – Function
Level 3 - Enabler	Level 3 - Enabler	Level 3 - Enabler
Business Incubator A	Business Incubator B	Business Incubator C
Level 1- Theme	Level 1- Theme	Level 1- Theme
Level 2 – Function	Level 2 – Function	Level 2 – Function
Level 3 - Enabler	Level 3 - Enabler	Level 3 - Enabler

Once correlations were obtained, the scoring table was applied to determine the level of relationship between each of the levels and enable detection of patterns, contrasts and similarities.

A journal was kept that contained all notes and ideas during the methodology phase. Excerpts of the journal can be seen in Appendix Q: Research Journal.

4. CHAPTER 4: ANALYSIS AND RESULTS

Interviews with management personnel belonging to three different business incubators and micro-enterprises were transcribed and analysed using content analysis. The contents were coded to maintain conformity and frequencies and linkages were plotted and constructed respectively. Frequencies work well in quantifying qualitative data [54]. In this research, the frequency served more as a count to identify areas of emphasis and focus by assessing the repetition. Vertical (Within Case) and horizontal (Cross Case) case studies and will be presented in this section. This includes the frequencies for the micro-enterprises and business incubators in each pair and the common links of the themes, functions and enablers. The linkage diagrams provided a different perspective on the information and were placed into to the Appendices. It should also be noted that each pair is discussed separately. The three sets of data were validated and verified through existing literature, and that shown in the literature review above, the validation of which can also be seen in the appendices. This section contains all the results obtained following the methodology that was applied.

4.1 Within Case Analysis

The tables were generated using a bottom-up approach starting the coding process from enablers to themes. The enablers were those that enabled the business to perform optimally and impacted on the success and failure of those. However, in order to identify the success and failure factors, these were rolled up into the functions. The functions enabled the micro-enterprise to perform in a particular way. Thereafter, the functions were then rolled up into themes which indicated the overall focus of the micro-enterprise.

4.1.1 Case Study 1

4.1.1.1 Background to Case 1

Interview 1 was conducted between Micro-Enterprise A and Business Incubator A operating within the textile sector. The case report is presented separately showing the frequency tables for Micro-Enterprise A followed by those for Business Incubator A.

4.1.1.2 Micro-Enterprise A Background

Micro-Enterprise A had been in the market for over the last 30 years. They initially started as a Cut, Make and Trim Operation (CMT) and had grown into a business specialising in uniform wear. Micro-Enterprise A is looking to expand their operations and require financing purchase new machinery and premises. They are assessing various possibilities and punting the idea of using the Department of Trade and Industry's new Textile Grant Program.

4.1.1.3 Frequency Tables for Micro-Enterprise A

Table 8: Themes frequencies for Micro-Enterprise A

Description	Themes frequency
Business Operations: describes the day-to-day activities of running and conducting the business	47
Market : External market elements that affect the way in which the business operates	38
Factors: Discussion points relating to success and failure factors	20
Labour Relations: Relations between management and labour/staff	10
Effective Management: management skills and approach that resulted in effective and operation	8

Risks: External and internal risks affecting the business	7
Government initiatives: Government policies, programs and initiatives that businesses may tap into for growth	6
Business strategy: A time based action that sets out a list of actions that a business wants to achieve	4
Amount that the business charges for products and that spend on raw materials; Crime affecting businesses; funding for growth and expansion	2
Operating model describes the way in which business operates and makes use of their assets to drive value; Private capital refers to the private equity that the owners have invested into the business	1

Table 9: Functions frequencies for Micro-Enterprise A

Description	Functions Frequency
Local manufacturing – refers to manufacturing goods domestically	14
Volumes – focusing on the mass production and selling to maintain economies of scale	12
Success factors: The factors considered to contribute to the business's success	7
Hawker business: The hawker market trading in the informal economy	6
Profit; BEE	5
Competition; business growth	4
Historically; purchasing patterns; keep up with changes; illegal activity; organisation structure; accreditation; Timelines to focus on	3
Experimenting with new ideas; newer technology; realign thinking; core business; Funding from government; Wholesale; management and labour; risks and challenges in the business and business	2

environment;	
Maintain low Rentals; staying in existence; family business; creating a joint venture model; selling ready made goods; focusing on the core business; creating lean supply chains; bill to order; imported materials; focus on local manufacturing; failure factors; Internal factors; upgrading the production system; threats to the business; business transitions and growth; procurement strategies; capacity in the business; poor economic cycle; operating capital; efficiency in the operations; making use of time studies; affiliation to business associations; focusing on external outcomes; social and political factors; impact of low productivity; relationship with the unions; basic employee needs and demands; race relations and influence thereof; focusing on the market; new market offerings; ordering patterns of customers; market weakness; strong technical management	1

Table 10: Enablers frequencies for Micro-Enterprise A

Enablers - Success Factors	Frequency
Access to funding/business finance	10
Purchasing patterns; fast delivery - more agile in decision making; Experimenting with new ideas; exploring new markets	2

Focus on manufacturing practises; efficient procurement of raw materials; being sustainable as a business; manufacturing a better quality and reliable product; leveraging on technical management; having a strong and working production system; instilling accountability; knowing the strengths and weaknesses of the business and all employees; managing and diversifying risks; understanding and studying the market on a continuous basis; focusing on local production; selling the products at a reasonable price to the market; policy continuity and certainty from government; streamlined government processes so to reduce red-tape; affiliation to an industry body; having contractual agreements in place with all stakeholders; focusing on the ROI; being registered as a VAT paying company; registered with the bargaining council; focusing on volumes and throughout to reduce unit costs; selling products at a lower margin (and maintaining volume/throughput); selling in bulk; exploring new markets; market transgression; quality; supply chain; imports; domestic economic growth; cash flow management; break-even points; high volume, low profit-margin products	1
Enablers - Failure Factors	Frequency
Business downturn and negative economic cycles;	3
Selling products in small quantities; ill-compliance of competitors; poor market understanding; lack of accountability	1

4.1.1.3.1 Enablers

Table 10 indicates the enablers that were identified from the content analysis. These were split into success and failure factors. The frequencies show the enablers in order of importance. The important enabler success factors that were identified for Micro-Enterprise A were funding and access to business finance (frequency of 10). Funding is important for any business and is required for expanding the business and sustaining it. The textile industry is in a decline and the Department of Trade and Industry (dTI) are looking at ways of improving the prospects of this sector to make it more attractive for investment. The textile sector has potential for large-scale employment absorption that can assist with the unemployment problem in South Africa [55]. There were other enablers that were identified with a relation to funding all with a frequency of 1. These were managing the cash flow in Micro-Enterprise A so as to maintain liquidity in the business and focusing on the Return-On-Investment. The textile business, in the case of Micro-Enterprise A was a seasonal business. The seasonal business trends impacted on the purchasing patterns of the customers that they were selling products to. This suggests that in order to mitigate against the seasonal business, Micro-Enterprise A sought new markets (reflected with a frequency of 2) and placed importance on this. The Organisation for Economic and Community Development (OECD) suggests that more financial instruments should be sought for Small-Medium Enterprises and entrepreneurship financing [56]. Traditional bank financing pose challenges to firms that are experimenting with new ideas therefore, posing a higher risk profile. Micro-Enterprise A is also proposing to apply for the textile grant at the Department of Trade and Industry (DTI) as part of the Clothing and Textile Competitiveness Improvement Programme to mitigate against the financial risks and obtain additional funding for their operations (those mentioned under the less important success factors of the failures).

The failure factors that were identified in the table above were business downturn and negative economic cycles. At the time of the interview, the South African economy was going through an economic downturn cycle and this was impacting negatively on the enablers of Micro-Enterprise A for them to conduct their entrepreneurial activities positively. Research suggests that Governments have an important role to play in business cycles as seen in the example of poor management by the previous Greek government contributing to that country's economic downturn. Another example is the example of prudent management by the South African government reducing the domestic impact of the global recession during the years 2008 and 2010 [1]. The role of government can include counter-cyclical policies to offset the impact of business cycles [57]. Policy continuity and certainty were identified as success factor enablers with a frequency of 1 as reflected in the table. The other failure factor that was mentioned was selling products in small quantities. Micro-Enterprise A focused on selling products in volumes to maintain economies of scale and reduce against high unit costs. This was reflected under the success factors with a frequency of 1. There was also a concern raised by Micro-Enterprise with regards to ill-compliance of competitors under the failure factors with a frequency of 1. This may refer to unfair competitive practises in the textile trade sector [58].

4.1.1.3.2 Functions

The enablers identified for Micro-Enterprise A were crucial to their success. The enablers were grouped into functions as seen in Table 9 above. If the enablers were identified the success and failure factors, the functions identified indicated how Micro-Enterprise A operated. The functions were listed in orders of importance. Local manufacturing (frequency of 14) was identified as the most important function for Micro-Enterprise A impacting the way in which they operate. The focus on pushing throughput on volume was the second most important function with a frequency of 12. The mention of success factors stemmed from the discussion in the interview and suggests that Micro-Enterprise A focused on the success factors identified under the enablers section. The hawker business, with a frequency count of 6, served as viable although not a big market for Micro-Enterprise A. This suggests that Micro-Enterprise A knew who their customers were, pursued economies of scale and enabled volume throughput as identified in the enablers section as well. As with any enterprise, the goal of a business is to make profit [59]. Recognising the socio-political climate in South Africa, BBBEE policies, with a frequency of 5, may have made Micro-Enterprise A realise that they need to ensure that they are BBBEE compliant to ensure that they have access to governmental funds through preferential procurement practises. Funding from government was reflected in the functions with a frequency of 2. The relationship between management and labour was identified.

Relations between management and labour at the time of the interview were tense [60]. Clarke [61]suggests that labour relations impact on the way businesses perform, drive profit and maintain productivity to ensure that products are made, and may influence the overall functioning of an enterprise [61].

External factors such as business growth and competition in the market also impacted the way in which Micro-Enterprise A operates. This was reflected with a frequency of 4. The functions suggest the technology could serve as a strong disruptor in the textile sector [62] and Micro-Enterprise A may have to incorporate more technology (with a frequency of 2 initiatives to keep up with the changes (with a frequency count of 3). The organisation structure is important to ensure that a business operates in an efficient manner, achieves profit from its activities and move employees in the direction of the vision and mission of the business [63]. This suggests the Micro-Enterprise A recognised the importance of the organisation structure in the functioning of the business.

Other functions with less importance were identified, all indicated with a frequency of 1. These were functions that were identified as those that influenced the way in which Micro-Enterprise A operated but did not hold as much importance.

4.1.1.3.3 Themes

The themes simplified the overall approach and attempted to group the functions (and enablers) into adequate and simpler business concepts (as indicated by the descriptions in Table 8 above). This also provided an opportunity to determine if there was a link between the various themes between the Micro-Enterprises and Business Incubators on a simpler level. The frequencies in the table also show the themes in descending order of importance.

It can be seen in the table that Micro-Enterprise A had a strong focus on their business operations with the highest frequency. The business operation refers to the general administration of business services in order to create the highest level of efficiency in the organisation [64]. The business operations for Micro-Enterprise A formed an important part of their operating strategy. This was confirmed with the frequency for this at 47. A study conducted on the relevance of operational skills on SMME manufacturers [65] showed that a focus on business operations for SMME's provided a viable statute for sustainability. This also seemed to prove a case for the emphasis for a strong focus on the business strategy. Business strategy was mentioned 4 times in the interview and it is suggested that it was geared towards sustainability. In addition, there were times in the interview that pointed to external and challenging market conditions with a recurring theme with a count of 38. Labour relations, with a frequency of 20, were grouped as themes. This stemmed from the discussion points of the labour relations function even though these had a lower frequency. This was because of the 3-level coding system whereby different themes and functions may have had the labour relations occurring as a theme or function.

Effective management may have resulted in Micro-Enterprise A being in operation up until today (they have been operating in the textile industry for the past 30 years). This was reflected with a frequency of 8. Being a micro-enterprise, Micro-Enterprise A sought to utilise government funds and initiatives that operated more as business grants which are less onerous than bank loans. A focus on these was reflected with a frequency of 6. Lastly, the operating model set out the way in which Micro-Enterprise A operated their business to drive value to the customer and had a frequency of 1. The operating model reflects management's hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit [66]. The operating model was and important theme for Micro-Enterprise A because it allowed them to conduct their operations in the best way possible and at the lowest cost.

4.1.1.4 Business Incubator A Background

Business Incubator A was a manufacturing-focused business incubator operating in the Johannesburg region. Their focus areas were on various businesses that were categorised as micro-enterprises but were bordering small-to-medium enterprises. They had assisted businesses to optimally grow businesses through capacity and organic growth. Business Incubator A had facilitated Micro-Enterprise A through their acquisitions of new sewing machines and organic growth. They realised through the Department of Trade and Industry's new Textile Grant Program that Micro-Enterprise A may acquire much needed funds for continued business expansion and focused their energies on developing certain systems to be able to qualify for this program.

4.1.1.5 Frequency Tables for Business Incubator A

Table 11: Themes frequencies for Business Incubator A

Description	Themes frequency
Factors: factors that were determined that influenced the result of the incubation process	34
Operating model describes the way in which Business Incubator A operates and makes use of their assets to drive value	20
Business Development: this describes the techniques and methods that they used to grow the businesses that Business Incubator A are incubating	15
Business Operation: Describes the daily day-to-day activities that Business Incubator A does to ensure that the enterprises that they are incubating are receiving the correct value from Business Incubator A	11
Business Strategy: A time based action that sets out a list of actions	10

that the business incubator wants to achieve	
Attitudes: Attitude of the personnel of the Business Incubator towards their work	6

Table 12: Functions frequency for Business Incubator A

Description	Functions frequency
Success Factors	23
Incubation	9
Failure Factors; Supporting the supply chains of other businesses	6
Funding; Financial and Non-Financial assistance and advice	5
identifying opportunities for other businesses	3
Existing businesses are reluctant to use new enterprises and businesses; category management; developing strong business cases	2
Attitudes towards tasks; resistance to change; working with existing companies; entrepreneurial behaviour and attitude; use of measures and metrics; developing support interventions for enterprises that are being incubated; creating viable and successful products for the market; focusing on customer relationship; creating and sustaining trade; business and skills development for SMME's; identifying gaps in processes and improving on those; qualifying micro-enterprise for incubation support; BBBEE criteria; additional criteria; change in focus; having clear strategic management goals; maintaining long-term sustainability; having an entrepreneurial attitude; having a strong attitude towards strategies and a problem solving mind-set;	1

economic factors; incubation; location; operating capital/funding; Identifying good SMME's to incubate; incubation assessments	

Table 13: Enablers frequency for Business Incubator A

Enablers - Success Factors	Frequency
Good Marketing campaigns	4
Compliance to rules and regulation; preferential procurement	3
Effective Management of Operations	2
Commitment to safety; successful implementation of control systems; using business metrics; effective HR management; effective risk management; local procurement; adhering to BBBEE criteria; aimed at local economic development; improved labour relations; understanding of basic management principles; finding entrepreneurial talent; attitude of entrepreneurs and attitude of incubatees; funding; entrepreneurial coaching; creating and entrepreneurial ecosystem	1
Enablers - Failure Factors	Frequency
Low skills base	3
Macro-Economic challenges	2

4.1.1.5.1 Enablers

Table 13 indicates the enablers that were identified from the content analysis. These were split into success and failure factors. The frequencies show the enablers in order of importance. The important enablers that were identified were running good marketing campaigns to drive awareness with a frequency of 4. The second highest enabler success factors that were identified were compliance to regulatory rules and regulations, effective management of operations and adopting a strategy of preferential procurement. The enablers show the bottom-up approach adopted to ensure that the success and failure factors for Business Incubator B were obtained as root level enablers. The failure factor enablers that were identified were a low skills base among Business Incubator A personnel and the enterprises that they are supporting. Macro-Economic challenges in the business environment.

These success and failure factors acted as enablers for the incubation process. This suggests that the business incubator is also driven more by the external environment and maintains a strong focus on operations, thereby understanding their incubation role as an economic entity (as suggested by in the focus on the effective management of operations with a frequency of 2 in the content analysis shown above). Incubators, owing to their role as an economic entity, rely heavily on a free-market system and a strong business environment to facilitate organic economic growth. This is suggested by the local development frequency of 1. This statement was also supported by the fact that unsupportive government policies affect the successes of incubators as many are funded via the public sector or through private-public partnerships [67]. It is also wise to be located closer to micro-enterprises. It was interesting to note that coaching and entrepreneurial ecosystems (with a frequency of 1) were vital for success for micro-enterprises. Research also suggests that coaching, mentoring and creating ecosystems are necessary for micro-enterprises as this allows for viable knowledge sharing, networking, skills development and sharing, innovation and strategic engagements for future collaboration [68].

The frequencies of 1 for effective Human-Resource and risk management, understanding of basic management and the successful implementation of internal controls and processes within the Business Incubator A point to successful incubation. Resink [69] suggests that management within business incubators points to its success and ties in with their formation and leverage on business networks and strategy development. The content analysis suggests that improved labour relations with a frequency of 1 are needed to provide stability to businesses. Business incubators must strive to provide advice and methods to enterprises that they are supporting to improve relationships between their employees and management structures.

4.1.1.5.2 Functions

The enablers were then rolled up into the functions. As mentioned previously, the functions indicated as to how Business Incubator A operated and these are presented in Table 12 above. The strong focus on factors and identifying the failure and success factor functions in the second level code suggested that the business incubator places metrics in place that allow it to track whether the incubation process is successful [70]. Research suggests that metrics are important to track the success (and failures) as it clarifies confusion and allows for setting goals that are measurable, achievable and realistic [71]. This suggests that Business Incubator A has a strong focus on their function and enabler as an economic entity [72]. Business Incubator A realised that funding was very important to sustain business growth. The frequency count of 9 for incubation as a function suggests that Business Incubator A saw incubation practises and implementation as a crucial cog in their operating model. However, this also suggests that business incubators, irrespective if they are public or private sector experience failures just as micro-enterprises and other businesses do [73]. Thus, business incubators need to function as a for-Profit entity that is able to generate funds mutually exclusive of other funding mechanisms and institutions [74]. Often, incubators may provide advice or consult on financial matters. Choto [75] suggests that smaller enterprises do not only wish to attain financial assistance but instead require holistic assistance as some customers (in the case of Micro-Enterprise A) are in the informal sector [75]. This also suggests that Business Incubator A must understand the market in which Micro-Enterprise A operates and attempt to provide services accordingly. Less important functions that were identified were to strive to find opportunities for Micro-Enterprise A in the market, and ones that they could practically take advantage of. This is suggested with the function of 'creating and sustaining trade' with a frequency of 1. The last point that was important to note as to how Business Incubator A functioned was the attitude of the personnel that work at the incubator. The content analysis suggests that attitude played a strong role in successful incubation. Having a positive attitude is a strong skill that is important to have business. Research suggests that a positive attitude breeds success and drives growth [76]. Additionally, a direct correlation between positive attitude and competitiveness and growth is proposed [77].

4.1.1.5.3 Themes

Lastly, the functions were then grouped into themes and can be seen in Table 11 above. The themes showed the overall aspect of focus for Business Incubator A, indicated with a bottom-up approach as mentioned previously. This seems to suggest that Business Incubator A had a stronger business objective on traditional management themes (frequencies indicated in brackets) such as operating model (20), understanding the factors (34), business development (15), business operations (11) and business strategy (10). These traditional management concepts [77] enhance the ability of Business Incubator A to adhere to its objectives of successful business incubation. However, the data seems to suggest that Business Incubator A had several enablers that allowed for successful incubation. These were, in no particular order (with only 1 frequency associated with each; this list included the success and failure factors as well).

4.1.1.6 Linkage Diagrams

The linkage diagrams provided a way to visually depict the code frequencies to identify which themes, functions and enablers had the highest activity at the node.

This was also useful in identifying importance and determining where saturation was. The saturation can be defined as more than one link at a node. Owing to the approach adopted with the frequency diagrams, the linkage diagrams were created to facilitate the overall systems understanding. The linkage diagram for Micro-Enterprise A and Business Incubator A have letters indicated on them that shows the saturation points. The diagrams have been rendered as large as possible to identify which nodes had saturation points. The linkage diagrams can be seen in Appendix N: Linkage diagram for Micro-Enterprise A and Business Incubator A.

4.1.1.7 Validation

The validation indicated whether the data from the content analysis reflected adequate knowledge from existing literature. This was a crucial method as it allowed for cross checking of facts and direct one-to-one mapping of the topic at hand versus that

These factors mentioned above were validated through a study that identified factors that affect SME success [23]. It was important by first discussing the frequencies of the themes, functions and enablers and linking those to the validation of the data found. It can be observed that the data obtained from the content analysis conformed to the literature. The validation followed a similar procedure to the content analysis procedure.

The validations for Business Incubator A were obtained from existing literature pertaining to business incubators in South Africa. The validation was done for each code that was provided to the content. The validation also took into account the interview content before being assigned a description. The process was a subjective one owing to the open ended interpretation of what the content could have meant. However, the code facilitated the process before a validation description was given to the code or content. This process showed that the information obtained from the content of the interviews reflected to what was researched in literature. In the event that a suitable validation could not be found, a “#N/A” was assigned.

Frequency validation charts for case study 1 can be seen in Appendix K: Validation charts for Case Study 1.

4.1.1.8 Links between Micro-Enterprise A and Business Incubator A

Table 14: Links and scores for Textile Sector Pair

Potential Links									
	ME A	Level - ME	BI A	Level - BI	Linked Score	Factor	MAX	Cumulative	Overall Score (%)
Themes Links									
Business Operations	47	Very High	11	Low	30.633	0.23	59	30.633	42.55
Business Strategy	4	Very Low	10	Low	13.737	0.40	118	44.37	
Factors	20	Medium	34	High	40.837	0.59	177	85.207	
Operating Model	1	Very Low	20	Medium	15.207	0.05	236	100.414	
Functions Links									
Funding	2	Very Low	5	Very Low	9	0.40	59	9	16.76
Local Procurement	5	Very Low	1	Very Low	9	0.20	118	18	
Failure Factors	1	Very Low	6	Very Low	9	0.17	177	27	
Affiliation to a business association	1	Very Low	1	Very Low	9	1.00	236	36	
Success Factors	7	Very Low	23	Medium	15.21	0.30	295	51.21	
BBBEE Criteria	5	Very Low	1	Very Low	9	0.20	354	60.21	
Focus	1	Very Low	1	Very Low	9	1.00	413	69.21	
Enablers Links									
Management	1	Very Low	2	Very Low	9	0.50	59	9	15.25
Technical Management	1	Very Low	1	Very Low	9	1.00	118	18	
Market conditions	2	Very Low	4	Very Low	9	0.50	177	27	
Compliance	3	Very Low	3	Very Low	9	0.67	236	36	
ME A-Themes/BI A-Functions									
Funding	2	Very Low	2	Very Low	9	1.00	59	9	15.25
ME A-Themes/BI A-Enablers									
Funding	2	Very Low	1	Very Low	9	0.50	59	9	15.25
Market Conditions	1	Very Low	4	Very Low	9	0.25	118	18	
ME A-Functions/BI A-Enablers									
Local manufacturing	14	Very Low	2	Very Low	9	0.14	59	9	15.25
Compliance	3	Very Low	3	Very Low	9	1.00	118	18	
Funding	2	Very Low	1	Very Low	9	0.50	177	27	
Market Conditions	1	Very Low	4	Very Low	9	0.25	236	36	
BBBEE Criteria	1	Very Low	1	Very Low	9	1.00	295	45	
Technical Management	1	Very Low	1	Very Low	9	1.00	354	54	

The frequency analysis provided an indication on which themes, functions and enablers the interviewees referenced more often and emphasised. The linkage diagram linked these themes, functions and enablers and indicated where the most saturation was taking place. The crux of the relationship between Micro-Enterprise A and Business Incubator A was obtained with the links and scoring tables as seen in Table 14. A formula was applied for the themes, functions and enablers in MS Excel (described under the Scoring Table section in CHAPTER 3: RESEARCH METHODOLOGY) to determine any themes, functions and enablers that were found in the datasets for Micro-Enterprise A and Business Incubator A. The themes that were found that were in both data sets were factors, business operations, business strategy and operating model. However, using the scoring values as seen in Table 4 there was a focus on business operations and business strategy for Micro-Enterprise A than Business Incubator A with a linked score of 30.633 and 13.737 respectively. This may have been because Micro-Enterprise A realised that their operations ensured profitability. In contrast, Business Incubator A had a greater focus on their operating model and factors which they used as metrics to determine whether or not the business incubator was successful in creating successful businesses in the market place. The highest score in the themes scores were the factors with a score of 40.84 and a factor of 0.59. This suggests that both Micro-Enterprise A and Business Incubator A focused on their metrics to determine whether or not their own operations and models were successful and the themes received an overall score of 42.55%. This may suggest that at a high-level both entities seem to correlate their themes relatively well.

There were other several correlations, albeit at a very low level. The functions that were determined to have correlations were, having sufficient and efficient management structures, systems and processes in place with a score of 9 and a factor of 1. The factor was simply a ratio of the frequencies; therefore, the factor was higher than previous indications. Technical management was also important as this promoted and made use of strategic thinking and implementation to make Micro-Enterprise A and Business Incubator A more profitable and sustainable. The failure factor of compliance acted as a common concern and affected the functioning of Micro-Enterprise A and Business Incubator A. As expected, funding was a common occurrence between both entities. A low overall score perhaps suggests that this may not be as important as initially predicted and confirmed by literature [79]. The focus by Business Incubator A and Micro-Enterprise A on a viable procurement strategy, local development through local procurement and preferential procurement has been observed as both a success and failure factor. All these themes have produced a score of 9 and an overall score of 15.25%. This suggests that on a deeper level more emphasis needs to be given to these enablers and functions.

Correlations were also obtained for cross-relations between themes, functions and enablers. This was a crucial analysis as it was required to determine which descriptions acted as both functions and enablers and should be given emphasis for strategic enablement for successful incubation. All the descriptions were determined to have a low overall score of 15.25% although the factors were 1 as there were all very low frequencies. Cross descriptions were analogous to what was mentioned previously. This shows that functions and enablers operate very closely, even though the relationships between the two are not very strong as reflected in their scores. For example, funding was a crucial enabler. This suggests that funding was important for business operations, operating model and achieving objectives as stipulated by the mandate for both entities and as reflected in the interviews in Appendix B: Interview with Micro-Enterprise A for Micro-Enterprise A and Appendix C: Interview with Business Incubator A.

4.1.2 Case Study 2

4.1.2.1 Background to Case 2

The second interview pair occurred between Micro-Enterprise B and Business Incubator B. Business Incubator B was part of a listed corporate in South Africa, and Micro-Enterprise B was being supported by the corporate by providing services to the corporate. This is termed as enterprise and supplier development and supports the supply chain or non-core functions in the corporate [7]. As a result of their inter-related relationship, the frequencies of Micro-Enterprise B and Business Incubator B will be explained in an interlinking manner.

4.1.2.2 Micro-Enterprise B Background

Micro-Enterprise B was in existence for a little over 10 years. They had altered their model to focus on acquiring their main stream of business activities from listed corporates and state-owned enterprises (SOE's). Their core activities were related to landscaping and minor infrastructure upgrades such as the construction of minor canals and restoration.

4.1.2.3 Frequency Tables for Micro-Enterprise B

Table 15: Themes frequency table for Micro-Enterprise B

Description	Themes Frequency
Business strategy: A time based action that sets out a list of actions that a business wants to achieve	29
Factors: factors that were discussed	26
Business Operations: day-to-day business activities	12
Operating model describes the way in which business operates and makes use of their assets to drive value; Private capital refers to the private equity that the owners have invested into the business	4

Table 16: Functions frequencies for Micro-Enterprise B

Description	Frequency
Incubation	20
Success Factors	16
Failure Factors	10
Tendering; roles and responsibilities in the	4
Focusing on the correct activities; Training of employees and management	3

BBBEE Policies; history of operations; skills development; utilisation of technology	2
Leadership development; outsourcing non-core activities	1

Table 17: Enablers frequency for Micro-Enterprise B

Enablers - Success Factors	Frequency
Tendering Success Rate	6
Technical skills	5
Management skills; application of management techniques	4
Having large clients; networking; incubation	3
Funding; business mentoring; training	2
Effective risk management; getting business through referrals; having sufficient cash flow in the business; strong financial skills; understanding the business; understanding the market; building relationships; increasing profit; effective asset management; having the right philosophical approach to doing business; providing exposure to employees; having strong financial backing in the business; Maintain a learning culture and environment; engagements with all stakeholders; strong negotiation skills; strong HR financial skills	1
Enablers - Failure Factors	**Frequency**
Lack of strategic oversight; lack of accountability	3
Lack of leadership; lack of focus; lack of business skills	2
Seasonal business trends; lack of implementation of solutions	1

4.1.2.3.1 Enablers

The success and failure factors' enablers can be seen in Table 17 above. The bottom up approach ensured that success and failure factors could be obtained in conjunction with other functions that were identified that were linked to the enablers and functions. As mentioned above, Micro-Enterprise B was part of an incubating program of a listed corporate in South Africa. The process in obtaining business from the listed corporate would work on a tendering basis whereby a tender would be released by the corporate. Businesses would then need to tender in order to be secured the work from the corporate. Tendering for large clients, as part of the corporate's supplier and enterprise development strategy were crucial to their success. Therefore, this was identified as the highest success rate for Micro-Enterprise B. Technical skills for Micro-Enterprise B suggests management teams that should have technical skills. Technical skills refer to practical knowledge apart from business skills, which relates more towards skills required with the technical functioning of a business. In this case, it may be in relation to technical understanding of equipment use and design work. Many would-be entrepreneurs have superimposed on those foundation skills especially certain technical skills which in many cases become their "selling card". The application of such skills requires, at the next stage, the invocation of entrepreneurial instinct and attitude and the use of some basic management skills in the preparation of a business plan [80]. In conjunction with technical skills, and at a marginally lower frequency of 4 is the use of management techniques and business skills. This suggests that Micro-Enterprise B preached and emphasised more on practical and pragmatic knowledge than business knowledge, although, both are considered to be important. The content analysis also suggests (all with a frequency of 3) that networking was an important aspect while being incubated as it also connected Micro-Enterprise B with other larger businesses apart from the corporate that are incubating them. This suggests that Micro-Enterprise B was encouraged to seek other business apart from the listed corporate and diversify their customer base. Funding, mentoring and training all had a frequency of 2. The funding was important as it allowed for expansion and growth. However, owing to strict guidelines from the listed corporate, funding was needed to ensure that internal systems were in place that integrated Micro-Enterprise B's supply chain and internal processes with that of the listed corporate. Global audit and advisory firm PWC also suggests that there are several benefits to mentoring businesses. Mentoring tends to be a highly rewarding experience as people enjoy seeing ideas develop into viable actions. Mentoring also increases horizons and job satisfaction, and no business is ever in need of more mentoring than today owing to the tough economic climate [81]. This also suggests that Micro-Enterprise B paid close attention to mentorship and allowed for the enhancing of technical skills. This also facilitated in Understanding the market and networking were linked to the focus as part of the business strategy.

Several failure factors were also identified. The most important failure factor for Micro-Enterprise B was a lack of strategic oversight and accountability with a frequency of 3. Strategic oversight does not allow for micro-management but entails that people are able to work effectively seeking guidance should they be unsuccessful. If this guidance is not provided, or asked for, the chances of failure are high. Accountability is important for talent management in a business. Accountability ties in with strategic oversight as it drives a fine balance between these and autonomy. Research suggests that the key to accountability is to passively track work without being overbearing [82]. Accountability matters because not having it means no one can be held responsible. Creating accountability, then, is about creating a culture where people value responsibility, and where people understand that accountability involves a certain degree of autonomy. Accountability is important, but when implementing it into the workplace, ensures that employees are giving of their best.

Lack of leadership, lack of business focus (vision) and lack of business skills were identified as the second most failure factors with a frequency of 2. Micro-Enterprise B was not without challenges and underwent high turnover of staff. They realised that their employees were the backbone of the business and had to ensure that they were well developed and trained. However, without the correct vision, leadership and business skills, their efforts were proving to be futile. Leaders have both the ability and responsibility to read trends and to look at what's happening at the current time, and then to discern not only where the organization has been but also where it is headed.238 This puts the leader in the organization in a much better position to build flexibility and a quick response capability into what is envisioned for the organization [83] .

4.1.2.3.2 Functions

The functions can be seen in Table 16 for Micro-Enterprise B and were posed more towards the corporate capabilities. A crucial cog for the Business Incubator B was the level of BBBEE certification for Micro-Enterprise B. With the broadening of the BBBEE Framework in 2015, many corporates and the enterprise and supplier development hub have been advocating BBBEE compliant companies. With a frequency of 2 for BBBEE adherence, it was sufficient to suggest that Micro-Enterprise B were ensuring that they continued to remain on the vendor list of the corporate, and in return, continue to be incubated by Business Incubator B. This pattern is suggested by the frequency of 20 for the function of incubation. The behaviour of the interviewee for Micro-Enterprise B was such that they were ambitious and driven to make a success out of the business. A frequency of 16 for the success factors may have suggested these claims. Micro-Enterprise B competed for business from corporate through tendering. This tendering process was completed via the corporate's supply chain facilities and ensured supplier and enterprise development through the outsourcing of the non-core business activities. This function of outsourcing also emerged through the content analysis.

Incubation emerged as both a function and an enabler. This may have been because of:

1. Lack of focus during the coding and content analysis process
2. Incubation acts both as a function and an enabler for Micro-Enterprise B which is necessary as a crucial cog for supplier and enterprise development

for the corporate

4.1.2.3.3 Themes

It is suggested from the frequencies of the themes (seen in Table 15) of Micro-Enterprise B, and the business incubation for this, Micro-Enterprise B had a strong focus on their business strategy (with frequency of 29). In addition, it is suggested that the factors theme mentioned for Micro-Enterprise B refers to performance metrics that are, in turn, used by Business Incubator B for their performance metrics. This suggestion is reinforced by the fact that Micro-Enterprise B had a frequency of 26 for the factors theme. It is also interesting to note that the Business Operations theme for Micro-Enterprise B and Business Incubator B have a closely related business operations and processes within one another. This is confirmed by their frequency of 12 and 14 for Micro-Enterprise B and Business Incubator B respectively.

4.1.2.4 Business Incubator B Background

Business Incubator B was enlisted as an Enterprise and Supplier Development (ESD) hub with a listed corporate in South Africa. The sole mandate of this incubator was to ensure that all non-core activities were performed by enterprises (of various sizes) to the company. In conjunction, Business Incubator B would assist the enterprises that they were supporting to procure and implement software systems, processes and compliance to the requirements of the company and to tax authorities.

4.1.2.5 Frequency tables for Business Incubator B

Table 18: Themes frequency for Micro-Enterprise B

Description	Themes Frequency

Factors: factors that were discussed	61
Business strategy: A time based action that sets out a list of actions that a business wants to achieve	31
Incubation: the process of incubating businesses	30
Business Operations: day-to-day business activities	14
Entrepreneurship: pursuing entrepreneurial ventures and undertaking entrepreneurial thinking	6
Funding; market conditions	4

Table 19: Functions frequency for Micro-Enterprise B

Description	Functions Frequency
Success Factors	53
Obtaining adequate support	16
Funding	13
Mentorship and guidance	9
Failure Factors	7
Functioning incubating techniques; focusing on heavy industry	5
Operating Capital	4
Compliance; managing expectations and perceptions	3
Manufacturing; service industries; link activities to supply chain; understanding the business environment; presenting a strong business case; creating and finding opportunities; entrepreneurship functions; creating metrics	2
Professional services; creating the correct perception; having contractual agreements in place; risks	1

Table 20: Enabler frequencies for Business Incubator B

Enablers - Success Factors	Frequency
Financial and non-Financial assistance	16
Financial indicators	9
Good Systems and processes; good vision and end goal	8
Networking	6
Compliance to systems, laws and processes; having a positive attitude	5
Investing in the local economy; dedicated specialist; stringent loans and repayments; business growth; continuous improvement;	4
supporting supply chain; increasing profit	3
striving for local content in manufactured items; adherence to standards; funding; efficiency in the business; smart investments; realistic goals and targets	2
Incubating businesses in the start-up phase; rapid incubation techniques; strong entrepreneurial characteristics; location; adequate pay packages for people; employee voluntary program; marketing; focusing on people development; regular payments on loans; sustainable interest rates; implementing correct indicators; focusing on job creation; continuous learning and growth; wealth creation; providing mentorship and guidance	1
Enablers - Failure Factors	
Poor labour conditions; having a failure mind-set	2

The frequency tables for Business Incubator B can be seen in the tables above. Business Incubator B not only acted as an incubator for the corporate but also as an enterprise and supplier development functions to integrate the supply chain and make it more competitive as well. In addition, this was also a way for the company to adhere to stricter BBBEE legislation as mentioned above [84].

4.1.2.5.1 Enablers

Table 20 shows the enabler frequencies for Business Incubator B with the success and failure factor enablers shown in the table. Providing financial and non-financial assistance was seen as an important success factor enabler for Business Incubator B with the highest frequency of 16. This may have been because Business Incubator B provided assistance beyond the financial means such as systems implementation, consulting, development of business tools and procuring and implementing software. However, they adopted financial indictors or metrics to determine whether the activities were successful and adding value to the enterprises that they were incubating. Good internal systems and processes as well as having a vision as to what the incubator needs to achieve were considered success factors for incubator with a frequency of 8. The internal systems within the incubator allowed for streamlined action to assist and incubate enterprises as effectively and efficiently as possible. The vision is important as any other economic entity. Papulova [85] advocates that the vision and mission are often considered as an essential part of strategic management. Almost 70% of companies recognize the strategic importance and significance of the vision. This positive trend is not only among the large companies, although we can still see small and micro enterprises struggling with strategic management orientation. A vision also allows for a set of activities to be directed towards a goal, in this case, to successfully incubate businesses.

Networking, with a frequency of 6, was important for the business incubator as it connected potential enterprises with the incubator. It also connected other business incubators with Business Incubator B to share ideas and obtain new methods to try and implement. One of these which have been considered is the use of virtual and rapid incubation. This has to do with the rise of the digital economy and the creation of hybrid incubators that provide effective IT-enabled business e-coaching, match-making, and project management services to thousands of its semi-virtual and virtual tenants. E-coaching will also enhance the effectiveness of traditional tailor-made training, mentoring, and consulting services as entrepreneurs will have better preliminary understanding of the subject [86].

Failure factors that were identified were poor labour conditions and having a failure mind-set. The business incubator advocated good labour conditions at the incubator and at the enterprises that they are incubating.

4.1.2.5.2 Functions

The functions that were identified can be seen Table 19 above. The success factors had the most important function with a frequency of 53. However, the business incubator required assistance in their activities as well as there were several enterprises that always required assistance and support. In order for Business Incubator B to function successfully, they too required funding to support enterprises and the staff that worked at the incubator. This was reflected with a frequency of 13. There too were elements of mentorship and guidance with a frequency of 9. Providing mentorship and guidance to enterprises also entailed the incubator to function effectively. However, with providing mentorship and guidance, Business Incubator B ma have realised that their incubation techniques and advice should be practical and realistic and manage expectations and perceptions. This was reflected with a frequency of 3. The content also suggests that risk mitigation was important and Business Incubator B were mandated to this with a frequency of 1. The content analysis also suggests that the risk mitigation may also opt for better operating capital that may lead to liquidity in the business incubator and may free up funds. However, since the incubator was funded by the corporate, funding was not always perceived as a large issue, except when more funds were required for expanded activity.

4.1.2.5.3 Themes

The themes frequency can be seen in Table 18 above. The theme of incubation, with a frequency of 30, suggested that Business Incubator B understood their job functions relatively well and realised the importance of their function as a crucial economic entity. In addition, the corporate was located far from the economic hub of the country, Johannesburg. Official data suggests that migration to cities in South Africa has increased substantially over the last 20 years. This proves that the corporate realises that they have an important responsibility towards the economic and sustainable development of surrounding communities. As a result, they have enacted a decision to support emerging entrepreneurships by outsourcing non-core business activities. A focus on factors, success and failure was the largest frequency in the themes. This suggests that factors were used as metrics and this determined the performance of Business Incubator B [87]. Business Incubator B also realised the funding was crucial for sustaining their activities and that of Micro-Enterprise B [88]. This suggests that Business Incubator B realised that as part of their mandate they also had a strong sense of duty towards transferring of skills. Entrepreneurship was an important theme for Business Incubator B and was linked to marketing business growth through understanding the environment and maintaining close relationships with market changes. Business Incubator B were also driven by market characteristics and opted for wealth creation by identifying realistic and achievable opportunities.

4.1.2.6 Linkage Diagrams

The linkage diagrams provided a way to visually depict the code frequencies to identify which themes, functions and enablers had the highest activity at the node. This was also useful in identifying importance and determining where saturation was. The saturation can be defined as more than one link at a node. Owing to the approach adopted with the frequency diagrams, the linkage diagrams were created to facilitate the overall systems understanding. The linkage diagram for Micro-Enterprise B and Business Incubator B have letters indicated on them that shows the saturation points. The diagrams have been rendered as large as possible to identify which nodes had saturation points.

The linkage diagrams can be seen in Appendix O: Linkage diagram for Micro-Enterprise B and Business Incubator B.

4.1.2.7 Validation

The validation indicated whether the data from the content analysis reflected adequate knowledge from existing literature. This was a crucial method as it allowed for cross checking of facts and direct one-to-one mapping of the topic at hand versus that These factors mentioned above were validated through a study that identified factors that affect SME success [23]. It was important by first discussing the frequencies of the themes, functions and enablers and linking those to the validation of the data found. It can be observed that the data obtained from the content analysis conformed to the literature. The validation followed a similar procedure to the content analysis procedure.

The validations for Business Incubator B were obtained from existing literature pertaining to business incubators in South Africa. The validation was done for each code that was provided to the content. The validation also took into account the interview content before being assigned a description. The process was a subjective one owing to the open ended interpretation of what the content could have meant. However, the code facilitated the process before a validation description was given to the code or content. This process showed that the information obtained from the content of the interviews reflected to what was researched in literature. In the event that a suitable validation could not be found, a "#N/A" was assigned.

The validation frequency charts can be seen in Appendix L: Validation charts for Case Study 2.

4.1.2.8 Links between Micro-Enterprise B and Business Incubator B

Table 21: Links and scores for Corporate Sector Pair

Potential Links									
	ME B	Level - ME	BI B	Level - BI	Linked Score	Factor	MAX	Cumulative	Overall Score (%
Themes Links									
Business Operations	12.00	Low	14.00	Low	19.00	0.86	59.00	19.00	64.65
Factors	26.00	Medium	61.00	Very very high	59.00	0.43	118.00	78.00	
Business Strategy	29.00	Medium	31.00	High	36.44	0.94	177.00	114.44	
Functions Links									
Incubation	20.00	Medium	5.00	Very Low	15.21	0.25	59.00	15.21	22.31
Success Factors	16.00	Low	53.00	Very very high	10.53	0.30	118.00	25.74	
Failure Factors	10.00	Low	7.00	Very Low	13.74	0.70	177.00	39.48	
Enablers Links									
Networking	3.00	Very Low	6.00	Very Low	9.00	0.50	59.00	9.00	15.25
Funding	2.00	Very Low	2.00	Very Low	9.00	1.00	118.00	18.00	
Profit	1.00	Very Low	3.00	Very Low	9.00	0.33	177.00	27.00	
Continuous Improvement	1.00	Very Low	4.00	Very Low	9.00	0.25	236.00	36.00	
Continuous Learning	1.00	Very Low	1.00	Very Low	9.00	1.00	295.00	45.00	
ME B-Functions/BI B-Themes									
Continuous Learning	1.00	Very Low	1.00	Very Low	9.00	1.00	59.00	9.00	38.51
Incubation	20.00	Medium	30.00	High	36.44	0.67	118.00	45.44	
ME B-Enablers/BI B-Themes									
Continuous Learning	1.00	Very Low	1.00	Very Low	9	1	59.00	9.00	19.166
Funding	2.00	Very Low	4.00	Very Low	9	0.5	118.00	18.00	
Incubation	3.00	Very Low	30.00	High	15.923	0.1	177.00	33.92	
ME B-Enablers/BI B-Functions									
Incubation	3.00	Very Low	5.00	Very Low	9.00	0.60	59.00	9.00	17.26
Management	4.00	Very Low	2.00	Very Low	9.00	0.33	118.00	18.00	
Risks	1.00	Very Low	1.00	Very Low	9.00	1.00	177.00	27.00	
Funding	2.00	Very Low	13.00	Low	13.74	0.08	236.00	40.74	

The links between themes, functions and enablers for Micro-Enterprise B and Business Incubator B can be found in Table 21. As observed in Case Study 1, business operations, factors and business strategy were a common theme. Business operations and business strategy were crucial for Micro-Enterprise B and Business Incubator B and the high factors of 0.86 and 0.94 respectively reflect this in the linked scores. This suggests that corporate pairs and enterprise and supplier development places importance on business operations and business strategy to drive profitability, sustainability and business growth. There were only three functions where relationships were found. These were incubation, success and failure factors. The largest linked score was regarding failure factors of 13.74. This may have been because both entities realised what worked well for each other and what didn't. However, Business Incubator B placed more emphasis on success factors as this is what their focus metrics were placed on and how the incubator's performance was determined. There was also a contradiction which came about in Micro-Enterprise B as they may have realised what didn't work for the enterprise and mentioned these failure factors rather as challenges that the business faces. The enablers for Micro-Enterprise B and Business Incubator B were all very low in the level scores but all had a reasonably high factor which shows that there is some level of correlation as there is importance between enablers for Micro-Enterprise B and Business Incubator B. However, the frequencies may have impacted on the importance of each one of the enabler links found. All the enablers received a linked score of 9. These were funding, networking, striving for profit, procurement procedures and continuous learning (which involve trying to stay ahead of the business trends and market changes). This shows that all these were equally important to Micro-Enterprise B and Business Incubator B. There were cross descriptions as well. Cross descriptions occurred when common areas (or descriptions) were found in various layers (i.e. common descriptions found in themes, functions or enablers). The cross descriptions for functions of Micro-Enterprise B and themes of Business Incubator B were found to be incubation and learning. This may have been because Micro-Enterprise B perceived incubation and continuous learning as a function whereas Business Incubator B identified these as their core theme and mandate to ensure successful incubation and business development. The same ideas may be applied to enablers from Micro-Enterprise B and the themes for Business Incubator B. The common descriptions were learning, funding and incubation. Again, this suggests that Micro-Enterprise B focused more on these as enablers, whereas Business Incubator B focused on these as centralised themes. A similar trend could be seen in the links between the enablers for Micro-Enterprise B and the function of Business Incubator B. Business Incubator B viewed incubation, sound management and application of management principles, managing and diversification of risks and funding as key functions to enable Micro-Enterprise B. Conversely, Micro-Enterprise B may have viewed these as key enablers for their business operations and successful incubation to be competitive in the market and when tendering for projects from the corporate.

The full interview for the corporate pair may be seen in Appendix D for Micro-Enterprise B and Appendix E for Business Incubator B.

4.1.3 Case Study 3

4.1.3.1 Background to Case 3

The third interview was conducted between Micro-Enterprise C and Business Incubator C. Both these entities operate within the ICT (Information and Communication Technology) industry. It was a great opportunity for the research to gain exploratory perspectives and insights into this since ICT start-ups is an upcoming industry around the world and crucial cog to the service industry in South Africa [89].

4.1.3.2 Micro-Enterprise C Background

Micro-Enterprise C is an ICT focused start-up. They have been in operations for approximately two years. They are based in the Johannesburg area and strive to solve problems that small businesses have through technological means. Examples of these are creating website, building phone applications, creating e-commerce platforms and supplying networking hardware and software.

4.1.3.3 Frequency tables for Micro-Enterprise C

Table 22: Themes frequency for Micro-Enterprise C

Factors: factors that were discussed	84
Business strategy: A time based action that sets out a list of actions that	39

a business wants to achieve	
Business Operations: day-to-day business activities	21
Business Model: Model adopted by the business to drive value	4
Business development: entails tasks and processes to develop and implement growth opportunities within and between organizations.	3

Table 23: Functions frequency for Micro-Enterprise C

Success Factors	53
Failure Factors	31
Transparency with strong communication	10
Learning	9
Company Structure	8
History	5
Sales and Development; teamwork	4
Diversification; strong marketing; finding and implementing new ideas	3
Opportunity; departmentalised organisational structure	2
Implementation; focusing on volumes; streamlining processes; problem solving mind-set	1

Table 24: Enablers frequency for Micro-Enterprise C

Enablers - Success Factors	Enablers Frequency
Technology focused Skills in the organisation	22

Fluidity in decision making	13
One Platform for communication	12
Innovative Culture at work	9
Teamwork; building a strong brand	7
Streamline all processes; incubation techniques for the business	6
Market Share	5
One function in the business	4
Use of Information technology; word-of-mouth marketing	3
Entrepreneurship culture; funding for the business; learning culture; smaller teams to streamline processes	2
Tailor making solutions; employing new technologies to solve problems; access to markets; business education; striving for profit; adequate pricing; providing a good service; making use of all opportunities; diversification	1
Enablers - Failure Factors	
Lack of transparency at customer hubs	13
Red Tape in government and corporates	5
Lack of resources	2
Lack of business research; poor work culture	1

4.1.3.3.1 Enablers

As shown in Case Study 1 and 2, a bottom-up approach was taken to determine success and failure factors at a more granular level.

Micro-Enterprise C is very technologically focused, a recurring enabler that had a frequency count of 22 as seen in Table 24 above. Like Micro-Enterprise A and B, the themes that emerged in the high frequency count were business operations, business strategy and a focus on the factors that would guarantee their success. Being a relatively new business in the market (the company had only started in 2015 by students at a tertiary institution in Johannesburg), there was a focus on getting their business model and business development correct. However, the book, the Lean Start-Up strongly advocates that an ICT start-up has one of two options to survive, namely, persevere or pivot [90]. This mind set is suggested by the high frequency count of 21, 39 and 82 for the business operations, business strategy and factors respectively. Micro-Enterprise C had attempted to ensure that their employees were as skilled as possible, and this is reflective in their emphasis on transparency and communication in their teams with a frequency of 10. The Lean Start-Up [90] advocates the use of transparency in start-ups to stream lines processes and systems. Micro-Enterprise C wanted to ensure that there was a strong working and innovative culture with a frequency of 9. They realised that there had to be a better link between sales and development that could strive to create a more innovative working culture. Often in businesses, there seem to always be a discord between sales and production as sales are always pushing for more products to be released into the market and clients, but production cannot exceed its capacity. Closer alignment between the sales and development ensured that both teams collaborate closely to meet client expectation and ensure that neither work in their own silos [91]. The company structure was enabled through fluidity to ensure a positive company culture and collaboration across all platforms in the company.

The failure factors mentioned in Table 23 are fairly common in the ICT industry owing to its lack of understanding in the South African context [92]. However, South Africa, like many emerging markets are realising the value of ICT and technological start-ups and are steadily embracing the industry [93].

The directors operating Micro-Enterprise C leveraged on ICT (and technology) as a crucial driver to achieve business success, and defined as a success rate as mentioned above. Research also suggests that globally the ICT industry will continue to grow and more and more people will be horizontally and vertically integrated in various supply chains through the internet [94]. The validation as seen in Appendix M:

Validation charts for Case Study 3 also suggests that viable policy continuity and political stability respectively play a crucial functional and enabler role. This segments two suggestions, namely, SME development policy and frameworks and ICT policy frameworks. ICT is crucial for SME development as suggested by existing literature [42]. This also suggests that there are ancillary policies and factors that government needs to focus on such as:

- Moving beyond basic internet connectivity and population integration to ensure widespread use of ICT skills and complex applications
- Ensure faster and more effective internet speeds
- Strengthen security in the virtual network spaces to ensure that SME's (such as Micro-Enterprise C) are not prone to internet and virtual crimes
- Ensure expansion of all businesses and economic entities in a low-cost manner

4.1.3.3.2 Functions

Table 23 shows the functions for Micro-Enterprise C. Functioning of new ideas was crucial for business development as this added dimension and creativity [94] to Micro-Enterprise C. Owing to the start-up nature of the business, the business model looked at diversifying core competencies of the business by adopting new technologies but also a strong focus on marketing. Marketing was a function for Micro-Enterprise C and word-of-mouth was an enabler for them.

The success factor, with a frequency of 53, suggests that Micro-Enterprise C had identified factors to focus on to drive business success. Conversely, they had also identified failure factors that may contribute to failure of the business with a frequency of 31. Transparency with strong communication was also identified as a way in which the business operated with a frequency of 10. Transparency was important in the way Micro-Enterprise operated because it ensured that all the team members knew what the happenings in the business were. Micro-Enterprise C entrenched continuous learning in the way that they worked. Grip [96] suggests that continuous learning is very important in the workplace as it influences the way the business approaches finding solutions to problems and drives more informal learning, thereby, improving the performance of the people employed in the business.

Micro-Enterprise C also paid attention to the way that the company was structured with a frequency of 8. The company structure affects the way in which the business operates as it may make decision making too rigid and bureaucratic [97]. Halligan [98] also says that decision making evolves in start-ups over time as the business matures. Decision making typically moves from hasty decisions to well-informed decision making over time. However, the path for effective decision making should be set from the beginning of a business commencing operations.

4.1.3.3.3 Themes

The functions were then grouped into themes for Micro-Enterprise C and can be seen in Table 22 above. The factors formed part of the discussion during the interview sessions and is reflected with the highest frequency of 84. The content analysis suggests that the factors were important for Micro-Enterprise C as it outlined the important and measurable elements that Micro-Enterprise C may have used to determine success and failure owing to their relative recency into the market. The business strategy was the second most important theme for Micro-Enterprise C. The business strategy contributed towards the growth of the firm. There was a firm commitment among the founder to ensure that all functioned through transparency and enabled through teamwork and streamlining all internal processes. The focus on business operations with a frequency of 21 suggests Micro-Enterprise C leveraged on placing important on their internal operations to drive value to their customers.

4.1.3.4 Business Incubator C Background

Business Incubator C is an ICT focused incubator. The managing personnel were doing pro-bono incubation for Micro-Enterprise C using their management skills and were focused more on developing the enterprise and striving to ensure that it grows out of the start-up phase.

4.1.3.5 Frequency tables for Business Incubator C

Table 25: Themes frequency for Micro-Enterprise C

Factors: factors that were discussed	48
Business Operations: day-to-day business activities	13
Business Model: Model adopted by the business to drive value	11
Business strategy: A time based action that sets out a list of actions that a business wants to achieve	9
Funding; market conditions	2
Entrepreneurship: entrepreneurial ventures	1

Table 26: Functions frequency for Business Incubator C

Description	Functions Frequency
Success Factors	38
Incubation	12
Failure Factors	10
Support; Functioning as a Not-For-Profit entity; monitor business	4
Opportunity	3
Company fund; adequate frameworks in place for growth	2

Market conditions and viability; local procurement; practical company policy; finding good quality entrepreneurs; leadership development	1

Table 27: Enablers frequency for Business Incubator C

Enablers - Success Factors	Frequencies
Reputation	6
Positive Entrepreneurial behaviour	5
Financial and non-financial support; mentorship and guidance	4
Metrics; setting targets and goals; knowing potential; organisation effectiveness; pivoting or persevering strategies;	3
mitigating start-up costs; winning large contracts; tendering success rate; having dedicated specialists; market demands; attitude	2
Commercial level growth; supporting employees; having performance measures for people; virtual incubation; HR recruitment; making sound decisions; having realistic ambition; sustainability; capacity building; holistic considerations; technically sound business plan; right leadership skills; partnerships; successful implementation; good system and processes	1
Enablers - Failure Factors	
Lack of understanding of environment	5
Market Challenges	4
Poor market knowledge; writing off costs; failure mind-set	1

4.1.3.5.1 Enablers

Table 27 shows the enablers frequency in descending order of magnitude. Reputation was identified as the most important success factor for Business Incubator C. This may have been because Business Incubator C wanted to be viewed as a credible economic entity that could attract the entrepreneurial talent and add value to enterprises. The contents also suggest that Business Incubator C had to also develop a strong attitude towards their task and to provide mentorship and guidance especially when enterprises are undergoing negative business growth. This suggests that Business Incubator C also had to think and act innovatively and creatively when undertaking incubating activities. The contents also suggest, with a frequency of 3, that Business Incubator C had metrics in place that determined whether they were successful and whether they were meeting their long term goals and objectives. As an incubator, it was the responsibility of Business Incubator C to ensure that Micro-Enterprise C was able to reduce their start-up costs to drive profitability, and this was evident in Business Incubator C's success factor enabler with a frequency of 2. The contents also suggest that Business Incubator C realised that their task as an ICT focused incubator meant that they needed a team of dedicated specialists that understood the ICT sector, as well as the long-term vision and objectives of Micro-Enterprise C. This may have allowed them to be more successful as a Business Incubator C by making use of these dedicated specialists.

Positive entrepreneurial behaviour was linked to the success factors. These would typically by obsession with opportunities, creativity and innovativeness, commitment and determination and sound ethical values [99]. These qualities were also linked to the failure factors and the lack of presence of these may have contributed to business failure. Similar to the previous interviews, good systems and processes that contributed to internal controls also contributed to success factors.

Virtual incubation (with a frequency of 1) can be defined as any incubator that limits the physical interaction between the incubator and the entity that is being incubated. Virtual business incubators, on the other hand, provide services beyond the confines of a physical building. This allows a company to use the services of an incubator, without actually being located at the incubator site, for instance through extension workers, online tools and off-site advisory services. They can also serve a much larger number of companies over an extended geographical area. Business Incubator C has adopted this strategy to find more entrepreneurs as mentioned before. As expected, and mentioned above, success and failure factors enabled the function factor and contained the most saturation.

The failure factor identified suggests that the recurrence of understanding of market is very important for any start-up in the ICT sector [100] with a frequency of 5. The digital economy is a growing space that has the potential to become a catalyst for economic development, but firmer understanding should be made to ensure that more enterprises make use of the advantages and drive value and profitability. However, there will always be market challenges and this may become a failure factor, as suggested with a frequency of 4. There was also a concern that when business ventures failed, the costs would have to be written off. This was reflected in the contents with a frequency of 1. However, Business Incubator C attempted to mitigate this by driving the success factors mentioned above.

4.1.3.5.2 Functions

Table *26* shows the functions frequency for Business Incubator C. The importance on success factors with a frequency of 38 suggests that Business Incubator C places more importance on these than on their incubation mandate with a frequency of 12. This may suggest that their measurements were focused more on the end result of whether they were successful as an incubator, rather than the incubation process. Research suggests that when the diagnosis of incubation is successful, the business incubator will be successful [101]. Evidence shows that the incubation process improves firm performance. Arguing further, the review shows that the most impacted performance measures in incubation research in the order of importance is firm survival, revenue growth, employment or job creation, venture funding and networking and alliance building. Clearly, this review supports the efficacy of incubators as framework to enhance tenants or graduated firm performance, supporting the view that incubation is a tool that supports entrepreneurial promotion and new venture creation [101].

4.1.3.5.3 Themes

Lastly, Table 25 shows the themes for Business Incubator C. Business Incubator C had a strong focus on the factors that defined their incubation success and failures. This was reflective with a frequency of 48. However, like Micro-Enterprise C, they were actively involved in their business operation, with a frequency of 13. It was interesting to note that Business Incubator C did not have a large frequency count for funding, but may have realised that the best way to incubate a technology start-up in the ICT industry was through sufficient understanding of the market [43]. This is suggested by this recurring in the theme, function and enabler during the content analysis. The business model was linked to a framework that could monitor business to set targets and make sound decisions. This was also linked to viable goal setting that ensured that realistic targets were being set for and by Business Incubator C to ensure that goals were achievable within a viable time frame [102]. Incubation functions were linked to the business model theme and enabled through mentorship and guidance for Micro-Enterprise C and instilling realistic potential and ambition. As expected, incubation was also a part of the business operations, but this was enabled and linked more towards providing financial and non-financial support (as mentioned in the previous two pairs). It was also important that incubation was linked to the market and enabled through the market to ensure that there were realistic expectation and implementation [103]. Funding was a central theme for Business Incubator C and funding was obtained through private company funds and assets. This was to ensure that opportunities in the market were taken advantage and demand was created for the businesses.

4.1.3.6 Validation

The validation for Business Incubator C suggests the same elements when mentioning supportive government policies with regards to SME development and ICT policies. Albeit a low frequency, this suggests that Business Incubator C recognises government as a key stakeholder in the development of the enterprises in the ICT sector. Owing to its growing emergence [104], Business Incubator C realises the importance of networking (with a frequency of 24) and developing quality entrepreneurs in order to harness skills that can grow their businesses. The validation also suggests that experienced advisory is required (with a frequency of 31). This may be because the ICT sector requires skills that are vastly technical, analytical and highly specialised [105]. Deeper understanding of ICT eco-systems are also required to ensure that the correct advice and consulting may be passed and performed respectively [106].

The validation frequency charts may be seen in Appendix M: Validation charts for Case Study 3.

4.1.3.7 Linkage Diagrams

The linkage diagrams provided a way to visually depict the code frequencies to identify which themes, functions and enablers had the highest activity at the node. This was also useful in identifying importance and determining where saturation was. The saturation can be defined as more than one link at a node. Owing to the approach adopted with the frequency diagrams, the linkage diagrams were created to facilitate the overall systems understanding. The linkage diagram for Micro-Enterprise C and Business Incubator C have letters indicated on them that shows the saturation points. The diagrams have been rendered as large as possible to identify which nodes had saturation points.

The linkage diagrams can be seen in Appendix P: Linkage diagram for Micro-

Enterprise C and Business Incubator C.

4.1.3.8 Links between Micro-Enterprise C and Business Incubator C

Table 28: Links and score for ICT pair

Potential Links									
	ME C	Level - ME	BI C	Level - BI	Linked Score	Factor	MAX	Cumulative	Overall Score (%)
Themes Links									
Business Operations	21	Medium	13	Low	25.55	0.62	59	25.55	48.60
Business Strategy	39	High	9	Very Low	15.92	0.23	118	41.48	
Business Model	4	Very Low	11	Low	15.92	0.36	177	57.40	
Factors	84	Very Very High	48	Very High	57.31	0.57	236	114.70	
Functions Links									
Opportunity	2	Very Low	3	Very Low	9.00	0.67	59	9.00	39.70
Failure Factors	31	High	10	Low	28.74	0.32	118	37.74	
Success Factors	53	Very High	38	High	46.96	0.72	177	84.70	
Learning Culture	9	Very Low	1	Very Low	9.00	0.11	236	93.70	
ME C-Enablers/BI C- Themes									
Entrepreneurship Culture	2	Very Low	1	Very Low	9.00	0.50	59	9	15.25
Funding	2	Very Low	2	Very Low	9.00	1.00	118	18	
ME C-Enablers/BI C-Functions									
Learning Culture	2	Very Low	1	Very Low	9.00	0.50	59.00	9.00	17.93
Striving for profit	1	Very Low	1	Very Low	9.00	1.00	118.00	18.00	
Incubation	6	Very Low	12	Low	13.74	0.50	177.00	31.74	

There were no links between the enablers of Micro-Enterprise C and Business Incubator C as seen in Table 28. However, and similar to the previous two interviews, there were links between the business operations, business strategy, business model and factors. The business operations had reasonable correlation with a linked score of 25.55. Business operations for Micro-Enterprise C reflected more emphasis and less so for Business Incubator C. However, it suggests that there was some importance between these two descriptions with a factor score of 0.57. Micro-Enterprise C, owing possible to their start-up nature placed more importance on their business strategy whereas Business Incubator C placed more importance on their factors and metrics that they drove to identify effectiveness of the business incubation program. The business strategy may have allowed minimal importance with a factor score of 0.23. Contrary to the previous two business incubators, Business Incubator C did not place much importance on their business model. It was also interesting to see that neither did Micro-Enterprise C. This relationship obtained a linked score of 15.92 and a factor score of 0.36. The lack of focus thereof for business strategy and business model suggests that Micro-Enterprise C and Business Incubator C focused more on their factors and this was reflected with a linked score of 57.31, the highest among the themes. The themes obtained an overall score of 48.60%.

The functions correlated fairly well for Micro-Enterprise C and Business Incubator C which reflects the understanding that Business Incubator C was functionally involved in the incubation process. Both entities identified opportunities in the market place for business growth and development. This was reflected with a factor score of 0.67. Success factors were focused on by both Business Incubator C and Micro-Enterprise C with a linked score of 46.959 and a factor score of 0.72. Learning (or continuous learning) was important more for Micro-Enterprise C (even though it had a very low category) than Business Incubator C. Continuous learning is important for any business development in order to try and stay ahead of market curves. Certain research models depicts a person who will be involved in development as someone who has been involved in such activities before, believes in the need for development and in their to develop skills, to receive intrinsic benefits from participating, and who perceives him- or herself as possessing learning qualities, as having social support at work and outside of work for development, as being job involved, and as having career insight [107]. The key to continuous learning at all levels is to provide the support by giving directions and providing resources followed by assessment [107]. The functions correlation received an overall score of 39.70%.

There were also links between the enablers of Micro-Enterprise C and the themes and functions of Business Incubator C. Business Incubator C consider entrepreneurship and funding as a theme but Micro-Enterprise C considered it as an enabler. This may have been because Business Incubator C acted more on their strategic mandate, whereas, Micro-Enterprise C acted on these in their core enablement as part of their operations. Similar explanations can be provided for the enablers for Micro-

Enterprise C and the function for Business Incubator C. Learning and procurement had a very low category with a linked score of 9 and a factor of 0.5. However, incubation was considered more as an important function for Business Incubator C than Micro-Enterprise C.

The transcribed interviews for Micro-Enterprise C and Business Incubator C can be seen in Appendix F: Interview with Micro-Enterprise C and Appendix G: Interview with Business Incubator C respectively.

4.2 Cross Case Analysis

As mentioned above under the Literature review regarding case study research, the embedded themes, functions and enablers of the case studies were compared and relationships were obtained. In this case, a direct correlation mapping was done. In other words, the themes, functions and enablers were only compared against one another. The three case studies were all mutually exclusive of one another. However, comparisons were required to be made to identify common themes, functions and enablers for each of the cases. Thus, for example, Micro-enterprise A is compared with Micro-Enterprise B, and Business Incubator A is compared with Business Incubator B. There were no cross descriptions that were correlated as only a one-to-one mapping was being applied. In other words, only the themes, functions and enablers were compared. The cross-case comparison of descriptions may be seen in the tables below. The codes were used as the descriptions may have been different. These are reflected in the frequency tables (list the tables) above. The tables comparing each case study can be seen below.

4.2.1 Micro-Enterprise Comparisons

4.2.1.1 Case Study 1 and 2

Case Study 1 and 2 comprised of the textile sector and corporate sector pairs. Table 29 below shows the comparison between Micro-Enterprise A (Case Study 1) and

Micro-Enterprise B (Case Study 2).

Table 29: Micro-Enterprise comparison between Case Study 1 and 2

Case Study Links									
	ME A	Level-ME A	ME B	Level-ME B	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Operations	47	Very High	12	Low	30.63	0.26	59	30.63	35.53
Business Strategy	4	Very Low	29	Medium	15.21	0.14	118	45.84	
Factors	20	Medium	26	Medium	29	0.77	177	74.84	
Operating Model	1	Very Low	4	Very Low	9	0.25	236	83.84	
Functions									
BBBEE Criteria	5	Very Low	2	Very Low	9	0.4	59	9	17.93
History	3	Very Low	2	Very Low	9	0.67	118	18	
Success Factors	7	Very Low	16	Low	13.74	0.44	177	31.74	
Failure Factors	1	Very Low	10	Low	13.74	0.1	236	45.48	
Focus	1	Very Low	3	Very Low	9	0.33	295	54.48	
Outsourcing activities	1	Very Low	1	Very Low	9	1	354	63.48	
Enablers									
Management	1	Very Low	4	Very Low	9	0.25	59	9	15.25
Local Procurement	1	Very Low	1	Very Low	9	1	177	27	
Having large clients	1	Very Low	3	Very Low	9	0.33	236	36	
Strong communication	1	Very Low	1	Very Low	9	1	295	45	

The themes that were similar for Micro-Enterprise A and Micro-Enterprise B were business strategy, business operations, operating model and factors. The business strategy was namely a plan that outlined the enterprise's strategic intent on become sustainable and profitable. The operating model was how the enterprises would conduct their business strategy. The business operations were the daily activities that contributed to the business rhythm.

The factors were the crux of the case studies (interviews) where the interviewees mentioned their thoughts on what they perceived the factors of successes and failure to be. It would have been expected that they would have similar category scores, linked scores, and factors but this was not the case. Business operations were categorised as very high for Micro-Enterprise A but low for Micro-Enterprise B with a linked score of 30.63. However, Micro-Enterprise B (category score of Medium) placed more importance on their business strategy than Micro-Enterprise A (category score of very low) with a linked score of 15.21. The factor scores (which were ratios of the two frequencies) were rather low i.e. a factor of 0.26 for business operations and 0.14 for business strategy. The focus on business strategy for Micro-Enterprise B may have been because of the strict criteria that Business Incubator B places on it for it to comply with systems, processes and technology. As expected, the factors theme had the largest linked score of 29 and factor score of 0.77. This was because of the importance of factors that the interviews focused on. The focus on factors stems from the important role that owner-managers and managers and their staff play in the success of these businesses. There need to be more developmental opportunities for these groups of individuals, so that businesses have skilled workers at all levels contributing to the success of the business. It was also obvious that these businesses needed certain infrastructures (e.g. email access) to be in place if they are to be successful [108].

Owing to legislative requirements, and at least in the South African context, BBBEE is being promoted as a necessity for incubators to select enterprises to incubate that possess a high BBBEE rating. This had a linked score of 9 with very low category scores but the factor score of 0.5 highlighted a reasonable amount of importance. Micro-Enterprise A and Micro-Enterprise B were cognisant of their history and this played an important role in the way the enterprises functioned. Enterprise history facilitates understanding of due diligence and plays an important back story in understanding how the enterprise has come where it has [109]. The history played an important role in the functioning of Micro-Enterprise A and B with a linked score of 9 but a factor score of 0.67.

The success factors were focused more than the failure factors because the linked score for success factors were 19 and failure factors were 13.74, even though there were both in very low category scores. In addition, the relative importance was highlighted through the ratios with a factor score of 0.94 for success factors and 0.1 for failure factors. The focus was linked to the business strategy and acted as a function for that. Focus is important in developing and sustains a business strategy because it maintains perspective on the vision of the business and the end goal. This also entails and instils the purpose for which the business is operating for in the market place [110].

The focus function received a very low category score, an overall score of 9 and a factor score of 0.33. However, outsourcing certain non-core activities was a function for both enterprises. Outsourcing was done when skills were scarce, to mitigate against under capacity and labour costs, and, in some cases to grow new business through skills transfer [111] . This was mentioned in the interview for Micro-Enterprise A whereby time and motion studies were performed by those not affiliated to the business.

The enablers all had a very low category score with a linked score of 9. The enablers with the largest factor scores were accountability and management. Although management tends to be a top-down function in any business, accountability is what enables sound decision making. People drive processes, and processes should be created and manipulated to drive people. This does not hold true if there is no accountability. Accountability is a crucial success factor as it enables people to perform higher to facilitate business growth. However, at times, accountability becomes political in the event that deliverables are not adhered to, targets are not met and perceptions are not managed. The linked scores suggest that without accountability, it will be very difficult for a business to grow and sustain itself [112].

4.2.1.2 Case Study 2 and 3

Table 30 below shows the comparisons between Micro-Enterprise B (Case Study 2 – corporate sector) and Micro-Enterprise C (Case Study 3 – ICT sector).

Table 30: Micro-Enterprise comparison between Case Study 2 and 3

Case Study Links									
	ME B	Level-ME B	ME C	Level-ME C	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Operations	12	Low	21	Medium	25.55	0.57	59	25.55	68.36
Business Strategy	29	Medium	39	High	36.44	0.74	118	61.99	
Factors	26	Medium	84	Very very high	59	0.31	177	120.99	
Functions									
History	2	Very Low	5	Very Low	9	0.4	59	9	28.03
Success Factors	16	Low	53	Very very high	22.22	0.3	118	31.22	
Failure Factors	10	Low	31	High	28.74	0.32	177	59.96	
Training	3	Very Low	10	Low	13.74	0.3	236	73.7	
Continuous Learning	1	Very Low	9	Very Low	9	0.11	295	82.7	
Enablers									
Funding	2	Very Low	2	Very Low	9	1	59	9	17.01
Local Procurement	1	Very Low	1	Very Low	9	1	118	18	
Incubation	3	Very Low	6	Very Low	9	0.5	177	27	
Strong financial skills	1	Very Low	6	Very Low	9	0.17	236	36	
Continuous Learning	1	Very Low	2	Very Low	9	0.5	295	45	
Technical Management	5	Very Low	22	Medium	15.21	0.23	354	60.21	

The case comparison between Micro-Enterprise B and Micro-Enterprise C shared similar elements to the comparisons between Micro-Enterprise A and Micro-Enterprise B. Business operations were important more for Micro-Enterprise C with a categorical score of medium as opposed to Micro-Enterprise B with a categorical score of Low. This may have been because Micro-Enterprise C would pay closer attention to their business owing to its start-up nature, and streamlining systems and processes to ensure that internal controls would be adequate in managing new business. Micro-Enterprise B and Micro-Enterprise C both had a strong focus on their business strategy with a categorical score of medium and high respectively. Micro-Enterprise B and Micro-Enterprise C attempted functioning more on their business strategy by setting focus on their business values, mission and objectives. Micro-Enterprise C had a strong focus on their factors with an overall categorical score of very (very) high. As mentioned previously, this may have been because of how the enterprise placed an emphasis on the metrics that they focused on to ensures that these drove the business success.

Company history played a role in carving out future path and strategies for Micro-Enterprise B and Micro-Enterprise C. The historical aspects were enhanced through a focus on training. Micro-Enterprise B were looking at growing their skills in the business and viewed training as a function that could add to continuous learning and maintain business growth. This also allowed for management functions to be decentralised so that there was more incubation development. This also allowed for more management to focus on their functions such as business strategy and improving efficiencies and reducing costs through the sustainable use of technology.

4.2.1.3 Case Study 1 and 3

Table 31 below shows the case study comparisons between Micro-Enterprise A (Case Study 1 – Textile sector) and Micro-Enterprise C (Case Study 3 – ICT sector).

Table 31: Micro-Enterprise comparison between Case Study 1 and 3

Case Study Links									
	ME A	Level-ME A	ME C	Level-ME C	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Operations	47	Very High	21	Medium	40.84	0.4468	59	40.84	51.23
Business Strategy	4	Very Low	39	High	15.92	0.1026	118	56.76	
Factors	20	Medium	84	Very Very High	33.92	0.2381	177	90.68	
Functions									
Volumes	1	Very Low	1	Very Low	9	1	59	9	23.45
IMP	1	Very Low	1	Very Low	9	1	118	18	
Failure Factors	1	Very Low	31	Medium	15.21	0.03	177	33.21	
History	3	Very Low	5	Very Low	9	0.6	236	42.21	
Success Factors	15	Low	53	Very very high	22.22	0.28	236	55.43	
Strong communication	1	Very Low	10	Low	13.74	0.1	295	69.17	
Enablers									
Striving for profit/Profitability	1	Very Low	1	Very Low	9	1	59	9	15.25

Business operations, business strategy and factors were the common themes for Micro-Enterprise A and Micro-Enterprise C. Micro-Enterprise A realised that their business operations drove profitability and generated revenue, as a result, focused more on these. This was reflected through their categorical score of very high. There were also mentions of business operations for Micro-Enterprise C with a categorical score of medium. The linked score was 40.84 and the factor for this was 0.45. This continues to prove that enterprises pay close attention and place emphasis on their operations. However, Micro-Enterprise A was not strong on their business strategy as much as Micro-Enterprise C. A possible reason for this is that Micro-Enterprise A were in the market for far longer than Micro-Enterprise C and were familiar with their vision, mission, goals and objectives. This also suggests that enterprises that have been operating for much longer would have higher overall scores than enterprises that were relatively new to the market. However, both Micro-Enterprise A and Micro-Enterprise C were in agreement that the sustainable drive for profits enabled the entire business and contributed towards its sustainable existence. This had a low categorical score, but suggests that profitability is an enabler, but not the only enabler for certain businesses. This was suggested through the factor score of 1 with just 1 mention in the content analysis and a very low categorical score.

4.2.2 Business Incubator Comparisons

The second part the case study analysis was to compare the functions, themes and enablers of Business Incubator A, B and C.

4.2.2.1 Case Study 1 and 2

Table 32 below shows the comparisons between Business Incubator A (Case Study 1 – textile sector business incubator) and Business Incubator B (Case Study 2 – corporate sector business incubator).

Table 32: Business Incubator comparison between Case Study 1 and 2

Case Study Links									
	BI A	Level-BI A	BI A	Level-BI B	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Operations	11	Low	14	Low	19	0.79	59	19	52.74
Business Strategy	10	Low	31	High	28.74	0.32	118	47.74	
Factors	34	High	61	Very very high	45.61	0.56	177	93.35	
Functions									
Incubators	1	Very Low	5	Very Low	9	0.2	59	9	21.73
Localised supply chain	1	Very Low	2	Very Low	9	0.5	118	18	
Funding	4	Very Low	13	Low	13.74	0.31	177	31.74	
Efficiencies in the business	1	Very Low	2	Very Low	9	0.5	236	40.74	
Opportunities	3	Very Low	2	Very Low	9	0.67	295	49.74	
Success Factors	23	Medium	53	Very very high	33.92	0.43	354	83.66	
Failure Factors	6	Very Low	7	Very Low	9	0.86	413	92.66	
Entrepreneurship	1	Very Low	2	Very Low	9	0.5	472	101.66	
Support	1	Very Low	16	Low	13.74	0.06	531	115.4	
Enablers									
Funding	1	Very Low	2	Very Low	9	0.5	59	9	15.25

Analogous to the embedded micro-enterprise comparisons, business operations both received a categorical score of low with a linked score of 19 for Business Incubator A and B. This reflects the importance that business incubators also have on their business incubation process. Research also advocates that a good business incubator needs to play a strong role in incubating enterprises. Entrepreneurs may apply to incubator managers to participate in incubator projects. If the incubator managers like the proposals then they take it to the screening committees at their own incubators. Once a project idea is accepted, the incubator manager and entrepreneur develop a proposal that is submitted to the incubator fund. It is screened again. If it is approved, the incubator gets funding for a project for a period of time. Ideally incubator companies build a prototype of their products or services in year one and find an investor and exit out of the incubator during year two. The following are important milestones for a successful business incubator operation [113]:

- Forming a strong managing board with an advisory structure and enabling them to observe incubator operations;
- Experienced managers and personnel for the incubator;

- Careful selection, training at home and abroad, and proper remuneration of the manager and team;
- Screening of the technical, business and market potential of tenants;
- Promotional campaign to mobilise community support;
- Involvement of private sector, through subcontracting and other arrangements;
- Exchange of experiences through national incubators and international network

The business strategy ensures that Business Incubator A and B could execute success business incubation procedures and operations. Business Incubator B had a stronger focus on their business strategy with a categorical score of 31 when compared to Business Incubator A with a categorical score of 10. This may have been because Business Incubator B was part of the corporate whose sole mandate was to undertake a strong strategy to ensure the suppliers were developed to support the supply chain (as mentioned previously).

Business Incubator A and Business Incubator B both viewed funding as an enabler with a categorical score of ‘very low’ and a factor score of 0.5. This suggests that funding is equally important for business incubators as it is for businesses [114]. However, the functions were linked primarily to factors, namely the success and failure factors. It was surprising to see that incubation functions were mentioned on a ‘very low’ categorical score and had a factor score of 0.2. This may suggest that incubation functions were important to ensure that there was a mandate. However, there were other functions where which garnered more importance. These were ensuring that the business incubators identify new business that presents them with an opportunity to be incubated. As per literature mentioned above, it was unclear what sort of model the business incubators applied. This interview suggested that certain crucial elements such as definition and funding sources were not mentioned and spoken about. Failure factors had an important function in this interview inductance.

This had a linked score of 9 but a factor score of 0.86. In contrast, the success factors had ‘medium’ and ‘very very high’ categorical scores. This also had a linked score of 33.92, the highest in the function.

4.2.2.2 Case Study 2 and 3

Table 33 shows the comparisons between Business Incubator B (Case Study 2 – corporate sector business incubator) and Business Incubator C (Case Study 3 – ICT sector business incubator).

Table 33: Business Incubator comparison between Case Study 2 and 3

	Case Study Links								
	BI B	Level-BI B	BI C	Level-BI C	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Operations	14	Low	13	Low	19	0.93	59	19	22.42
Business Strategy	31	High	9	Very Low	15.92	0.29	118	34.92	
Funding	4	Very Low	2	Very Low	9	0.5	177	43.92	
Entrepreneurship	5	Very Low	1	Very Low	9	0.2	236	52.92	
Market Conditions	4	Very Low	2	Very Low	9	0.5	295	61.92	
Factors	61	Very very high	48	High	59	0.79	354	120.92	
Function									
Support	16	Low	4	Very Low	19	0.25	59	19	20.77
Incubation	5	Very Low	12	Low	9	0.42	118	28	
Success Factors	53	Very very high	38	High	13.74	0.72	177	41.74	
Failure Factors	7	Very Low	10	Low	10.53	0.7	236	52.27	
Opportunity	2	Very Low	3	Very Low	9	0.67	295	61.27	
Enablers									
Financial and Non-Financial Assistance	16	Low	4	Very Low	13.74	0.25	59	13.74	16.26
Additional Support	1	Very Low	1	Very Low	9	1	118	22.74	
Adherence to standards	2	Very Low	3	Very Low	9	0.67	177	31.74	
Mentorship and Guidance	1	Very Low	4	Very Low	9	0.25	236	40.74	
Realistic goals and targets	2	Very Low	1	Very Low	9	0.5	295	49.74	
Dedicated specialist	4	Very Low	2	Very Low	9	0.5	354	58.74	
Having a failure mind-set	2	Very Low	1	Very Low	9	0.5	413	67.74	
Good systems and processes	8	Very Low	2	Very Low	9	0.25	472	76.74	

Business Incubator B and Business Incubator C were compared to determine patterns and inference as seen in Table 33 above. There were similar patterns that had emerged in this dataset. Business operations and business strategy were central themes. Business Incubator B and C had a categorical score for business operations with a linked score of 19 but a factor score of 0.93. This highlights the importance that business operations play for both the business incubators. However, business strategy had a categorical score of ‘high’ for Business Incubator B, whereas, Business

Incubator C had a categorical score very low. The linked score was 15.92 and the factor score was 0.29. This reflects that in certain cases business strategy may be an important focus for one entity but not as important for another. It was also interesting to note that funding, entrepreneurship and market were themes rather than functions and enablers. Even though funding and market had 'very low' categorical scores, the factor score of 0.5 indicated relative importance to the linked score of 9.

The functions indicated that Business Incubator B and Business Incubator C had common enablers among them. These were related to providing financial and non-financial support. They had an equal importance among them with a factor score of 0.25. As expected, and viewing a continued trend across all the comparison tables thus far, the success and failure factors, incubation and opportunity functions had high factor scores and linked scores. This shows that these functions are central to many incubation procedures and operations. The enablers for Business Incubator B and C all had 'very low' categorical scores. Providing financial and non-financial support was important to these incubators as they both realised that business is more than just making money, it is about making a difference, and economic entities need to think beyond the bottom line [115]. The cost of starting a business in South Africa is steadily on the increase [116] and Business Incubator B and C are assessing ways to mitigate against start-up costs, as reflected in the enabler linked score of 9 but a factor score of 0.67. Mentorship and guidance was important and Business Incubator B and C realised this by enabling these in their business incubation process. Several incubators also have incubator programs. Some of the offerings of incubator programs may include [117]:

- The transfer of sound business practices through additional training
- The exposure to networking opportunities
- Gaining knowledge and networking opportunities through industry/entrepreneurs as guest speakers
- Additional mentorship sessions through experts

- Access to the various networking platform

Goal setting was also suggested as a viable enabler. This had a factor score of 0.5 even though the linked score was 9. Goal setting is important for entrepreneurs as it allows for entrepreneurs in enterprises, and business incubators to experience small victories and build up towards experiencing larger ones. This is also a possible reason why mentorship and guidance is very important as such guidance can provide solutions that are rendered to be practical and achievable. Research also suggests that coaching influences entrepreneurial behaviour and that a need exists for more in-depth coaching sessions specifically focused on entrepreneurship in the South African context [118] . Further to this it was found that a need exists for entrepreneurs to be coached by other entrepreneurs and that the role of a coach should be clarified to set realistic expectations from the onset of the intervention. These findings are in agreement with some of the key recommendations from South African national experts as cited in the GEMS 2012 report [13]. The use of a dedicated specialist served as an interface with the enterprises that the business incubators were supporting. This had ‘very low’ categorical score for Business Incubator B and C and a factor score of 0.25. The communication streams consisted of frequent emails and regular face-to-face meetings that were conducted at the site of the businesses. However, early start-ups struggled with communication because of the high costs of data that was required to send emails and other documentation. Presently, high data costs are being debated in the telecommunication industry [119]. Communication has become more instant and streamlined due to the rise of ICT. Research also suggests that a stronger digital policy and access to digital mediums will help African economies by allowing access to the internet (considered the largest information repository in the world), networking, access to markets and mediums where funds can be accessed [120]. Entrepreneurship does not necessarily mean being someone who can start and operate a profitable business. Entrepreneurship suggests that people should be able to create and take advantage market opportunities to drive profitability and improve citizen’s lives through economic activity. A failure mind-set tends to separate good entrepreneurs from great entrepreneurs [121]. A failure mind-set was a recurring enabler for Business Incubator B and C with a categorical score of ‘very low’ and a factor score of 0.5. This reflects that a positive mind-set is actually a success factor for Business Incubator B and C. In addition, with a ‘very low’ categorical score, and a factor of 0.5, a recurring pattern among micro-enterprises and business incubators was that good systems and processes enable success business incubators. This refers to both internal and external processes. This delves into another topic regarding factors that affect the processes and systems for incubators. Research suggests that incubation processes and systems tend to be disintegrated and not aligned to overall incubation procedures for the entities that they are incubating [40]. Therefore, this suggests that good systems and processes and the practise thereof refers to integration along all streams and business processes within the incubators.

4.2.2.3 Case Study 1 and 3

Table 34 shows the comparisons between Business Incubator B (Case Study 1 – textile sector business incubator) and Business Incubator C (Case Study 3 – ICT sector business incubator).

Table 34: Business Incubator comparison between Case Study 1 and 3

Case Study Links									
	BI B	Level-BI B	BI C	Level-BI C	Linked Score	Factor	Max	Cumulative score	Overall Score (%)
Themes									
Business Strategy	10	Low	9	Low	19	0.9	59	19	48
Business Operations	11	Low	13	Low	19	0.85	118	38	
Factors	34	High	48	Very high	46.96	0.71	177	84.96	
Functions									
Support	1	Very Low	4	Very Low	9	0.25	59	9	39.37
Incubation	1	Very Low	12	Low	13.74	0.08	118	22.74	
Local procurement	1	Very Low	1	Very Low	9	1	177	31.74	
Success Factors	23	Medium	1	Very Low	15.21	0.04	59	46.95	
Failure Factors	6	Very Low	10	Low	13.74	0.6	118	60.69	
Opportunity	3	Very Low	3	Very Low	9	1	177	69.69	
Enablers									
Poor market knowledge	4	Very Low	1	Very Low	9	0.25	59	9	15.25
Having an entrepreneurial attitude	1	Very Low	2	Very Low	9	0.5	118	18	

Business Incubator A and Business Incubator C presented similar themes shown among the previous cross-case studies. Both incubators operated in two different industries as shown above. As per research, the textile industry is struggling to grow whereas the ICT industry is at the forefront of the digital revolution. The themes that emerged were factors, business strategy and business operations. Business strategy and business operations both had ‘low’ categorical scores and a linked score of 19. However, the importance of these was highlighted with the factor scores of 0.9 and 0.85 for business strategy and business operations respectively. This suggests that irrespective of the type of industry, business strategy and business operations will always hold relative importance for business incubators.

The functions that had emerged were success and failure factors with the failure factors having the largest factor score of 0.6. The failure factor pattern had a linked score of 13.74. In contract, the success factors was mentioned more by Business Incubator A than by Business Incubator C with a categorical score of ‘medium’ and ‘very low’ respectively. There is no particular reason for this as the patterns that have emerged for the case study comparisons previously reflected that there was always a constant pattern that had emerged. The functions of opportunity and procurement had ‘very low’ categorical scores and the lowest linked score of 9. However, the factor score of 1 indicated their importance. Procurement is becoming an important function for incubators. Recent laws in South Africa providing preferential procurement has been punted as an enabler that start-ups and micro-enterprises can take advantage of [122]. Owing to the new intention and legislative requirements, enablers that Business Incubator A and C had identified that the correct entrepreneurial intention and attitude is required to take advantage of the markets. This was reflected through the ‘very low’ categorical scores but the medium factor scores. There was more focus on the markets as Business Incubator A and C were both looking at growing within industries that were on polar ends as mentioned above.

CHAPTER 5: DISCUSSION

The research thus far has presented the case reports for all three case studies that showcase the themes, functions and enablers that have been identified for the Micro-Enterprises and Business Incubators by using a bottom-up approach. The case study methodology approach was followed that assessed comparisons and identified potential patterns within case studies (vertical) and across case studies (horizontal). This section discusses the case study reports, the methodology and assesses whether the research question and hypothesis were adequately answered.

5.1 The importance of Business Incubation

The challenges regarding economic growth are dire and severe [123]. Low economic growth continues to plague South Africans into a vicious cycle of unemployment and poverty. Government has conceded that one of the mechanisms that the economy can grow is to ensure that it becomes more inclusive and that South Africans can become a part of the main stream economy [124].

Becoming a part of the main stream economy, especially if economic conditions are tough, require entrepreneurs who possess creativity and are willing to take risks to start businesses and successfully drive economic entities that can create employment and add value to the economy. As mentioned above, government has identified business incubation as viable economic entities that can assist businesses become profitable and allow for expansion [125].

By definition, business incubation consists of innovative integration of business development processes, infrastructure and people whose objectives are to nurture and grow businesses by helping them survive different stages of the business development cycles [126]. In a low growth and high unemployment such as South Africa, the argument becomes that citizens should adopt an entrepreneurial culture, start businesses and strive to make them employable and profitable. The intent is a positive one, but the question that arises is successful incubation achieved. The additional question is that if there are businesses that are already operating in the market, how are they or should they be incubated to become more profitable, employable and sustainable?

5.2 The methodological approach

Business Incubators and micro-enterprises were researched and 3 participants within each were interviewed. The paired interviews were performed as an attempt to establish relationships and links between the two entities. The intention was not establish direct correlations between the micro-enterprises and business incubators, but in the context of the research, understand how the processes and systems and methods work in incubating the micro-enterprises.

Success and failure factors were determined through existing literature for micro-enterprises and business incubators. Success and failure factors render a definition to both entities. As an example, successes for the micro-enterprises may have been due to the activities and expertise of the business incubator. Conversely, the business incubator may have been successful because of the success that the micro-enterprise may have been experiencing. The similar thinking is applied for the failures of either entity.

The case study research allowed for the topic to be explored using first principles thinking rather than analogical thinking because of a lack of existing literature pertaining to relationships between business incubators and the businesses that they are supporting. First principle-thinking assists in developing an individual perspective on a problem or situation [127]. The case study methodology provided exploratory insights into the dealings of the micro-enterprises and the business incubators.

The research question was addressed by assessing and analysing the contents from the interviews. The analysis provided patterns and levels of focus areas (which were later crafted into themes, functions and enablers). The case study approach attempted to address the research question by adopting a bottom-up approach in what drives the themes.

The code frequency diagrams indicated the frequency of each theme, function and enabler. The data may have been placed in a table form but the graphs visually depicted the frequency for every code. The visual depiction shows that there was a greater emphasis for the themes. The other argument is that the content analysis process may have been flawed owing to the subjective manner in which the content was analysed. The themes provided the general premise of a particular content and provided an outline of what the content was. For example, business operations indicated the way in which the micro-enterprise or the business incubator conducted the operations. Business strategy was defined as the governing framework that defined the operations of the business. Factors were that content identified as potentially those that were success and failure factors. The business model theme related to the model that the business incubator or the micro-enterprise defined as the mechanism that allowed for the business to generate the income. These were the central themes that were identified through the content analysis.

The linkage diagrams provided a different perspective on the content analysis by linking the codes and showed the codes that contained the highest frequency in a graphical manner. This allowed one to see how the codes were linked for a series of standardized coded content and did not explicitly show any new content. This facilitated the vertical case study analysis to determine how the themes, functions and enablers were potentially linked.

There were several functions that were identified. The functions were a level more granular than the themes and were identified as those that were linked to the themes. The same approach was applied to the enablers. These were the more granular than the functions and drove a bottom-up approach as mentioned previously.

The scoring tables shown above were created to identify if there were links between the themes, functions and enablers. The themes were compared between each embedded units within each case study and there are several ways to interpret the values. The first way is by stating that the themes had a certain percentage of relationship between them. The second way of extracting value of this percentage is the weight that the themes had between the business incubator and the micro-enterprise. A possible third way of interpreting the percentage may be just be a relative score that indicates the importance the themes had when common themes were determined between the two embedded case studies.

Categorically, the themes had no relation to the function and enablers and were mutually exclusive by definition. However, the factor themes were linked to the success and failure factors. This suggests that there was a strong level of understanding regarding the overall mandate between the business incubators and the micro-enterprises only if the themes for each matched against each other. This statement is supported by the theme overall scores were the highest in each of tables above.

A similar stance may be adopted for the functions. The common functions that were common between the business-incubators were related to those of incubation, finding and making use of opportunities by exploiting the market, having strong management teams in place to lead and continuous learning.

The functions were not necessarily categorised as success or failure factors. However, it suggests that all these common functions are positive and may have had a positive influence on one another. The functions were a link between the enablers and the themes. The links between the functions for the business incubators and the micro-enterprises resulted in relative correlation as the percentage overall score was the second overall score as seen in Table 13, Table 19 and Table 26. However, scores were different for different industries. The lowest overall score was for the textile industry pair whereas the highest was in the ICT industry. The contrasting effect may have been due to the content analysis or the presentation of information.

Ideally, the scores should not differ significantly between the themes, functions and enablers. As a result, a cross check was performed between the themes and functions and enablers and the relationship thereof. The bridges, if it can be referred to as that, were identified as funding, incubation and continuous learning. This suggests that there may have been seen as a vague line that may serve as a theme and, or, a function. The scores of 38.51 and 15.25 for the textile sector pair and the corporate sector pair respectively which indicates their respective descriptions may have crossed into themes and, or, functions.

5.3 The Findings

The intention was to determine what created and drove the success and failure factors. The enablers were determined as the drivers for the success and failure factors and this is what drove the bottom up approach to attempt to answer the research questions and address the objectives. It was hypothesised intuitively that more commonalities would be obtained between the enablers across the different business incubator and micro-enterprise pairs. However, the relative scores for the links between enablers were of a relatively low overall score or none at all. The enablers' links that were identified were different for each pair or, by extension, each industry. The textile industry had an enabler score of 15.25. However, it suggests that there were some level of correlation to the theme or the function of the business incubator to the micro-enterprise. These were effective management, having a technical management background, favorable market conditions and compliance to standards and industry rules. This suggests that these enablers acted as success factors that contributed to the successes of Micro-Enterprise A and Business Incubator A.

A similar stance may be adopted for the corporate sector pair. Owing to the different industry, there were more areas of correlation that were found but had the same overall score as all the levels of a ‘very low’ nature. These were networking, funding, striving for profit, continuous learning and continuous improvements. These suggest that these may have had a positive influence on Business Incubator B and Micro-Enterprise B and may have contributed to each other’s failures and successes.

However, the ICT sector pair had a no links between the enablers of Business Incubator C and Micro-Enterprise C but had links between the enablers to the themes and functions. There may have been various reasons for this. One possible reason was that Micro-Enterprise C was a start-up in a relatively new and growing industry whereas the textile (or manufacturing by extension) and corporate industry is relatively mature and comparatively larger than the ICT sector, in the South African context at least [4]. The overall score of 17.93 for the enabler and function of Micro-Enterprise C and Business Incubator C were closer to these enablers being categorised as functions rather than enablers.

The description which indicates the potential success and failure factors was done to highlight a three-level link between the themes, functions and enablers. It was necessary to split the content analysis into three-levels (and perhaps it may have been necessary to do further) to obtain the focus areas for the micro-enterprises and the business incubators. The functions and enablers show that there are success and failure factors links between the micro-enterprises and business incubators but usually these are at the function and enabler level. A link between the themes show that there is a link between the overall objectives of each entity and what it is that they are trying to do in order to be more successful in the market place.

The cross case studies were done to compare themes, functions and enablers between the case studies and attempts to identify if these were similar across industries as well. The horizontal case studies all showed that business operations, business strategy and factors were present in all three case studies comparisons for the micro-enterprises. The common functions that were identified for the micro-enterprises were adhering to BBBEE criteria, success factors, failure factors and continuous learning. The enablers that were identified were different for each case study comparison. However, they all showed that striving for profit and aiming for financial sustainability are keys for ensuring business success.

The cross case studies for the business incubators yielded a similar result to those reflected in the micro-enterprises. Common themes reflected horizontally across the case studies were business operations, business strategy and factors. This suggests that business incubators too require an entrepreneurial and business driven mind-set that aims to operate like a business or an enterprise [128]. This is where a viable business model for a business incubator may be required as shown in Table 2 Common functions that were identified were success factors, failure factors, incubation techniques and identifying businesses that are worthy of being incubated. The enablers, similar to what was observed for cross case studies for the micro-enterprises varied. Enablers that appeared were funding, obtaining and providing financial and non-financial support, providing mentorship and guidance, and having an entrepreneurial attitude.

The success and failure factors that were identified suggest that the definitions of these are blurred. For example, the enabler of incubation techniques and methodologies were identified as an enabler and a function. This suggests that in order for a business incubator to be considered successful, incubation techniques and strategies should be effective and impact positively on the micro-enterprise that it is incubating. In order for the micro-enterprise to be considered successful, the incubation techniques and strategies being applied by the incubator had to be effective. This shows the relationships between the micro-enterprises and business incubators but emphasizes that the definition may be considered a success factor, but the converse or lack thereof may be considered the failure factor.

Another elaborate example is that of the conscientious issue of funding. In this case, funding was determined to be an enabler and a function because funding ensures successful functionary aspects to be completed, and relevant people are incentivized. Now, funding may be viewed as a success failure, and there lack thereof, may be viewed as a failure factor.

This suggests primarily that successes of the business incubator impact the successes the successes of the micro-enterprises and vice-versa. Similarly, the failures of the business incubators impact the failures of the micro-enterprises that are being incubated and vice-versa.

The research showed that failure factors and success factors were identified through literature. The thematic contents obtained were also validated through this literature to reflect a resemblance of themes, functions and enablers to literature that is currently present and relevant. It should be noted that literature pertaining to success and failure factors for micro-enterprises in the South African context were difficult to obtain. However, a micro-enterprise still falls within the Small-Medium Enterprise band, although, the definition of the value of the enterprise differs starkly. The interviews allowed for failure and success factors for micro-enterprises to be obtained, but in order for them to adequate and reliable; these were validated using existing literature. The approach may have been quite subjective, but all the contents from the interviews were validated which shows that the information was correct and reliable, at least pertaining to exiting literature. This shows that the research undertook a hybrid approach to perpetually integrate the deductive and inductive reasoning patterns. The inductive reasoning was done through the bottom up approach of linking the enablers, to the functions and then to the themes, whereas the deductive approach was applied during the validation phase to adequately obtain a suitable validation that the research question, objectives and results would hold relevant meaning.

5.4 Research Objectives and Questions

The research objectives were to determine success and failure factors for business incubators and micro-enterprises and the links thereof. The semi-interviews approach ensured that success and failure factors were determined at a granular level. The case study approach was employed to undertake the exploratory nature of the research but also assessed commonalities, comparisons, and pattern identification across the case studies The linkage diagrams also showed which enablers were linked to the success and failure factors, but the overall scores and relative factor scores also suggested that there may have been a converse relationship between the success and failure factors as mentioned above. The bottom-up approach also showed how themes were obtained and the linkage diagrams ensured that there no outliers in the addressing the objectives. The linkage diagrams also represented a solid foundation that exhibited the success and failure factors and how these impacted the business incubators and micro-enterprises. The linkage diagrams did not address direct links between the business incubators and the micro-enterprises but these were achieved through the overall scores in the scoring tables. The scores indicated the relevant weighting but also attempted to understand which common link proved more important to one or the other entity. As an example, across all the case studies, incubation was far more important to business incubators than to the micro-enterprises.

Therefore, the research questions and objectives were met through the methodology undertaken. The success and failure factors for micro-enterprises and business incubators show a link although not explicitly in those terms. In addition, these were validated through existing literature which deduced the content from a top-down approach and the success and failure factors and the links thereof were identified through a bottom-up approach.

CHAPTER 6: CONCLUSIONS, RECOMMENDATIONS AND SCOPE FOR FUTURE WORK

The study undertaken was of an exploratory nature owing to limited literature available for understanding the links between micro-enterprises and business incubators in South Africa. The intention was not to showcase the types of relationships that business incubators and micro-enterprises may have, but what may enable one and the other to effectively create profitable and economic entities.

6.1 Conclusions

A link between success and failure factors of business incubators and micro-enterprises was sought. Micro-Enterprises were focused on because of their economic potential yet high failure rates in South Africa. In addition, they have the potential to become powerful economic entities that can reduce unemployment and contribute towards inclusive economic growth. Extensive literature research shows that failure and success factors of business incubators and businesses (and not necessarily micro-enterprises in particular) exist. These were used as a basis of discussion for the interviews. Three business incubators and three micro-enterprises operating in very different industries were interviewed. The interviews underwent a content analysis and coding procedure to standardise all responses. The frequencies and links between each the micro-enterprise and business incubator pair were analysed. Thereafter, the case studies were contrasted and compared for similarities and pattern identification.

The research concludes that there are links between business incubators and micro-enterprises. The embedded case units exhibit various links between the micro-enterprises and the business incubators. The relative scores indicated the importance of the various enablers, functions or themes for the micro-enterprises and business incubators. Owing to the exploratory nature, interviewees were selected based on their availability to partake in the research resulting in a major limitation of keeping the industries within which this research is relevant confined to the textile, corporate and ICT sectors. Another limitation is the subjective manner in which the content analysis was done. The validation of the contents of the interview show that existing literature pertaining to success and failure factors for micro-enterprises and business incubators can be applied.

The results suggested that business operations, business strategy and creating long-term business models were recurring and strong themes for micro-enterprise and business incubators, irrespective of the industry that they operated in. This suggests that business incubators and micro-enterprises need to have a vision and a sustainable plan to ensure that each knows what the other's mandate is. The study created a level deeper into understanding what drives those themes. The functions that emerged were predominantly success and failure factors, but among others, incubation, opportunity, BBBEE criteria and preferential procurement. This suggests that business incubators are looking for BBBEE criteria when incubating enterprises and enterprises are assessing ways in which BBBEE credentials can be increased so that they can take advantage of private and public sector incubation or funding programs tailored around BBBEE criteria. A common thread that contributes to successes of business incubators and micro-enterprises is the effective application of sound business management techniques related to financial, general, and technical and HR management. These were enabled through the use of dedicated specialists or personnel that understood the enterprises that business incubators were incubating beyond financial terms and crafted adequate business strategies to take opportunities presented in the market space. The enablers that rendered successes were business incubators and micro-enterprises suggested bottom-up focus areas. Internal controls were also a recurring enabler as business incubators and micro-enterprises suggested that systems and processes played a crucial role in their abilities to incubate and receive incubation and support functionalities. This was encompassed through constant learning and to maintain a positive and success mind-set that can render successes in both incubators and micro-enterprises. In cases, there were cross-functional emergences such as funding, learning and incubation. This may suggest that business incubators and micro-enterprises should focus as profit-driven economic entities with a culture of incubation and continuous learning.

Therefore, this research proves that although the content analysis could have been better, there is a link between the success and failure factors between business incubators and micro-enterprises irrespective of the definition.

6.2 Recommendations

The multi-case study adopted for the exploratory study also created emergences of commonalities. This suggests that the nature of activities for micro-enterprises and business incubators across entities need not matter. These commonalities continuously suggested that business incubators and micro-enterprises should make use of opportunities in the market to grow the influence and economic activities by leveraging on internal processes and systems and the viable and sustainable use of technology. This exploratory study was the applied only on three business incubators and micro-enterprises in the textile, corporate and ICT sector. A study undertaken to include a larger population is recommended to identify patterns and contrasts and similarities.

6.3 Scope for future work

An interesting emergence through the linkage diagrams and frequency tables was that business incubators and micro-enterprises operate in a connected system. In order to truly quantify beyond the exploratory study, a systems dynamics model should be created to truly identify the effects that business incubators and micro-enterprises may have on each other. This may be a long and detailed study as data will need to be gathered and processed from both entities. Other data sources such as those from the statistics bureau of South Africa (Stats SA) and other international data repositories.

Further scope of work could be to use content analysis to verify this research through computer-aided means and to be able to extract more value if needed.

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Appendix A: Proposed Interview Questions

Date ____________________________

Time ____________________________

Location _________________________

Interviewee _______________________

Release form signed? ____

Notes to interviewee:

Thank you for your participation. I believe your input will be valuable to this research and in helping grow all of our professional practice. Confidentiality of responses is guaranteed

1. Please take me through the history of your business and background of your business
2. What is the current operating model?
3. What are the advantages to this model and what are the challenges of this model?
4. How adaptive is the current operating model and how do you change it to operating conditions?
5. What is the management and labour structure like?
6. What are the labour relations like?
7. What is the level of management and labour skill?
8. What is the level of experience like in your firm?
9. What are the key success factors of the business (or incubator)?
10. What are the key internal success factors?
11. What are the key external success factors?
12. What are the key internal policies that highlight these key success factors?
13. What are the key failure factors of the business (or incubator)
14. What are the key internal failure factors?
15. What are the key external failure factors?
16. What are the key internal policies that highlight key failure factors?

17. How do you foresee and manage the links between the failures and successes of your operations?

Appendix B: Interview with Micro-Enterprise A

Interviewer: ... ... Sorry, how the Business works and what has been the history with the Business, where have you come through, etcetera, and etcetera.

Respondent: Ja.

Interviewer: And what are the key successes and failure factors for the Business? For this particular Business.

Respondent: Ja.

Interviewer: I'll hand it over to you.

Respondent: [Inaudible] [0:00:17.7], from the beginning to the end? Or until now?

Interviewer: Until now.

Respondent: From the beginning until now?

Interviewer: Yes.

Respondent: Ja, look the thing is, we started obviously at that time as the CMT Plant, you know, it was Cut, Make and Trim, people – Wholesalers gave us goods you know, they gave us their Fabric and we cut it up, we marked it and we sold it and we gave it back to them for which we charged a Fee. You see and obviously the CMT Price was dictated by the Market, you know, the Market decided how much we were going to get for the make-up of each and every Garment. So my Profit Margins were very, very limited in a sense that you know, the cost of Production was you know a little bit high compared to the money that you received, but the Business sustained itself, it made a very small Profit.

Interviewer: But it was because of the volumes coming in I presume.

Respondent: Because of the volumes, ja, but at least at that time Rentals and those things were all low so you could still, you know, sustain yourself.

Interviewer: Ja, so I presume some of the factors that were important there was obviously volume, you sustained on volume?

Respondent: Ja, because these Wholesalers they could keep you busy, they gave you reasonable volumes to keep your Factory busy.

Interviewer: Okay, when you say "big" Factory Wholesalers, who [inaudible – over talking] [0:01:46.8] –

Respondent: The Wholesales were Wholesalers like [Cecil Aron and Sons?] who actually distributed to Shopkeepers.

Interviewer: Oh, okay.

Respondent: So they made in bulk and then they had Reps going to all the Shops all over the Province, all over, and selling these Units to them to sell.

Interviewer: Ja, okay to different Shop Owners, you say.

Respondent: To Shop Owners, ja, that was the Market you see, them and –

Interviewer: Alright. So I presume that was the Historical Operating Model that is what you did, Business Model basically.

Respondent: Ja, because also there you see my brother-in-law had worked for a Company that did that type of thing.

Interviewer: Ja.

Respondent: And then he started to go into his own Business, and then we joined him and jointly we started this Plant here.

Interviewer: Okay. So it is always historically, obviously being a Family Business?

Respondent: A Family Business.

Interviewer: Alright. And then how – well what is the Operating Model now? And how did you adapt from previous –

Respondent: How did we change?

Interviewer: Ja.

Respondent: Well you see the thing is in 1976 when the Riots took place basically business came to a standstill. Wholesalers did not give us any work and we had this Plant and we had overheads and we ourselves had to provide a living for ourselves. So what happens is we then decided to go into what they call the "Hawker Business."

Interviewer: Okay.

Respondent: Alright, at that time the Hawker Business was booming, you know, people came in, in bus loads from all different Provinces and they came –

Interviewer: Just to buy off the streets?

Respondent: Just to buy Goods from here and take it back and sell in their own regions, right, that Business still exists today but it is a lot smaller today than those days, those days it was massive.

Interviewer: From your experience and observations what has been the biggest –

Respondent: Contributing factors?

Interviewer: To Hawker Business for the reduction in that Hawker Market? Because I know in Town and stuff they still have a Hawker Business.

Respondent: They still have but you see what happened, the Hawker [inaudible] [0:03:56.0] most of us [inaudible] [0:03:57.0]. He started finding places where certain things were cheap and others were more expensive. So and he only started shopping for certain things at certain Shops you see.

Interviewer: Okay I see.

Respondent: Ja and now obviously a few – after a while he couldn't sustain the Business.

Interviewer: Okay, so this was basically it was just there to keep it going?

Respondent: Ja, so for a couple of good years we survived on the Hawker Business, that is where the Shop came in there you see.

Interviewer: Which one?

Respondent: This Shop.

Interviewer: Oh, this here?

Respondent: Ja, this came in –

Interviewer: Oh, really?

Respondent: Because of the Hawker Business, ja.

Interviewer: So this area here basically?

Respondent: Ja, ja, that was the Shop, ja. And the Business, the Factory kept going back to use, it was very low key though you see, and I hardly made any Profit and al that you see. What is Profitable [inaudible] [0:04:45.1]? No. Although the Hawker side –

Interviewer: But volume again?

Respondent: The Hawker side we kept – we bought our other Goods, you see, so –

Interviewer: Already made Goods?

Respondent: Already made Goods, [inaudible – background noise] [0:04:56.0].

Interviewer: Okay. So basically the Plant here just more or less kept going?

Respondent: It just kept going, ja.

Interviewer: But you had very little margin on that?

Respondent: Ja. But after that what happened is that we introduced Sports Wear, right, and there what happened is we started making things like Soccer Kits and that type of thing you see. We first started off with Shorts and then [inaudible – background noise] [0:05:18.2] and it started taking off quite well, and that kept you know, the Shorts Line busy in the Factory, you know.

Interviewer: Ja.

Respondent: And then after that it was Soccer Jerseys, you see.

Interviewer: So basically Sports Goods, basically?

Respondent: Sports [inaudible – background noise] [0:05:31.7], Sports Wear, ja.

Interviewer: How were you able to – was it just something you tried?

Respondent: Ja, it happened where – in that at that time we realised there was a Market for that because one or two Reps told us that, you know, we should start making [inaudible – phone ringing] [0:05:48.7].

Interviewer: Ja.

Respondent: And so we started making that and we found that there was a demand for [inaudible – phone ringing] [0:05:53.6].

Interviewer: Ja.

Respondent: Sort of, it was you know ... ... [RM asking Employee to answer the phone]. Ja, so ja. So what happened there is that Business was [inaudible – background noise] [0:06:06.8] slowly, slowly, slowly and for a while we would do – okay, we focused quite a bit on the Sports Groups you see, and [inaudible –

background noise] [0:06:15.4], what happened is that prior to that we had introduced Ladies Dresses and all that you see. The Ladies Dresses did not work out too well.

Interviewer: Is it?

Respondent: Ja.

Interviewer: But it was just something you kept trying and –

Respondent: Ja, we kept on trying, ja.

Interviewer: Okay.

Respondent: Ja.

Interviewer: And then that transition, basically it just – just to reiterate, you tried the Sports Wear, it worked and people started buying it?

Respondent: They started buying, ja.

Interviewer: Alright.

Respondent: And then from Sports Wear we went to Schools.

Interviewer: Okay.

Respondent: So that prompted us to go into School Wear.

Interviewer: Okay. Now what is the current Operating Model? I mean in terms of a Supply Chain?

Respondent: It's School Wear and Sports Wear Business I would say, you know, it is a School Wear and Sports Wear Business.

Interviewer: Okay.

Respondent: A very little Corporate Wear, although we're trying now to get into Corporate Wear also you see.

Interviewer: Okay. So I mean if I can just quickly draw this maybe you can just give me – so essentially you went from initially Sports Wear into School?

Respondent: School Wear, ja. So the focus now is on School Wear.

Interviewer: But you're slowly trying to explore this Market?

Respondent: Trying to get into the Corporate Market.

Interviewer: Okay, but this is a Core Business?

Respondent: A Core Business, ja.

Interviewer: Alright. And the Supply Chain of the School Market? You basically get the Material, Manufacture –

Respondent: Ja, the Material –

Interviewer: And you Bill to Order?

Respondent: Well the Fabrics are imported by Wholesalers.

Interviewer: Okay.

Respondent: And they supply us Fabric and we in turn you know, cut it up and supply Schools the Garments that they use.

Interviewer: Ja. Okay, but the raw Material are all imported, right, basically?

Respondent: Most of them, a very few of them are made locally.

Interviewer: Okay, "supplied," okay. Okay thanks [inaudible – mentions RM name] [0:07:59.1]. And now that I've managed to understand a bit about the Business itself, what has been some of the key – okay, let us start with the failure factors first. What has been obviously some of the challenges, some of the failures and some of the major learning's for the Business itself?

Respondent: I think you know that the School Wear demanded a certain quality level, and you know, there were new Patterns to be made and the whole concept was different in Sports Wear, you know, where the expectations in terms of quality and in terms of price, and in terms of delivery from the Customers point of view were quite different from the Sports Wear you see, Business. So the quality one would say that the School Wear people expected a higher quality level of the Products.

Interviewer: Alright, but what sort of risks and challenges did that pose to the Business then?

Respondent: We had to re-orient our Staff thinking in terms of quality, you know, we had to make them realise that, look, the School expects a better quality and you had to produce a better Garment. And another one, there was "on-time delivery," the Schools expected – the School Stockist expected on-time delivery.

Interviewer: Alright. Okay, so you've mentioned a lot of the "external" factors here if I understand correctly. What has been some of the "internal" major learning's, especially in all the different transitions? I'm trying to understand what sort of Market you have been trying to look at.

Respondent: Ja.

Interviewer: So obviously you've had to re-align the internal [threats?] and –

Respondent: Ja, well look the whole Production System that we use, you know, we kept on upgrading the Production System, we use the Progressive Bundling System and you know we had to adapt in terms of Technology, using Technology to simplify Operations you know.

Interviewer: Okay. In terms of political and social factors? So by "social" I mean something like Labour relations per se. Has that always been a challenge or –

Respondent: The Labour side was a challenge because we had a situation of "low" productivity, you know, the thing, a very "low" Skilled Labour force, right, and Management itself, there was no expertise, Management expertise had to be learnt.

Interviewer: Was that always – was this especially during the transitions or was this always a challenge?

Respondent: It was always there and it is still there, ja.

Interviewer: Management and Labour?

Respondent: Ja.

Interviewer: How do you manage it?

Respondent: Ja, I think at the moment we've learnt, as I've said, we've gone and we've tried to find a better way of doing things.

Interviewer: So like continuous improvement?

Respondent: Continuous improvement, ja.

Interviewer: Alright. And if maybe you can just expand a little bit on that, like some of the things that you have been trying in terms of Management?

Respondent: Well in terms of Management, you know, like the Time Studies we did, ja, with the Flow, Production Flow you know Systems. We've implemented a lot of Processing, you know, Systems.

Interviewer: Okay and when you say "Processing Systems" I presume it is that Software System that you've got.

Respondent: Software plus the whole Flow you know from Order Receipt to Invoicing, do you know what I mean? It's the whole Process, the Process itself.

Interviewer: So you've had to do a complete Process re-engineering and –

Respondent: Ja, we do it, ja.

Interviewer: Right and was there always like a clear-cut strategy to it or was it just something that your read up then you tried, and –

Respondent: It evolved, ja.

Interviewer: It evolved over time?

Respondent: It evolved as the need arose you see.

Interviewer: Okay, so also just something, trying to keep up with the times and the changes?

Respondent: That's right, ja.

Interviewer: Alright.

Respondent: I think, ja, Management, the philosophy evolved also you see, in the sense that you know, previously it was just Cut, make and trim. So you Cut this thing, you made it and you delivered it, you see, but now it became your problem to make sure you know, you deliver the right quality at the right time and the right quantity, you know to get that the whole Production System to be able to deliver those deliverables, you see.

Interviewer: Yes. So if I'm understanding, or maybe what I'm getting is, more "accountability" and more "ownership" of the entire top-down Structure of the Organisation pretty much.

Respondent: Ja.

Interviewer: The other thing that I've obviously read up on is like Labour relations.

Respondent: Ja.

Interviewer: How have you managed that? Because obviously it has evolved and changed, and has become more challenging over time.

Respondent: We've had to adapt, you know, we've had to adapt to understand the Labour. The Unions were getting stronger and their demands were increasing, and whether demands were legitimate you know we met those demands, you see.

Interviewer: Okay and what were some of those demands that were legitimate or feasible?

Respondent: Like in our case was "petty" things like you know, you know sort of the Rest Rooms you know being sort of Rest Room Facilities, you know, being updated you know. The workspace itself, you know, to be better organised you see.

Interviewer: So it was a lot to do with –

Respondent: And the also the treatment you know, the relationship between the Staff and the Management you know.

Interviewer: So a lot of it was mostly just "internal" it is not much "external" threat into this or anything of that sort?

Respondent: I'd say "no" threat to the Market, is the fact that right at the moment is that the government is encouraging all these non-compliant Companies, you know, first of all to exist and secondly for them to go directly to the Market, to Schools and start marketing direct to them and then cutting off our Customers out of the Supply.

Interviewer: So like are they basically centralising the marketing?

Respondent: Ja, what they're doing is –

Interviewer: I don't quite understand.

Respondent: You see you get a small Plat like the CMT Plant, right, [inaudible – over talking] [0:14:21.6] –

Interviewer: Okay.

Respondent: This and that and you know, he uses his colour and his influence to go to his group and tell him that, look, you know you have to buy from us you know.

Interviewer: We're BEE Level Accredited and all that crap, so –

Respondent: Ja and then you see, they would then take business away from the School Wear Stockist who is our Customer.

Interviewer: Oh, okay so –

Respondent: So that's where the threat seems to be maybe.

Interviewer: But these guys that go to the Schools per se, the so called "Reps" from government, wouldn't they –

Respondent: They're Reps of business.

Interviewer: The Reps of business, wouldn't they in any case be Procuring from the Stockists, or where will they get –

Respondent: No, they produce their own.

Interviewer: Oh, they produce their own.

Respondent: They produce their own with "unregistered" Labour on a very small premises, everything you know done –

Interviewer: A bit under the Books?

Respondent: Under the Books, ja.

Interviewer: How do you –

Respondent: And they get away, ja.

Interviewer: And they get away with it?

Respondent: They get away with it.

Interviewer: So basically it is a case of Corruption to an extent?

Respondent: Well –

Interviewer: Not Corruption, but –

Respondent: Not Corruption but it is poor control on the government's side, you know, I mean if an Enterprise comes up and you know it has to be registered and it has to function under certain Business Laws, you see.

Interviewer: Ja, like it has to have a [inaudible] [0:15:40.5] Accreditation and all that stuff.

Respondent: It has to be, or it has to be a VAT paying Company.

Interviewer: Ja, absolutely.

Respondent: It has to be, do you know what I mean? It has to be registered with the Bargaining Council and it has to be compliant with the Labour Laws.

Interviewer: Basically your government implementation?

Respondent: Ja, you're [inaudible] [0:15:57.1].

Interviewer: For compliance as well?

Respondent: Ja, for compliance.

Interviewer: I mean surely – let's put it this way. The average person doesn't hear about this in the News, right, but something like this, how do you manage it? Or how do you go about it? Or do you just have to kind of do what you can and then –

Respondent: Ja, look the thing is that we also realise that although these Companies they have their strengths and weaknesses. In other words, their strength is this, that they you know, they can sort of walk in and extract business from the Principals on the basis of their status.

Interviewer: Yes.

Respondent: Right, but on the other hand their ability to deliver constant quality at the required time and the right quantities it is not always –

Interviewer: It is not there?

Respondent: It is not there.

Interviewer: So a lot of these –

Respondent: There is a weakness for them, you see.

Interviewer: But that is a success for you then.

Respondent: It is a success for us in that our reputation is "reliability," you know, it comes into play there you see. And a lot of these Schools they get Procured from these little outside Companies and then eventually these [inaudible] [0:17:11.2] get fed up and they go back to their [inaudible – over talking] [0:17:12.7] –

Interviewer: And they switch back to their old – because –

Respondent: Ja.

Interviewer: So it is also a case of like having adequate relationships previously –

Respondent: Ja.

Interviewer: Whereby if this whole government thing doesn't work they'll always come back to the previous Customer.

Respondent: Ja, sure, sure.

Interviewer: Is that what it is?

Respondent: Ja, but obviously in the interim that has a detrimental effect you see, because it does affect you know –

Interviewer: Ja, that period that –

Respondent: Ja, when the transition is taking place there.

Interviewer: So the next thing that I'd just like to ask you, is how do you manage your risks then? Because that's obviously a major, major threat, that is a huge risk to the Business, but –

Respondent: Look, so far what has happened is as I've said, that look, fortunately the effect of this is affecting our Stockist, but it hasn't been to that extent where they have lost most of their business, most of their business is still intact, you see. It's just a small portion of their business that has been affected by these types of Businesses you see. So therefore they still sustain themselves you see. And so for us that risk will keep on growing, it will grow.

Interviewer: And then to try and manage that?

Respondent: We're looking at the Corporate Market, you know we [inaudible – over talking] [0:18:37.2] –

Interviewer: Okay, do diversification?

Respondent: Ja, we've got to diversify.

Interviewer: So what I'm also getting is that "diversification" is quite a success factor, especially into today's Businesses in this environment to an extent. Or what is your take on that?

Respondent: Well look the thing is that it can help, but not that the Corporate Market is any easier. The Corporate Market had some major failures recently, do you know what I mean? Some of them are very big and some of them are very, you know – but it is a Market that you have to go and study and you have to learn, and you have to understand you know, the dynamics are different there. You know in a Corporate World they can't wait for six weeks for a delivery, they want two weeks and they want one week. So you know once the Budget has been issued, do you know what I mean? Those guys they always place, they want a quick delivery.

Interviewer: Okay.

Respondent: And of course the risks are there, you see, the volumes are bigger but also the risks, as I've mentioned, the risks are there you see.

Interviewer: In terms of marketing – so obviously the “diversification” comes with a huge marketing aspect –

Respondent: Ja.

Interviewer: Because you need to go out and see the Market and see what is available, etcetera, etcetera. What are some of the aspect that you look at which is considered as “successful” marketing? So obviously as an example the Website that you have created that is obviously there. The Pamphlets – not the Pamphlets, the Booklets, what else? Maybe you could just expand on that.

Respondent: Ja, well look the thing is that first of all is to study the Market to see what type of Products the Market requires, what type of Fabric and what type of quality, what type of design, you know, what are the other Corporate guys supplying to the Market? So what type of [inaudible – over talking] [0:20:29.0] –

Interviewer: So what does the Market need?

Respondent: Obviously you see, also what happens is that these people that have been supplying the Corporate Market were importing most of the Products from China.

Interviewer: Oh, so they would bring already made Garments –

Respondent: It wasn’t made locally and the Manufacturer comes with already made Garments you see. So the thing is what has happened with the Rand becoming a bit stronger, and of course the Chinese you know, sort of with their goods getting a bit more expensive that –

Interviewer: It’s turned to local Production.

Respondent: There’s a possibility, you know, that these Companies will start looking at local Production. And event the big Chain Stores are beginning to look at buying more local and all that, ja.

Interviewer: I think the main thing that we had a chat about last time was EDCON.

Respondent: Ja.

Interviewer: Where they want to Source locally now.

Respondent: Locally, ja.

Interviewer: What are some of the challenges that you foresee there in terms of local Procurement? Because look, I know that some of the stuff from EDCON is Procured locally –

Respondent: Ja.

Interviewer: But the Raw Materials are still coming from overseas, you see, so –

Respondent: Ja, you see because –

Interviewer: So input Costs are still high.

Respondent: You know on the Textile side you know, in the last decade or so, you know, Textile Companies disappeared from the scene.

Interviewer: Because of high Costs basically?

Respondent: Because they were not competitive, they could not compete with imported Chinese [inaudible – background noise] [0:21:48.1] you see. So therefore they actually went out of business and quite a few Mills just closed up you see. So the thing is, is in terms of supplying you know our needs locally, then we don't have that capacity. So they will have to continue importing –

Interviewer: Importing it.

Respondent: Importing, you know, Raw Material.

Interviewer: So we don't have local capacity you're saying?

Respondent: You know, very, very little local capacity.

Interviewer: Especially in Textiles at least?

Respondent: I think on the Woven side, on a Knitted side maybe there is still a little capacity, because even now some of the Wholesalers are importing Knitted Fabrics.

Interviewer: Mmm.

Respondent: Ja.

Interviewer: Absolutley. If you can just take me back into your key success factors for the Business, because obviously it's come a long way, I mean basically on what you have told me.

Respondent: I think what happened is this, that over the years we became more recognised for "reliability," do you know what I mean? And our Product was of a reasonably good standard.

Interviewer: Mmm, the quality was there.

Respondent: And our relationship with our Management was good, you know, with our Suppliers – I mean our Customers.

Interviewer: So I think the main thing was "quality," "reliability" and "relationship."

Respondent: Ja, relationship, ja.

Interviewer: These things were probably your biggest –

Respondent: Ja, our key to be successful.

Interviewer: And obviously, I mean you've got the Technical know-how.

Respondent: Ja, the Technical know-how.

Interviewer: That's obviously –

Respondent: Okay, we've provided a wide range of Product at a reasonable price and a reasonable quality.

Interviewer: I'm just thinking if there is anything else I'd like to perhaps ask you. And in terms of – so I'm just quickly taking you back into the risks. So obviously we've had a chat about the internal risks and the external risks. In terms of Financial risks? What are some of the things that you've had to overcome or look at overcoming?

Respondent: Ja, look in terms of Financial risk is – well more in terms of Financial requirement of the Business, [inaudible – background noise] [0:24:07.7] we've got a bit of a problem there because you see, being a Seasonable Business, right, you'll find that there are periods during the year in which you know you have to virtually carry the Business.

Interviewer: And the only way you can do it is obviously trying to diversity and making sure that there is still some cash-flow in the Business.

Respondent: Well at least we reach a break-even point during those lean periods, your lean months you see. If you've got enough volume – and that is why what we've done against that risk, is that we've introduced you know those Tunics –

Interviewer: Tunics, yes.

Respondent: And we said that, look, you know if that can be done at a low-profit margin, but it can be done, you know, during that period and then it keeps the Factory going. Although in terms of cash-flow it still affects us because the cash-flow comes in a bit later you see, but at least it still brings in some Income which we can use to Finance the Business.

Interviewer: Okay, so the main Financial risks in this sort of Business is obviously the Seasonality?

Respondent: Seasonality.

Interviewer: Alright. And obviously I presume with you being in this Sector for quite a while, the Textile Manufacturing Seasonality is obviously a big factor. So I'd presume you'd have to keep Training and keep evolving to an extent over a longer period of time?

Respondent: Ja, look our objective is to try to find some way in which we can fill that gap, you see, and that is why we're trying all these things like trying you know, Dresses and Tunics and that type of thing.

Interviewer: Okay, so new Products basically?

Respondent: Ja, just Products that sell during that period you see. It's difficult so far, I mean a lot of people have tried.

Interviewer: Okay. I don't have any further questions at the moment. Is there anything that maybe you'd just like to expand on or anything of that sort?

Respondent: I think you've covered most of it.

Interviewer: Okay.

Respondent: The thing is you know, the question you've got to ask is, is where to from here, you see?

Interviewer: For the Business itself?

Respondent: Ja, the thing is this, that you know, if you take in terms of "growth" I think is that at the moment our problem is this, is that our strategy is just geared towards "sustenance" instead of "growth" you see.

Interviewer: So you're just mostly in a sustaining phase, you're just there and you're looking to grow but it's –

Respondent: Also partly the reason for that is the Economic Climate.

Interviewer: Ja, because the growth is obviously dictated by the Market.

Respondent: The Market, ja.

Interviewer: And given the current Climate it's –

Respondent: It is not conducive.

Interviewer: I think I might have asked you this before, but in terms of the Business itself, supposedly if you have Seasonal spikes and Seasonable down-turns, can the Business cope with it from a capacity perspective?

Respondent: Ja, look we've coped up to now, do you know what I mean? The thing is this, that it does make managing the Business and Financing the Business very difficult, but you know we've managed to cope so far with it. I know that you know, it is not easy. And I know a friend of mine he struggles very, very much you know, he is trying to you know Finance the whole Seasonality here.

Interviewer: In terms of, perhaps, if we have to look at some of the government intervention that has been coming through at least for the Textile Sector, there has been a lot that I have been reading up on, especially from DTI. Do you think some of the initiatives that they have been talking about and trying to revive the whole Textile Sector, is it something that you've explored looking into in terms of getting Operating Capital or a Capital injection?

Respondent: We looked at it. Ja, you see, the biggest factor is first of all the Procedure, you know, the Procedure is a very long one and cumbersome and all that. And then some of the requirements from the Procedure you know virtually make it out of your reach. Especially you know like we've had like the Tax Clearance Certificate for example, we could never get a Tax Clearance because SARS [will?] keep on taking our stuff from years ago and make it an issue you know. So they've made it very difficult from that, the Documentation – but I think that the Director of the DTI is aware, he has been made aware that, look, you know the Documentation for a small Business it doesn't make it feasible for them, it's too complicated.

Interviewer: Ja, I presume they're looking into making it simple or simpler at least.

Respondent: I believe they're looking at it [inaudible] [0:29:16.4]. You know the thing is this that you say, there is a Company I think, now I think we've got an SMS to say that, look, they know all the Knitting Grants that are available and then maybe they can help at a Fee obviously.

Interviewer: Grants meaning Business support Grants?

Respondent: Business support Grants, ja.

Interviewer: Right, but these Grants is it Operating Capital, is it a Capital injection or –

Respondent: Well look, you see, the thing is that in our case is if you take for example how much of money goes in Rental, I mean if you're looking at R300 000.00 or R400 000.00 a year just going to Rental, and they can bypass to secure our own Premises, do you understand? At least after a while you know, we don't have to keep on being exposed to you know increasing Rental all the time. You see, so now we would request that and then obviously update our Machinery to you know remove all these old Machines and then put in new Machinery, you know, upgrade, so the Technology – what happens is this, because of the Machinery functioning better the quality can improve.

Interviewer: Ja, so but newer Technology is you're obviously looking at creating a better quality Product.

Respondent: So you know from that point of view the government can help us here, you know, with Funding, Funding new Machinery you know and obviously getting a Building for ourselves, you know I mean we don't have to be exposed to these Rental increases all the time. Those two aspects they can, and then obviously from the Management support side, you know, as I've said they need to "engage" maybe like an Industrial Engineer to come and study the Plant to see – obviously the thing is the government only focuses on one thing –

Interviewer: Funding.

Respondent: They want growth.

Interviewer: They want growth, ja.

Respondent: Ja, now the thing is this that you know if you're not running a Business efficiently already, then when you grow you're running a bigger Business inefficiently.

Interviewer: Yes, yes, yes.

Respondent: You see.

Interviewer: So government's focus, or let's say, supposedly if you had to have any form of intervention, there is only one – and I think you did mention this before, they just want to see growth, they just want to see an ROI without understanding the intricacies of the Business itself.

Respondent: The Market also.

Interviewer: The Market as well?

Respondent: The Market place, ja. You see the thing is, is there is Labour intense and you've enrolled your Business but you know increasing the Labour force also brings with it a lot of other problems, and difficult problems, Management problems.

Interviewer: So it is actually – if there has to be any form of intervention, they need to understand the Market and they need to understand the Operating environment, and Micro Enterprise and SME Legislation or any compliance that they need to go through I presume.

Respondent: That's right.

Interviewer: Compliance for SMEs and Enterprises, okay.

Respondent: You see also in terms of, I don't know, like at the moment the Unions have demanded now, they actually want us to include that into our Bargaining, you know, Agreement with them.

Interviewer: What?

Respondent: That none of our guys, the TCMA Members, you know the Clothing and Manufacturing Association Members, should give out CMT to non-compliant Companies.

Interviewer: Oh, so they want to, that is a good thing isn't it?

Respondent: It's a good thing, but the thing is this that if you do, right, you have to then pay the Fees that is supposed to go to the Bargaining Council.

Interviewer: Oh, it has to go.

Respondent: You have to pay that, you see, now the thing is [Finically?] it doesn't affect us much you see. Like for example some of the big, big Companies what they've been doing is this –

Interviewer: They've been Outsourcing to –

Respondent: They've been Outsourcing.

Interviewer: But that presents an opportunity –

Respondent: Because it is cheaper –

Interviewer: Ja and they don't need be –

Respondent: And they don't have to run a Factory.

Interviewer: Ja and they don't need to go through all the compliance. But isn't that a bit of an opportunity for you to get into that space and Source that sort of –

Respondent: Do you know the thing is, you know there is two concepts, you run a CMT Plant which is Cut, Make and Trim, do you understand, you become geared up for that do you know what I mean? And you must understand that you know your Profitability is the question, how much money are you going to make out of it? Because usually these guys they don't give you a very high price for your CMT, they won't.

Interviewer: Contractual Agreements, anything of that sort? I'm not sure how the Industry would work.

Respondent: No also you see, like I was speaking to one of my Reps, one of the Reps that calls on us and he was telling me that – you know I asked him whether we could approach Canterbury and make stuff for them –

Interviewer: Yes.

Respondent: And he reckons, you know what –

Interviewer: But all their Manufacturing is done overseas in any case.

Respondent: No, no it is done locally.

Interviewer: Canterbury?

Respondent: Do you know what they do? They virtually come and dictate to you, they'll come in this Factory and say, right, these Offices need to be closed up, take all this old furniture and get rid of it and put in new furniture. As far as the lights are concerned, well, you need to change all these lights and put in new lights in here.

Interviewer: How does that affect the Product though?

Respondent: No, they come and dictate to you how the Plant must be.

Interviewer: Really?

Respondent: Yes.

Interviewer: Canterbury is what? It is an Australian Company, hey?

Respondent: Ja, it's an Australian Company, they do the –

Interviewer: They do all the Sports stuff.

Respondent: They do the Springbok –

Interviewer: Ja, ja.

Respondent: The Shorts and the Shirts.

Interviewer: No man, really?

Respondent: Yes and they're very – and there is a penalty, if you deliver one day late there is a penalty.

Interviewer: So even with the big guys, they have their own set of times?

Respondent: Ja and it's not easy to do business with these Chain Stores hey, and of course the Payment, hey.

Interviewer: Oh ja, that is a mission, it is on a different level, because I know that even at our Corporate it's –

Respondent: And the quality you see, they expect the best quality at the cheapest price.

Interviewer: Ja and that's how they –

Respondent: Because I know this Company in Durban that was doing their stuff.

Interviewer: For Canterbury?

Respondent: Ja, an Indian Company, and eventually they just dropped it and they said, ag.

Interviewer: In events like that obviously local Manufacturing will lose out. Do they just Outsource the Manufacturing to one of their Plants in maybe Vietnam or something? Or I'm not sure if they have a Facility in Vietnam, that is the first thing that pops in my mind.

Respondent: I don't know, I don't know how they really [inaudible – over talking] [0:35:49.1] –

Interviewer: Because I know that Canterbury is quite big in South Africa.

Respondent: Big all over.

Interviewer: Big all over actually, but I mean they sponsored the Springboks and even some of those Base Layer Kits and Sport Equipment that used to come in, they were pretty big in the Market.

Respondent: No they're big.

Interviewer: They are massive.

Respondent: Ja.

Interviewer: Obviously I think they've lost out to other sort of Brands but –

Respondent: You see even they tried to enter the School Business.

Interviewer: Canterbury?

Respondent: Ja.

Interviewer: For Sports Clothing or –

Respondent: No, for Tracksuits and that type of thing.

Interviewer: Ja, but Canterbury –

Respondent: But you see their conditions were not right. For example this one guy from Benoni was telling me that they won't take an Order with the minimum of 50 Units per size.

Interviewer: Really?

Respondent: Ja and the Shopkeepers here you see –

Interviewer: 50 Units per size, gee, that is a lot.

Respondent: No, you see also why, because you see the thing is this, that say you're running and you're a buyer and you place an Order with them, and then you start running low on Stock say on size 34, now you don't want 50 34s, because you must remember the stuff is expensive. And you go and put an Order for another 50 34s and it is going to cost you a lot of money. So the Shopkeeper doesn't want to lay out that money because he doesn't know when he is going to sell the other 34s. So they were not successful, well, they were successful of up to a very limited, you know level. PUMA tried the same thing.

Interviewer: PUMA, well I know PUMA tried, but it's also, their core competency is obviously not Schools at the end of the day. They Produce for the mass Market give or take in different segments.

Respondent: You see also what is happening and what is a threat in our Business is this, you see these Companies that are buying over their Schools, [Curo?] –

Interviewer: Oh, [Curo?], ja, ja, Advotek and Crawford and all these guys, ja.

Respondent: Now they are a threat to us because you see if they buy up all these Schools, right, and they start deciding to Source themselves then they are cutting our Stockists out. And that means our Business is affected you see.

Interviewer: And then if you are to –

Respondent: Go direct to [Curo?].

Interviewer: And then you have to make for them as per their requirements, hey, so the Stockist Model falls away completely.

Respondent: Ja.

Interviewer: Because that is your Model, you make and it goes to the Stockist.

Respondent: Well you see they've already, they've got their own Shops and this and that –

Interviewer: Yes.

Respondent: But then you see the transition is taking place, that is our threat in the Business, that is a threat that.

Interviewer: The transition, well, the takeovers?

Respondent: You see like the people like the [McCuller?] and these guys, I don't know if they will be able to take business away from them you see, because they have a relationship with the Schools for many years, but maybe gradually you know these guys will. Also you know Advotek might improve.

Interviewer: [Inaudible] [0:38:44.2] Profit goes.

Respondent: Ja, you then buy Online.

Interviewer: Ja, you can.

Respondent: Ja, you can buy Online.

Interviewer: My mom was telling me, I know.

Respondent: You can buy Online from them.

Interviewer: And if you sell – well ja, but your stuff is made directly to – it's a bit of a catch-22.

Respondent: Ja.

Interviewer: Ja, it is a tough one.

Respondent: It's difficult.

Interviewer: With Textiles it is very, very difficult.

Respondent: Ja, it is very difficult.

Interviewer: Okay, alright I think I've managed to understand quite a bit. If need be can I have a follow-up Interview?

Respondent: Ja.

Interviewer: Is that okay?

Respondent: Ja.

Interviewer: Okay, thanks [mentions RM name]. I'm just going to stop this quickly.

Appendix C: Interview with Business Incubator A

Interviewer : Okay, [mentions Participant's name] first of all thank you for agreeing for the Interview. I think just to give you a bit of background on what I'm trying to achieve. So I'm looking the Success factors of Business Incubators, Success and Failure factors and seeing if there is a link between those and the Businesses that are supported, or Businesses thereof between their Success and Failure factors.

Respondent: Okay.

Interviewer : Alright, so I'm just Investigating that link and obviously I mean I've identified this Business Incubator with that.

Respondent: Okay.

Interviewer : And the discussion will mainly just be strictly almost semi-formal, semi-informal as well. And again, I'd like to get your views and your thoughts on the matter as well. So I'll propose a list of questions and basis for discussion, and again, please feel free to share any of your views and anything thereof.

Respondent: Okay, your definition of Incubation, how broad is it? Because we don't have a physical –

Interviewer : Definition?

Respondent: Incubator here at work.

Interviewer : Ja.

Respondent: They do in some parts.

Interviewer : Ja.

Respondent: Where there is an Incubation. Here we'd rather view it as "Visual Incubation."

Interviewer : Visual or Virtual?

Respondent: Virtual.

Interviewer : Okay.

Respondent: Ja, Virtual Incubation, ja.

Interviewer : Okay, alright sure, look, I mean at the moment my definition is still very broad because it is more of an Exploratory Study, so it is not explicit as to what I'm trying to achieve at the moment.

Respondent: Oh, okay.

Interviewer : But whatever I find from it and whatever the Thesis gives thereafter, whatever results we get, it is going to form the basis of the PhD, etcetera, etcetera, but that's at a later stage.

Respondent: Okay.

Interviewer : Alright, so first of all I would just like to maybe get your thoughts on what this [Bink?] Incubation does? What is the Vision for it? What are the Mission objectives? Etcetera, etcetera. What is the Operating Model? How do we engage? Etcetera, etcetera.

Respondent: Okay.

Interviewer : Ja, sorry I think it's a very broad question.

Respondent: It's very broad. How do we start?

Interviewer : But I think perhaps you can give me a bit of history on it. Where does it come from? What is its fundamental beliefs and its Strategy, and its Vision?

Respondent: Okay.

Interviewer : And thereafter we can go into the Operating Model.

Respondent: Alright, as you would know we started with what was previously known as Incubator X. Incubator X was a Company within Company B. Incubator X's main Mandate then was to promote the use of the Downstream Products of Company B. So basically the SMMEs that would be developed in that space would be those that would use the Products, or promote the Products of Company B.

Interviewer : Okay.

Respondent: So that’s why it was known as incubator x And its presence was in some areas mainly in Gauteng.

Interviewer : Did they have anything this side? Any form of Incubation or not?

Respondent: It was happening but in a very small scale.

Interviewer : Okay.

Respondent: Because Incubator X had its big Offices in Gauteng

Interviewer : In Rosebank, ja.

Respondent: Ja, in Rosebank. But then their focus changed over the years, coming to the years of 2008 and 2009, because Incubator X would have started at around about 2003/2004.

Interviewer : Ja.

Respondent: But in 2008/2009 the focus changed to Enterprise Development.

Interviewer : Okay.

Respondent: Enterprise Development was to look at everybody that was looking with Business assistance.

Interviewer : Okay.

Respondent: And ja, it was Company B’s contribution towards Enterprise Development, and I think this to a large extent came from the BBBEE Codes, you remember, that Company B has to spend about two percent of [impact?] on Enterprise Development.

Interviewer : Ja.

Respondent: So that's why then the focus changed.

Interviewer : Okay. So if I can just draw this diagram very, very quickly. So this is our Company B Enterprise here –

Respondent: Uh-huh.

Interviewer : We have Incubatees –

Respondent: Uh-huh.

Interviewer : And they can either feed into Company B –

Respondent: Uh-huh.

Interviewer : Or Company B can feed into them to an extent, and that is how the Supply Chain works per se.

Respondent: I think I have to share this with you. There is a Document I'll share with you.

Interviewer : Okay.

Respondent: Okay, so what was the question?

Interviewer : I mean you mentioned that the Incubatees feed into Company B's Supply Chain.

Respondent: Supply Chain.

Interviewer : Right, but at some stage, for example – I'm just thinking out loud here. For example if Company B has made a Product –

Respondent: Uh-huh.

Interviewer : We're supporting an Incubation – or Incubating a Business that does Transportation.

Respondent: Uh-huh.

Interviewer : They would still take Company B's Product and take it to their Customers. Can that relationship also work? Or is it always where they're feeding into the Company?

Respondent: Where an SMME is a Customer in this case? Are you talking about where he is a Customer of Company B?

Interviewer : Ja.

Respondent: By using some of Company B's Products in his inputs?

Interviewer : Correct.

Respondent: Yes, yes that also happens.

Interviewer : Okay.

Respondent: Yes.

Interviewer : Alright, so it works both ways?

Respondent: It works both ways. But I wanted to refer you to this.

Interviewer : Okay.

Respondent: These are the Business Operations, this is the Supply Chain and this is incubator.

Interviewer : Okay.

Respondent: So ESD is responsible to make sure that it improves the performance of those Entities that are already Suppliers to the Business Units. And also links those Suppliers who may not necessarily be their Suppliers as yet to the Supply Chain. The Supply Chain then Procures – plays the role of Procurement for the Business Unit and it uses the SMMEs to –

Interviewer : Okay.

Respondent: Ja.

Interviewer : Okay, alright I see.

Respondent: You see that?

Interviewer : Okay, I see. And how does the Operating Model work of the Incubation?

Respondent: Okay, we'll come here and we identify the SMMEs.

Interviewer : Alright.

Respondent: And there we Assess them.

Interviewer : How do you identify and Assess them?

Respondent: What happens is that the way we identify them, we link them to the possible, available opportunities within the Company B space.

Interviewer : Okay.

Respondent: So then there would have to be possible opportunities.

Interviewer : Okay.

Respondent: And then identify and Assess them, and then after identify the SMME and then we Assess the gaps.

Interviewer : Okay.

Respondent: What is it that they will need to have in order to be able to satisfy the scope of that Service or of that Commodity that they may qualify for. And then after Assessing, the Business Specialist would Assess that, and then after Assessing all those they would get into the Governance process. Governance involves – now you prepare a Business Case for the particular SMME, and the Business Case gets Presented to the Approval Committee that we call "Opportunity Review Committee," we call them "ORCs."

Interviewer : Ja.

Respondent: Then that is where you get to Define and Review.

Interviewer : Okay, so over here, this is where the ORC –

Respondent: Yes.

Interviewer : Okay, alright.

Respondent: And then from there then you'd get to a stage where the ORC has Approved those gaps that you have identified here, and then they have been Approved. So what would happen is that either the Specialist would do the work to assist the SMME, or where then we don't have the In-House Skills, we Outsource that to the Service Provider to assist the SMMEs to bridge the gap.

Interviewer : Okay.

Respondent: The gaps that we may have identified.

Interviewer : Alright. Okay, so all –

Respondent: So then you asked, how do we identify that? Remember the space we play in is the QSE space. Do you understand that one?

Interviewer : No, the what?

Respondent: The Qualifying Small Enterprise.

Interviewer : Oh, right, right.

Respondent: That is – our Criteria has to be less than R50 Million turnover per annum.

Interviewer : Oh, okay.

Respondent: Yes.

Interviewer : Okay.

Respondent: And it has to be at least 51% black owned.

Interviewer : Black owned, alright.

Respondent: Yes.

Interviewer : Those are the two strictest Criteria?

Respondent: Yes, yes, yes.

Interviewer : Okay.

Respondent: Then from Define and Review, then we implement those Interventions, and implementing the Interventions they would do them In-House or we facilitate with the Service Provider to make sure that the Interventions get implemented. And then we have Monitor and Evaluate, we continue to Monitor their progress and Evaluate. And then with time the SME will have the aspirations to grow, and then we assist them with the growth. And there might be a need to come back here to request more support depending on what the growth-path is, that is why you have this arrow coming back here.

Interviewer : Ja, okay. So this is a –

Respondent: Does that make sense for you?

Interviewer : Yes it does. So – alright, not it is fine. Okay, so that's –

Respondent: Okay then there's Support Interventions that we give here, can you see that?

Interviewer : Uh-huh.

Respondent: Non-Financial and this is the Financial where we pay money out, but this one we do it with our Internal Resources. We also give them Loans –

Interviewer : That's the main Fund, hey?

Respondent: Yes, through the Trust Fund.

Interviewer : But obviously I presume since you will be giving them a Loan it has to be incredible in terms of a Business idea or a Business venture?

Respondent: Yes, that Business Case would have to show "why" is there a need for a Loan?

Interviewer : Okay.

Respondent: There will be a Credit Assessment, there will be a Business Case. Often you will need money for Working Capital or Asset Finance, or Debt Consolidation.

Interviewer : Ja.

Respondent: Ja.

Interviewer : Okay and that's, predominantly the way I understand it, is that the Incubation does a lot of work in this space at the moment?

Respondent: Yes, yes.

Interviewer : So Financial and Non-Financial at the moment?

Respondent: Yes, yes.

Interviewer : Okay and the fund, well the –

Respondent: And the Loans as well.

Interviewer : Quite a bit, or not that much at the moment?

Respondent: A lot.

Interviewer : Is it?

Respondent: Mmm.

Interviewer : Okay, out of all the Businesses that are being Incubated at the moment, give or take, what might be the percentage breakdown of those undergoing Loan Funding, Financial support and Non-Financial support?

Respondent: Maybe 20% Loan Funding.

Interviewer : Okay. Financial?

Respondent: It will be 40/40 between those two.

Interviewer : Okay, so the support here is definitely a lot in Non-Financial?

Respondent: Ja.

Interviewer : There is a lot of work that comes there at the [inaudible – over talking] [0:13:37.3] –

Respondent: Ja.

Interviewer : Alright, that's fine. In terms of the Success factors of the Incubator, so our Incubator here that we have. What are some of the key elements that you identify that leads to this Incubator Success?

Respondent: They become successful especially if they adhere to most of – remember, working in the Company B space, Safety is very key, Compliance and Governance. Then we have addressed those issues, at least they're able to use the Company B Income as an anchor and then they start growing from there. So first of all that's why it's very critical for us that we make sure that firstly we develop the Systems, because Systems are going to ensure that there's Governance.

Interviewer : Okay, so successful Systems development and Implementation?

Respondent: Yes, yes.

Interviewer : So that's definitely a very, very crucial –

Respondent: It is very critical in this space because without proper Systems then they fail on Compliance, and it is very critical in this Industry.

Interviewer : So there is also major focus on Compliance?

Respondent: Yes.

Interviewer : Okay.

Respondent: It will be Legal Compliance, HR, Safety, Quality Management and those issues that are critical.

Interviewer : Okay, I see. And what are the other sort of factors that you can touch on, on the Successes? Because obviously, I mean apart from successfully Incubating Businesses I mean I'm trying to think of all the Metrics that we mainly focus on. So it could be the amount of Businesses being Incubated at the moment. The amount of Businesses coming out of the Programme. Funding given to Businesses, etcetera, etcetera. What are sort of the benchmarks that we look at?

Respondent: Look, like I said –

Interviewer : Sorry, you were saying? I think I repeated something –

Respondent: Ja, you were saying – I've spoken to Compliance. I think Compliance, you know, falls under what we call "four [patrons?]" of the Business. You've got Finance, you've got Marketing, you've got Operations and you've got, what?

Interviewer : Marketing.

Respondent: Marketing.

Interviewer : Operations, HR and there is one more that you said.

Respondent: It is mainly, broadly it's four [patrons?].

Interviewer : Yes, yes.

Respondent: It is Finance –

Interviewer : Yes, Marketing, Operations and HR.

Respondent: Marketing, Operations and what?

Interviewer : HR.

Respondent: And HR, yes, that's how they – ja. So for Success also you'd find that it is critical that the Business increase their Market Share. So Market Share is also a very critical part of it.

Interviewer : Okay, but that is for the Business itself, right?

Respondent: Yes, yes.

Interviewer : For the Incubator, do we have any other Metrics that we focus intensely on? If I can phrase it differently perhaps, how does some people view the incubator for example? How do they define that this is a successful Incubator that we're working on? Because obviously, I mean this Incubator doesn't necessarily exist to make money.

Respondent: Look, yes, the main focus is we have to be able to de-link – to de-risk not de-link, de-risk their Supply Chain.

Interviewer : Okay.

Respondent: You know stemming from the BBBEE Score Card?

Interviewer : Yes.

Respondent: The Business needs to Procure Locally and contribute to the Local Economic Development. So the more we contribute the SMEs black owned

Businesses that are able to participate in the Company B Supply Chain, that means we improve the Company B Score Card.

Interviewer : Okay, the BBBEE Score Card –

Respondent: And at leads to Company B's License to operate.

Interviewer : Okay, so ja, there we go. Okay, so essentially the more black owned Businesses that we focus on the better Company B's BBBEE Score Card gets, the better our reputation becomes?

Respondent: Uh-huh.

Interviewer : Therefore we can operate more successfully in [inaudible – over talking] [0:18:34.6] –

Respondent: License to operate. Remember in the Mining space –

Interviewer : Yes.

Respondent: We're actually according to the Mining Charter, it is very critical that we increase the Local Economic Development.

Interviewer : Ja.

Respondent: And you know that a License to operate in the Mining space is very critical. So if we don't comply [inaudible] [0:18:58.3] can somehow not issue us the License to Mine. So it is part of what ESD does to assist that Business, you need to manage that risk.

Interviewer : Okay.

Respondent: So from the GEC's point of view that's how they look at this function.

Interviewer : Alright, so that's a major Strategic Vision that is to why ESD has to exist?

Respondent: Ja, we manage the risk in terms of the Operations, creating Local SMEs because you can imagine if we don't have Locals here participating in the –

Interviewer : Economy, ja, Local Economy.

Respondent: Ja and that would be unsustainable, having Strikes and things you know, so that's the role we also play, Local Economic Development.

Interviewer : Alright and it is long-term sustainability in the economic sphere, right, effectively?

Respondent: Mmm and transformation.

Interviewer : And what are some of the challenges that we as an Incubator experience?

Interviewer : So essentially what are the sort of risks apart from these that can lead to us failing? Obviously we don't want to –

Respondent: By us and in the ESD failing?

Interviewer : Ja.

Respondent: Look, we started from a very low Skill base, we don't have the luxury of having the SMEs with Skills to take up the opportunities. And ja, that is also a challenge. It is easier to develop SMEs for certain scopes, for instance if you take the Cleaning and Gardening, those are easier, but then if you're going into the Engineering and Welding you'll find that that gets very difficult to develop the SMEs to actually take those spaces, because of the Skill that is –

Interviewer : That is required, ja.

Respondent: Technical, ja.

Interviewer : So in the SMEs that are Operating within – I don't want to use these words, but there is no other way that I can think of it at the moment, but that require perhaps a "low" level of Labour, low level Skilled Labour, it is easier to Incubate those –

Respondent: Yes.

Interviewer : And as a result there is more of those.

Respondent: Yes.

Interviewer : Aright, however, in the Engineering sphere, ICT sphere, so let's call it in more "advanced" Economic aspects, right, or Economic Businesses, I don't actually want to use those words, but let's just say something far more complex –

Respondent: Ja, Technically.

Interviewer : Technically complex, you have smaller SMEs, a fewer SMEs at least that are not as easy to develop –

Respondent: Ja.

Interviewer : Because of – and maybe you can touch on these factors now, and as a result there is less of those.

Respondent: Ja.

Interviewer : And that’s a major challenge at the moment, is how do you develop SMEs in that sphere?

Respondent: Ja, look like I said, it stems from a low Skills level that we’d find, especially where you want Locally based SMEs to take that. And we all know that Training an Engineer it is something that will take time, and finding Engineers that are willing to actually go into Business and [lift?] opportunities of Employment, and start their own things and all that, and you know after getting experience, because also you need to have experience, Plant experience and to understand some of the things.

Interviewer : Okay.

Respondent: So we don’t have the luxury of that, and I think it is the country’s problem.

Interviewer : Oh, you think it’s more of a Macro-Economic problem?

Respondent: Yes, it’s a Macro, ja, it’s a Macro problem it’s not just a localised problem.

Interviewer : Alright, I’m just going to take you back slightly. In this space, you know, more complex and more Technically challenging environment, why is it more difficult, apart from Skills, why is it more difficult to Incubate those sort of Businesses? Because see, where I’m coming from is if it is Businesses that are smaller and that is easier to Incubate, it is because the Specialists have probably done more of those and the environment is not as Technically challenging obviously.

Respondent: Uh-huh.

Interviewer : And your start-up Capital is rather less, alright, and since you’re looking at levels of Labour, you can get more of it at the moment, right, whereas I’d presume that if you’re looking at the other segment, everything, all the Metrics are the other way around.

Respondent: Ja, look, like I said, it's challenging because the requirements they are even very stringent from a Safety and Compliance point of view. So starting from the requirements because of the risks involved they are very stringent. And now we have a problem of actually finding the SMEs that would actually be able to take those spaces because of like I said, issues of Skills, it will be issues of Funding. Funding can be made available, but then Funding, who do you Fund?

Interviewer : Ja.

Respondent: What they know, what can they do? You have to also be able to Mitigate that risk for Funding by showing that you're finding the right people who can actually deliver.

Interviewer : Okay, so in that aspect then I think what you're touching on is, it is a lot to do with attitudes essentially.

Respondent: In what sense?

Interviewer : Attitudes – well for example if you're saying that you're "looking" at people that can deliver, obviously to some extent apart from the environment that they're Operating is a greater drive and an attitude to make the idea succeed.

Respondent: Yes, yes attitude in a sense that maybe, yes, in a sense that, look, people in the Plant for instance where there is highly, you know, demanding Technical Commodities are, you'd find that over the years they have used certain Companies and they are happy with their performances. And changed Management is also an issue when you come to try and introduce somebody in those [Corporate?] environments. So you may find that people are not keen because they've –

Interviewer : People are reluctant to use new Businesses?

Respondent: Exactly.

Interviewer : They don't want to change.

Respondent: Ja, you know I push the Production, and I need somebody who is tried and tested. The attitude is, I don't have time to [inaudible] [0:26:58.7] and be measured as the Business on the Production and I'll [inaudible] [0:27:05.9]. So if this is going to you know take time because this person is still learning the ropes, you would find that there's push-backs.

Interviewer : Alright and in situations like those, what sort of Strategy would the incubator Employ to try and convince the different Entities or different Plants to use an ESD Incubated Business?

Respondent: Look, it's not really our space to do that.

Interviewer : Okay, alright.

Respondent: That's the Category Management.

Interviewer : Okay.

Respondent: Remember those are the ones who have to achieve in terms of Spend, so, and they have a direct link with the End-Users. So all we can do is to [lobby?] the Category Management that "this" is the issue. And the Category Management can see if they're really – they are keen on actually – ja, but it is not us who will go and push that they start using this SME.

Interviewer : Okay.

Respondent: Our relationship is more with the Supply Chain, and Supply Chain Services, the Business Unit.

Interviewer : Over here?

Respondent: Ja. Look, okay we send [send?] the Business Units to an extent that an existing Supplier their issues of performance, but when it comes to issues of Procurement, a new Supplier, it is Supply Chain and Business Unit. So we will provide the Supply Chain with the new Supplier and the Supply Chain will Procure and introduce the Supplier to the Business. We get involved where there are issues of performance of this new Supplier.

Interviewer : This is a space?

Respondent: Yes.

Interviewer : Okay, alright I see. And –

Respondent: Okay you wanted to know – this will show you how the Supplier will get into the Procurement space.

Interviewer : Correct. Okay from your experience, what has been some of the aspects or factors that you have seen in the Entrepreneurs that's resulted in the

Business's failure, if ever? So if I can just from Literature what I've been Studying at the moment, so I think, and you might obviously know a lot of these as well –

Respondent: Ja.

Interviewer : Is a Business may be failing because a lack of Funding and a lack of understanding of an environment, a lack of understanding how to better use their Assets, so Technical Management, alright, and then obviously Administrative Management. And there's obviously a soft element such as attitude. So those are all the factors that Literature is saying that has been contributing to Business failures. From your experience what's been there?

Respondent: Ja, in my experience Funding is an issue, but it's not – when the Business is there money will follow the Business. Money follows the Business because we all – we're chasing good Businesses, good Business Cases. So one has to start is the Business Case, often you will find that people don't – what I've seen is that, especially in this environment, there is too much "over-reliance" on Company B. You get one Contract with Company B, [thus it be it all?]. You don't Market yourself to bring in more work. People don't have the Strategy to actually grow, you would find that this is what they have and somehow the relationship goes sour with Company B either from the Compliance point of view, or any other thing that may affect, and then that's how these Businesses die. And I would say this space is peculiar because Company B is the only Supplier in this area, so most of the Businesses or Incubatees you're referring to they rely on Company B, there's [inaudible – over talking] [0:31:50.0] on Company B.

Interviewer : And how do you break that mould out of their mind, out of the Entrepreneurs minds? Because obviously it becomes a level of being too content, right, so Entrepreneurs – and it shouldn't be the case because again, you want to grow the Business and this Entity can only grow that much, it can only give you that much Business.

Respondent: Mmm.

Interviewer : But then how do you as an Incubator come through and start advising them on a Strategic basis and also change their mind around on how they [inaudible – over talking] [0:32:23.9] Business?

Respondent: Ja, we – ja, we do have Coaching Sessions that we have with them to push them, and we also develop Strategies for them and Marketing Strategies, and we try and Monitor and see that they follow through on those Marketing Strategies, because we do make them aware that if you're only going to "rely" on Company B, especially in the Secuda area, it is not going to work.

Interviewer : Ja.

Respondent: We also encourage them to have their own Eco-System where they support each other, it is a community of SMEs and they support each other, buy form each other and sell to each other.

Interviewer : So they have their own Supply Chain?

Respondent: Yes, yes so that they can have their own Eco-System, we call it a "Supply Chain," yes.

Interviewer : Okay. Is there anything else that you would like to expand or clarify at the moment?

Respondent: No, not –

Interviewer : I do think this explains it quite well though.

Respondent: Ja, that's why I said – I can email it to you if you want it.

Interviewer : Please if you don't mind.

Respondent: Okay, I will email it.

Interviewer : Alright, [mentions Participant's name] thank you so much.

Respondent: Okay.

Interviewer : I don't think I have any further questions.

Respondent: Ja, if you need further clarifications –

Interviewer : Ja, I can always –

Respondent: On the [missions?] and all those types, I can send you a Document that perhaps can clarify –

Interviewer : Please, I'd appreciate that.

Respondent: And broadly I think there must be the Model somewhere –

Interviewer : Ja, I just don't have information to that.

Respondent: Alright, I'll send you information.

Interviewer : Alright, not a problem. Let me just quickly close this.

Appendix D: Interview with Micro-Enterprise B

Interviewer: thanks for helping me with the interview. So I am trying to evaluate if there is a potential link between the success and failure factors of micro-enterprises and business incubators.

Respondent: Sure. No problem.

Interviewer: I believe that the business has been supported by the Enterprise and Supplier Development Hub for a while and we are starting to see some success in terms of the sales and growth definition per say. I hope you don't mind me interviewing in determining what has led to the success and whether or not there has been a link in the success of your enterprise has a result of your interaction with the incubator.

Respondent: Yes sure, pleasure will be all mine. Ask away.

Interviewer: Thank you. So essentially, you can take me through how the business conducts operations and anything else that you may add.

Respondent: Sure. So we are a landscaping and horticultural company. We are BBBEE Level 1, which is a huge feat and we provide services to main corporates.

Interviewer: Were you always BBBEE?

Respondent: Thankfully, my partner and I make a good team.

Interviewer: Please could you take me through the history for the business?

Respondent: We basically started the company 10 years ago, and it was very tough initially since we needed to learn the ropes.

Interviewer: And how does the company get business.

Respondent: well we tender.

Interviewer: Where?

Respondent: Predominantly the corporates and some state owned enterprises.

Interviewer: How were you able to learn to tender? And what is the average success rate?

Respondent: Well, I had a lot of tendering experience when I was working in my previous capacity and job.

Interviewer: And what is the average success rate?

Respondent: We continue to have a fairly successful rate when we tender.

Interviewer: really?

Respondent: However, it is a seasonal business so the success does tend to be fairly mixed.

Interviewer: How do you then try and mitigate against those effects?

Respondent: we realise that to succeed as a business, and one of our main success factors is the win rate of our tenders and how we win those.

Interviewer: And how do you win those?

Respondent: Well, there are a host of factors. We need to have extremely strong relationships with the enterprises that we work with.

Interviewer: and?

Respondent: We also have a strong track record, so in other words we have referrals and a work to benchmark from.

Interviewer: I see. Thanks for that. How does your leadership fair on this?

Respondent: We also have strong leadership, but unfortunately, we tend to focus more on operations than on strategic matters which becomes difficult to segment.

Interviewer: How else do you manage?

Respondent: Well, we ensure that we have sufficient cash flow.

Interviewer: Cash flow from the incubator?

Respondent: No no. We do not get any cash from the incubator. They provide us with far more soft support such as skills transfer and financial management tools.

Interviewer: In what circumstances would you then get funding from the incubator?

Respondent: If there is financial support, there has to be a very strong business case as to why the funding is to be challenged. Other than that, there is very strong support from the incubator.

Interviewer: What about the people at the incubator?

Respondent: What about them?

Interviewer: Do you feel that they are adequately equipped to handle the tasks stipulated them unto them to support your micro-enterprise?

Respondent: Well, we do need to have the right sort of experience rolling over into our operations through the incubator. They also need to understand the business.

Interviewer: What else do you think that they need to focus on?

Respondent: Sure. They also need to understand the market that the business is operating in.

Interviewer: And establishing some sort of furore?

Respondent: We need to establish that relationship from the incubator but also allow for the new ideas and thoughts from the incubator's management as well.

Interviewer: What are other strategies do you employ to make the enterprise successful? In other words, what else are the other success factors that you have?

Respondent: We obviously need a way to look at making more profit, but at the same time, save costs, in a sustainable manner.

Interviewer: That's interesting. What have you considered?

Respondent: We have ways of outsourcing some of the activities that we do. To do this, or rather to try and contribute to this, we have started incubating, and run our own incubator programs.

Interviewer: How so?

Respondent: So in fact, we get incubated, and in a way pass the same skills down to the small business that we are incubating.

Interviewer: How else do you support the business that you are incubating?

Respondent: Well, at this stage, they are relatively new enterprises (there are two of them).

Interviewer: Are they in the same field as you? Or are they in a different industry?

Respondent: They are also in the same field that we are in, so we incubate them because we understand the business and the market to an extent.

Interviewer: Do you provide anything else? How do you provide any equipment?

Respondent: We do provide assistance in the form of asset purchases.

Interviewer: Perhaps mentoring?

Respondent: The incubation is also highly philosophical because we need to help them understand the purpose that they are working with and their purpose to serve and at the same time, make money.

Interviewer: So in fact, the outsourcing that you do, is actually to give the enterprises that you are incubating a form of exposure?

Respondent: A lot.

Interviewer: Ok.

Respondent: We realise the pipeline development of technological enterprises. We provide training to the enterprises.

Interviewer: Sorry to interrupt. What sort of training?

Respondent: well, let’s say a lot of business and financial training. To teach them about the business to let them understand how to conduct business, how to administer the business etc.

Interviewer: How do you want to make it sustainable?

Respondent: We also want to teach them how to maintain learning and aim for quality since we are operating in a services related sector.

Interviewer: And what are some of the challenges that you experience?

Respondent: With our business, or with theirs?

Interviewer: Let us start with yours first?

Respondent: Sure. We have a lack of management skills.

Interviewer: May you explain further please?

Respondent: For example, I am the director of the company, but I am intensely involved in the operations of the company such as doing quality assurance and costing.

Interviewer: I sense that you feel that should not be involved in this?

Respondent: This is the work of employees, it is not arrogance, but there is a level of strategic intent that I need to follow on when dealing with the enterprise. For example, I should be focused on strategy and networking and looking at ways of growing the business.

Interviewer: Isn't there anyone else that can do this sort of work?

Respondent: However, there is no one to look after the functions that I have mentioned as I am the only one there that can perform these functions.

Interviewer: How do you split up the responsibilities?

Respondent: My partner attends to other matters. It becomes challenging for us to actually conduct matters to the business on a strategic level.

Interviewer: If you don't mind me asking, how do you then implement those strategies? What is the tactic involved?

Respondent: We are also struggling with implementing our solutions that have come out of problem solving. We do not know if we can continue to work like this since our solutions have come from strategy sessions.

Interviewer: Is it?

Respondent: This is where it starts to become obvious that we don't have the correct sort of management skills to conduct the work that is support to be done.

Interviewer: I see?

Respondent: These initiatives are supposed to be driven by us, and if not driven by us, then at least delegated to trusted minds and hands that can drive these solutions.

Interviewer: Ok.

Respondent: However, and I do not want to sound as if I am making an excuse, being involved in the operations requires so much of our time that we just cannot attend to matters pertaining to the strategic aspects.

Interviewer: And what about the enterprises that you are supporting?

Respondent: Sorry, what about them?

Interviewer: Well, the challenges?

Respondent: Challenges or failure factors that they experience?

Interviewer: Both.

Respondent: Sure. Well, since they are a start-up, we do find that lack of experience definitely limits their business skills.

Interviewer: Maintain learning?

Respondent: They are also learning the ropes for the business by engaging with us and understanding the strategic aspects of the business itself.

Interviewer: And what about the technical elements?

Respondent: We are also trying to teach them about asset maintenance, operational efficiency, and business growth among others.

Interviewer: Do you not think that these are rather futile if they do not know how to conduct their business?

Respondent: Absolutely. They are only reliant on our business at the moment. T

Interviewer: Surely, that isn't a complete viable option?

Respondent: This is not sustainable as they need to go out and get new business.

Interviewer: Fair Enough.

Respondent: However, and I like I reiterated, this is only possible once they have the necessary negotiation skills to go out and get the sort of business that they need.

Interviewer: Sure.

Respondent: And not only that, but understand if they are able to commit to that business by ensuring that they have the required financial and human resources to complete the work.

Interviewer: Such as?

Respondent: Well, looking at different ways to mentor and to ensure that the right sort of advice is provided.

Interviewer: Perfect. Thanks for that. I think that we are running a little short of time.

Respondent: yes we are. Thanks for that. If there is anything that you wish to know, you are more than welcome to contact me.

Interviewer: I will, thanks for your time.

Appendix E: Interview with Business Incubator B

Interviewer: Alright, first of all thanks Respondent for helping me with the Interview. Just to give you a bit of an outline as to what I'm trying to achieve, so basically I'm looking at the relationship between Incubators and Micro Enterprises, Businesses for that matter and I'm trying to establish if there is a potential link between Micro Enterprises success and failure factors, and Business Incubators success and failure factors. So just a s a very, very simple example, if for example Business Incubators are supporting some Entities and they're experiencing Funding problems, the essential fact is that the Business has a risk of failure because of Funding problems. So that link is obviously there and therefore there is a potential relationship between the two. So what I'll do at the moment is I'll hand it over to you now, if you could first of all just take me through the history of the Incubator here, alright, what is its Mandate? What is its Vision? And it is completely up to you, I'd like to give you the Platform. And then take me through the Operating Model, and then we'll go through the next set of questions.

Respondent: Okay.

Interviewer: And you don't mind if I just take notes and stuff?

Respondent: Ja, ja it's fine.

Interviewer: Thanks.

Respondent: The Incubator here, the first thing I think we need to consider is that it is not a government based opportunity Incubator, right. The main thing to consider is that it is linked to a Supply Chain in a Company, so the major concern would be, are these Clients that we are looking for linked in some way to the Supply Chain? Right and so that's the major difference from like sort of a "stand alone" or a "Capitalistic Incubator."

Interviewer: Okay, so it is basically – sorry to interrupt you. If this Business falls within the Supply Chain of the Company or in [any form?]?

Respondent: Ja, ja that's the major qualifier.

Interviewer: Okay.

Respondent: There is also a second component to that and that second component is called "Local Content," right.

Interviewer: Okay.

Respondent: The Local Content component of it is something that we look at where we say, listen, we also need to develop Businesses in this area to form a healthy eco-system, okay, and the benefit of that healthy eco-system is it has a "knock-on" effect. And I think the most simple way I could explain is that if you had a Business that was based in a another Province, right, and that Business was Company, if Company gave them R100 000.00 that R100 000.00 would immediately leave with maybe the exception of the Salaries that are paid.

Interviewer: Okay, so Operating Capital essentially?

Respondent: Operating Capital, yes. So in the case of a Business that's based here, what happens is that R100 000.00 gets spent hopefully on the small eco-system, and that R100 000.00 turns over many times over, right, so it will go for that Company to other smaller Companies to buy Materials, etcetera. And that R100 000.00 has a real "knock-on" effect to the Local Economy, it benefits a lot of people.

Interviewer: Okay.

Respondent: Okay.

Interviewer: Can you quantify how much? Have we been able to do that?

Respondent: No, no we have not. We have not undertaken that.

Interviewer: Okay.

Respondent: The strategy that's being adopted is fairly new, so it is something that is in its "start-up phase" if you could call it that.

Interviewer: Okay.

Respondent: Okay, if you had to look at the Model from the point of view compared to Conventional Incubators, it would be called a "Rapid Incubation

System" where we're looking for like a six to a nine month passage of time which is considered very "short," right.

Interviewer: Ja, that is very quick.

Respondent: Ja, it's considered very short.

Interviewer: What are some of the Mandates that you cover in that six to nine month, just as examples?

Respondent: Okay, it depends on the Facility, obviously in our Facility if it is a Professional Service Business, we offer the space for the Business to conduct its day-to-day Operations, right, at a reduced price and that would include like your Internet Services, your Electricity you know. And what it affords the Business is that it affords them the opportunity to look Professional from the get-go.

Interviewer: Okay, so it is about a perception essentially?

Respondent: Ja, for a Service Industry it gives [right?], for a Service Industry, yes, and it also allows Businesses that are not necessarily based in there, okay and I know this slightly comes against what I said earlier, but it allows them to establish a site.

Interviewer: Okay.

Respondent: And then that at the very least ensures that there is a Salary component that stays within, within the area.

Interviewer: Okay.

Respondent: Right?

Interviewer: Okay.

Respondent: So the Incubation component of it is also split into the Industrial component you know, because the Company is an Industrial Company at the end of the day. So they identified four particular areas, right.

Interviewer: Ja.

Respondent: So the area is covered in terms of Manufacturing, so we do have like Plastic Machines there. So if a person has ideas that require Injection Moulding Technology they can utilise that Incubator, right.

Interviewer: Okay, this is previously for example where the old business was was if I'm not mistaken.

Respondent: I would say the old business after the Incubator was built and established. So the business for maybe six months but very it's the Operating Model that is established here.

Interviewer: Okay.

Respondent: I'm going forward in a new [SD?].

Interviewer: Okay.

Respondent: We have other areas – so but let me remember, there is a Chemicals area, right, there is a Chemicals area, right and in that Chemicals area it requires Manufacturing from a safety point of view, you know, we help – our Incubators needs to comply from the get go.

Interviewer: Yes.

Respondent: So that start-up phase for them is most of the time not spent fighting Governance, and you know Governance is a big thing, right. From a Compliance point of view what we also offer them, is we also offer them the ability to come up to Standards in terms of SHE and QMS, and [inaudible – background noise] [0:06:17.3] Incubating in [inaudible] [0:06:18.3] and even that.

Interviewer: Okay, so – sorry, I just want to write this down. So you –

Respondent: Sorry Interviewer, can I just call her back?

Interviewer: Go for it. [Respondent makes a phone call].

Respondent: Okay, there is a Financial aspect right, where if the Business is directly into the Supply Chain

Interviewer: Oh, okay.

Respondent: Right?

Interviewer: Ja.

Respondent: That is what we do offer.

Interviewer: Okay.

Respondent: For start-ups I'm not aware of the [inaudible] [0:06:47.9] Finance that they offer.

Interviewer: Okay.

Respondent: I don't believe it is a possibility.

Interviewer: Okay.

Respondent: I don't believe so. And what we do is for the Incubatees is we run Mentorship Sessions, right.

Interviewer: Okay.

Respondent: So when I say "Mentorship Sessions" it is a case of we offer Mentorship, right.

Interviewer: Mentorship Guidance?

Respondent: Mentorship Guidance. So Mentorship Guidance, that is something I think that is heavily hindered on the "quality" of the Specialist that you have.

Interviewer: Like yourself, okay.

Respondent: Ja. So obviously we try and align the requirement to the Specialist. For example we've got Specialists in Chemical, we've got Specialists in the Accounting Field, we've got Specialists in the Electronics Field and we've got Marketing, we've got IT and we've got sort of like Reporting. So what we could do is we could –

Interviewer: Try and link –

Respondent: Link it up within the area, right.

Interviewer: Okay.

Respondent: So that is like on a very granular level like for Business. So like for example we could get as we have done, right, an Engineer from Company Internally to have a look at the Balance Forecast, that is a good example.

Interviewer: Okay, so the exercise that we had done previously?

Respondent: Ja, so we call it "EVP," right, so your Employee Volunteer Programme, we've tried to link that also, so as a value-add to the whole Value Chain that we're offering here.

Interviewer: Okay.

Respondent: What we also do is we also do what you call "SMME Events," right, which is generally a one month basis. And what we look at is we look at key areas like your Legal, your Legal Framework and your Marketing Framework. So just an Awareness Campaign so to speak for that particular area where –

Interviewer: So the other exercise that we're busy with at the moment?

Respondent: Yes, yes.

Interviewer: Okay, so you said it is almost like an Awareness Campaign, and is this also something like Skill Transfer Empowerment?

Respondent: Most definitely, most definitely. I think the value also of that Vish, okay, and I mentioned it just now, is that it is making SMMEs "aware" of either a threat or an opportunity, right, that's is where it starts.

Interviewer: So basically understanding the environment?

Respondent: Yes, yes. So for them to sort of say like, okay, listen I'm coming from this environment, how does Legal affect me? You know, or how does Marketing affect me? How can I more effectively Market my Product? How can I do these things?

Interviewer: Okay.

Respondent: So that is something that we need to be made aware of and that is something that we need to drive, right, for them. Another thing that happens during these Sessions, and I think it is something that we're really encouraging is the "Networking" aspect, where we are more direct now I believe than other Incubators, is we put in Networking. So we Network our Company Clients with start-up times, right, you sort of like say, there is an option for you. You Introduce the option and create the awareness around it, and also we give people a Platform to say, okay listen, this is exactly what I do. So if Businesses do have a need they do have a Local SMME that they can now latch onto. That is part of the Local Content, you can link that to the Local Content aspect, right.

Interviewer: Oh, okay. So this here, this Networking relationship is almost like "Localisation" to an extent?

Respondent: Ja, to an extent, to an extent, ja.

Interviewer: Okay. Would you like to just expand a little bit on the Financial and the Governance aspects, because being in the Private Sector I suppose there is obviously a Mandate to focus on these two intensely because there may be Conflict of Interests at times.

Respondent: Ja.

Interviewer: So how does this Private Incubator manage those sort of expectations and perceptions?

Respondent: Okay from a Financial point of view the biggest guiding factor is the Code Guidance, right, so the percentage of turnover that is used as your calculation to Finance, right. So that is our line in the sand so to speak, right.

Interviewer: Okay.

Respondent: So that gives us direction as to the total value of the Fund.

Interviewer: Okay.

Respondent: Obviously when looking at the Fund the big consideration is, is the Loan actually going to help the Business or injure the Business? Right.

Interviewer: How do you determine?

Respondent: Okay, the Specialist will look deeply into that matter, right, to determine if this Loan will actually generate more than the initial output.

Interviewer: Okay.

Respondent: Right and that is part of the Business Case that is done.

Interviewer: Ja.

Respondent: Hence a very comprehensive Business Case, right. To go along with that, what happens is we also do Support Interventions to ensure that, listen, the Business will see the benefit of this Loan. So for example if a Business buys [Plant?] Moving Equipment, right, what are the possible risks that are associated with it? Okay, if it is not in the Safety File, it is not part of the Quality System, it is not part of the way that they do Business, maybe they don't know how to Market it properly. So the Specialist will then begin to close the gaps around that to ensure that this "new" edition to the Business will actually become successful, right. And what we need to also remember is that while some ideas require Funding, extensive Funding, others don't. Like for example the Extension of Product Range and these things.

Interviewer: Alright, alright.

Respondent: So it is more a case of, if you see that gap because the Business wants a particular Product, then you as a Specialist can then approach the Board for that Finance, right, or Business can bring that request to you.

Interviewer: Okay.

Respondent: So they come across an opportunity, right.

Interviewer: Alright, okay. And this now tends to go on what I'm more or less focusing on. So you've obviously given me a background of how we do things per se, but as an Incubator first of all, what are some of the key success factors that are attributed to this Incubator?

Respondent: Okay.

Interviewer: And some of the failures obviously that come with it?

Respondent: Okay, so when you say "success" do you look at it from an Internal point of view or do you look at it from the point of view that "success" is determined by a successful Incubatee?

Interviewer: So first of all I'd like to understand Internally, how do we measure the success? So Company wise, there is a Hierarchy Structure, because obviously the Incubation fits in there.

Respondent: Yes.

Interviewer: Alright and there is a Mandate, so that is the first perspective I'd like to understand. And obviously I presume if an Incubatee has Graduated through a Programme that's [inaudible – over talking] [0:13:19.5] –

Respondent: Okay, you see what we need to look at firstly Vish is then the way things are run, right, you need to split it into two components so that you can see how it is run, right.

Interviewer: Sure.

Respondent: So you get the "ground" portion and you get the "lawn" portion, right.

Interviewer: Okay.

Respondent: So the "ground" portion, The company has undertaken the idea that, listen, instead of giving people money, right, we will give people System right.

Interviewer: Okay.

Respondent: So we'll give them the Systems to complete or to become compliant.

Interviewer: So that's the Ground System?

Respondent: That's the Ground System, right. And so what does that entail? That entails HR advice, Legal advice, Professional SHE Systems, QMS Systems –

Interviewer: Mostly advisory?

Respondent: Ja, Accounting Systems, you know Systems that basically will not be a key focus on a day-to-day basis but have a huge impact on how you run your Business.

Interviewer: Yes.

Respondent: How you are perceived in the open Market, and basically how you are received by potential Clients.

Interviewer: Okay, so this is quite External if I'm not mistaken.

Respondent: Yes.

Interviewer: It is to help the Business deal with the External opportunities.

Respondent: Yes, very much so, very much so.

Interviewer: Alright.

Respondent: It is to make them, how can I say? Tender efficient or increase their ability to obtain jobs if you had to look at it that way. And also increase their Internal efficiency right, from that point of view.

Interviewer: Yes, yes Internal efficiencies and Processes, alright.

Respondent: Okay.

Interviewer: Keep going.

Respondent: Okay and then the Loan portion is obviously a Loan, right, payable over the usable life of an Asset or a Building, alright, generally.

Interviewer: Okay.

Respondent: The benefits to that as opposed to an open Banking System is we offer Payment Holidays, so basically for the time that – it takes cognisance of the idea that, listen, if the Entrepreneur invests in something, within the first month he is not going to see the benefit of it in the first month.

Interviewer: Ja.

Respondent: So we actually push up the payment dates to maybe two or three months later to where we see the Business functioning.

Interviewer: So quite flexible in that sort of –

Respondent: Ja, to an extent.

Interviewer: To an extent, within reason?

Respondent: Ja.

Interviewer: And I presume you have some sort of Contractual Agreement in place.

Respondent: Yes, we do, we do okay.

Interviewer: Okay.

Respondent: And the we offer the Loans at Prime minus Rates, right.

Interviewer: Okay.

Respondent: Which is a big help to the Business itself.

Interviewer: So that's why depending on the idea it makes more sense coming through to an Incubator –

Respondent: Yes.

Interviewer: Because it is always Prime minus it has never been Prime plus to an extent.

Respondent: Yes, you are right.

Interviewer: So don't you make a –

Respondent: If the Loan is granted.

Interviewer: If the Loan is granted. And I presume there's obviously more stringent requirements for the Loan.

Respondent: More stringent, definitely more stringent. I mean from the point of view we are not expecting a high [inaudible] [0:15:59.3] or high or what have you, but we are expecting a return on the initial lump sum.

Interviewer: Alright, so mathematically I'm just trying to understand this. So you give a Loan and they repay it at Prime minus, so technically you're making a loss.

Respondent: Ja.

Interviewer: Right, but you obviously expect the return on their investment to outgrow that repayment.

Respondent: Correct. And I would say that the key difference is that they're monitored on a monthly basis, right, in terms of this repayment and in terms of their Schedule, and in terms of their Financial Performance.

Interviewer: Okay.

Respondent: Right, so although these are lagging indicators right, it allows the Specialist to then identify, listen, there is a red flag here.

Interviewer: Okay.

Respondent: Let's go in and let us assist them.

Interviewer: Okay.

Respondent: So at the end of the day our assistance is made available to these Companies where even if we need to go in and look at things creatively to get the Business going, for example, a Company gets a Mining Contract and buys a Machine, to Service that Contract and then the Contract gets cancelled due to whatever reason, maybe flooding of the Mine or something like that, right, then what do we do in that instance? That is where we come in. So we don't leave them, we don't leave and we don't say, okay listen, let's start the blacklisting process and what have you.

Interviewer: Ja.

Respondent: We rather focus on "how" can we make the Business Profitable again.

Interviewer: Okay, so you provide continuous support. So that's quite a success factor for the Business, well, for the Incubator.

Respondent: It is, it is, it is. I think one of the biggest success factors for our Clients is that generally you'll find that an Entrepreneur knows one area, right, and that is the area of Specialisation, whatever that area be. Be it this and Manufacturing of T-Shirts or selling of Socks or what have you, that's the area that they specialise in. And people seem to think that, listen, because I made a good Product I'll make a Profit, right.

Interviewer: Ja.

Respondent: But it's this Education upfront that actually saves them from paying the School Fees to show them, listen, this is how you could possibly go about it, and this is how you should look at it.

Interviewer: So you actually Mitigate the risks?

Respondent: We definitely try to, we definitely try to.

Interviewer: Okay, so that's also a success factor. How do you measure your success?

Respondent: Okay, at the end of the day we look at the Financial Performance on a month-to-month basis, right –

Interviewer: Okay, of the Company and the Incubator or –

Respondent: I'll tell you the Metrics that we look at. We look at the Financial success, so turnover, Profit, ratio and/or loss, right.

Interviewer: Turnover, Profit or Loss.

Respondent: So that's the Financial aspect.

Interviewer: And ratio, ROI?

Respondent: Not really ROI, but to say, listen, you can look at what's the Profit margin that they're making this month.

Interviewer: Okay, so basically turnover and Profit?

Respondent: Ja.

Interviewer: And then you can obviously expand those ones?

Respondent: From that, right, we look at the number of jobs created.

Interviewer: Okay, so jobs as well.

Respondent: And jobs created, yes.

Interviewer: Okay.

Respondent: We look at the areas they Operate in.

Interviewer: Meaning?

Respondent: For the "reach" of the Business.

Interviewer: Oh, okay.

Respondent: So reach of the Business. The number of Clients that they have.

Interviewer: Okay, Clients. And you monitor this on a monthly basis?

Respondent: On a monthly basis, yes.

Interviewer: Alright, Clients, ja.

Respondent: The number of Clients that they have and the degree to which they comply. So when I say to the “degree to which they comply,” if we had to look at a [inaudible] [0:19:20.3] of those requirements that they would need to become say an “A List” Company when doing a Company Tender or a government Tender, we’d list that also. So do they have SHE? Do they have QMS? Do they have an Accounting System? Do they have all of that according to our requirements? So that will give us an idea of what the gaps are, just looking at a Report, right.

Interviewer: So you’ll actually do a lot of Gap Analysis to try and continuously improve?

Respondent: Okay, when it comes to Gap Analysis, this is something that we do

Interviewer: Okay.

Respondent: Right and I’m sure you’ve been introduced to our Gap Analysis Tool, right. So we do an “as is” study of the Business according to their major risks and according to blind spots that they have, right, and that forms the baseline. And every so often, and when I say “every so often,” after each Intervention we do, right, we re-Audit them.

Interviewer: Oh, okay.

Respondent: So we get to build their Profile and overlay it and say, okay listen, this is growth, or what’s been happening is not intended, or it is not having any impact for them.

Interviewer: Okay, so it’s almost like a cycle, so you evaluate the Business continuously and you Audit them, you see where the growth areas are and where the gap areas are and then you start again basically to an extent.

Respondent: Yes, correct, correct, correct.

Interviewer: Alright, okay.

Respondent: So it’s not so much how the Conventional idea would be, start-up, growth and then eventually a decline sort of like [figures?], right.

Interviewer: Okay.

Respondent: Our idea of looking at it is like, listen, it's an infant right, and then the Business grows to a point where they are able to walk, talk and do whatever they need to. And then it is a continuous Education.

Interviewer: Okay.

Respondent: Right.

Interviewer: Okay, alright. So it's basically continuous improvement that you're trying to work on.

Respondent: Yes it is that sort of process, ja.

Interviewer: Alright. And in terms of the Business Incubator itself, what are some of the challenges and obviously failures? Or major "learning's" if we can call it that, "failures" is a harsh word, but major learning's that you have come across that you're continuously seeing with the new Incubatees, and obviously something that flags a risk on your side, on the Business Incubator side whereby if this thing won't work for us, we won't be able to support them this.

Respondent: Okay, we need to look at from the "success" factor point of view, what do we determine as a success factor? Is it the way that the Entrepreneur feels at the end of the day, you know from their goal point of view, or is the success factor growth and Financial benefit, right? If I had to look at it from a growth and Financial benefit point of view, right, some Businesses have the ability to grow quickly and others don't, purely based on the type of Business that is selected, right, but in terms of goals, setting a goal and obtaining that goal, what you'll find is that it is almost purely dependent on the attitude of the individual undergoing Incubation, or the Entrepreneur, right, or the Entrepreneur's Team if the Entrepreneur is not as involved.

Interviewer: It could be said the same about the Specialist, the attitude.

Respondent: Definitely, definitely. You need to understand that a Specialist at the end of the day can take one of two roles, they can do what the Business asks, right, and what Company requires of them. Or they can pour themselves out into the Business as a non-Executive Board Member, which is one way of looking at it, right. So when I say "non-Executive Board Member" I mean you bring clarity to do some Business decisions, you understand the impact around it and you can really influence the Business from that point of view, right. So that performance is almost based purely on either the push of the Entrepreneur or the willingness of the Specialist.

Interviewer: Okay, so it's almost like a – it's a very intense relationship between the two.

Respondent: It is a very intense relationship. I mean if you look at it from the point of view that it's a relationship with no boundaries. How do you tell am SMME, listen, I'm going on holiday don't call me. You can't do that.

Interviewer: You can't, ja.

Respondent: Ja. How do you not take a call from a person that is in Financial trouble at the time? You know, you've got to put yourself in a position where you have the heart to input into that Business as if it were your Business.

Interviewer: Alright.

Respondent: So you wouldn't just do something because it was technically sound, you do something because it makes sense for the Business to do so.

Interviewer: And how do you evaluate what's right and wrong here? Because it becomes difficult. It is almost you're working technically, you're working with a gut, it's almost like you're running the Business at the same time with them.

Respondent: Okay, I'll give you a principle that I learnt when I was younger, right, so I'll give you my sort of rule of thumb that I use, right. The Israeli Nation during the six day war and these sort of like [inaudible – over talking] [0:24:15.8], they had a Cabinet and in that Cabinet they all agreed that, listen, there was no probability of there being a war or what have you, so they didn't deal with it. And after they went through this process of fighting for their State and stuff they came to the realisation that irrespective if there is ten people in the room, and all ten of them agree, one person should take the position of disagreeing just to bring the other view to the table, right. So when you have that discussion with the SMME what I do is, is I look at where the view point that they are taking. If it is a very positive view point, I feel it is my duty to show them all the negatives so that they make a balance decision, right. Or they are very negative about an opportunity, and I see it as my opportunity to list all the good possibilities that could happen, right, knowing full well that whatever happens you will have to help them manage the outcome of it. Right, so when I say "manage" –

Interviewer: Ja, so either way.

Respondent: Ja, either way there is going to be an outcome, either way there is going to be an outcome, but you are committed even before you present that outcome to support whatever decision they take, right, down that road. I'll give you an example. I've had Clients where Business has completely shrunk, Contracts that they've have has failed, right. So how do you then look at re-positioning that Business? You can't leave them alone, you can't leave them alone, I mean at the end of the day if they close down, six jobs are lost –

Interviewer: Ja, your Metrics go out the window basically to an extent.

Respondent: To an extent, but I think more than that I think as a Specialist you've got to think that – carve it from the point of view that if we [say?] one job at the end of the year right, it is one job, it doesn't look like a big thing, but to that family it is one hundred percent a loss of Income for [inaudible – over talking] [0:26:04.4] –

Interviewer: Correct.

Respondent: Right, so if you take it to the very granular level it kind of like motivates you to say, okay listen, what can we do here? What can we do there? Right and obviously it is something that happens as you grow. For example the advice that you give today might not necessarily be the advice that you give tomorrow.

Interviewer: It changes.

Respondent: Right, based on what you've learnt and what you've experienced. Say for example you've recommended a certain Product or a certain line of Finance, and that idea now changes.

Interviewer: Ja, so there is also frequent changes in advisory that is given, depending on the situation?

Respondent: Yes, yes, it is very opinionated. It depends on the type of Entrepreneur you're dealing with. For example if a person is not truly ready to go and do something that they want to do, you've got to be very realistic with them, right, because there is also the opportunity that that person may hurt the Business by trying to do that. So for example if somebody has secured a Contract "illegally" so to speak, right, and you know that they can't supply this Contract given their current status. What do you do?

Interviewer: Ja.

Respondent: Either the rest of the [world?] looks at it and says, it's an excellent opportunity, but it is very short-term. And if the object of the Business is Wealth creation and not [inaudible] [0:27:21.1] maximisation they won't be able to sustain it, if anything it could damage the reputation of the Business. So how do you then as a Specialist deal with that?

Interviewer: How do you deal with it?

Respondent: Well firstly you've got to balance it, you've got to be very realistic with your Client, right, you've got to outline all the benefits that that they will approve doing this one thing.

Interviewer: Okay.

Respondent: And then show them what the results of this will be for them ultimately.

Interviewer: Okay, so it is obviously, you're managing their expectations with your own at the same time? That's what the [inaudible – over talking] [0:27:50.6] –

Respondent: Ja, like I've said, irrespective of what position they are taking you are providing the other side of it, right.

Interviewer: Correct.

Respondent: And then the next step to that is, okay listen, sometimes we get Businesses that are in the mud and not in a very good place, and then we offer the Counselling aspect. So how do you get out of this pit that you've dug? And you do that in a very structured way.

Interviewer: Such as? If you can just give me an example.

Respondent: Okay, for example if the Business is not meeting their monthly Target, Sales Target, right.

Interviewer: Ja.

Respondent: If the Business is not covering the expenses, you would go into the Business and you'd look for areas where they perhaps could use – you'd look at areas that they could expand to, to perhaps increase it, some Complimentary Products you know. Extensions of Product ranges and you'd look into ideas like that to sort of like get the Business to go again, right. And sometimes Vish you actually play a Motivational Role to a lot of your Clients, from the point of view that not everything is, you know, all flowers you know and sunshine. There will be days when an Entrepreneur is like, everything that I've done and I've worked for is pointless, you know. And then you've actually got to show them that, listen, what you've built you haven't built it in vain. So it's also that role. So at the same time like I've said, the Specialist determines where they draw the line at the end of the day, or the Entrepreneur determines how far the Specialist can go with them. But up to a certain amount of time we believe that there is potential with the current Clients we are working with, so we have a vested interest in them, you know, it's like almost like supporting a Team on Television you know.

Interviewer: Ja, but you are just basically providing the advisory –

Respondent: Ja.

Interviewer: Advisory support to them, so the quality of advice you're giving them is a massive success factor for the Incubator itself.

Respondent: It is definitely, and the difference is, is if you look at the guys that we have here, right, most of the guys are at Masters level right, so they understand the technicalities of Business and they understand the technicalities of the Industry quite well. So if you compare their Education level they are up there, right.

Interviewer: Ja.

Respondent: And I would say that the guys that are here are very Entrepreneurial in their thinking, so that also helps, so you don't end up with an individual that is just looking to say, okay, let's be very compliant in everything that we do, rather be more creative.

Interviewer: Alright, I see. And in terms of some of the challenges that the Incubator faces, what are they?

Respondent: The challenges would be the attitude of the Incubatee, right, this is the biggest success factor in any Business.

Interviewer: Attitude?

Respondent: Attitude, it is the attitude. And the reason why I say it is the "attitude" is that all of these situations will come, all of these opportunities will present themselves and all of these drawbacks will present themselves. It is really the ability of the Entrepreneur to maintain stoic and the ability of that Entrepreneur to also have that same pace with his Employees that will determine whether the Business will or won't do, right. Also at the same time depending on the Industry, right, from Manufacturing point of view you can see that the certain type of individuals that are successful in Manufacturing are those that understand that, listen, success is highly dependent on their Employees, right. So the focus is not almost to make money always, but it is a bi-product of the excellence, you know, there is an attitude of excellence that the Entrepreneur is beginning to develop.

Interviewer: So it's almost, I mean the politically correct word would be like "Labour Relations" per se, not exactly but definitely Employee relations.

Respondent: That I would say from a "compliance" point of view, right.

Interviewer: Ja.

Respondent: But also it is like asking yourself the question, listen, who would follow you know? If you were leading people without a Salary and stuff, who would say, okay listen, I believe in that dude and I believe in what he is teaching and what he is propagating, I would follow that guy, you know, I would follow that guy. So from that point of view, you know, are you really addressing the idea that your workforce is working for something greater than a Salary every month? They understand this Vision that you have.

Interviewer: So it is very, very strategic actually.

Respondent: It is very strategic, it is very strategic.

Interviewer: Okay, so I mean based on that have you come across Entrepreneurs that even though they have a good idea and they know what they want to try and do, they have a long-term Vision in place?

Respondent: Ninety-five percent of individuals don't understand what to do outside of their idea, right, from the guys that I've met, those being the [EDs?] or start-ups, right. So they know Respondent, okay listen, these are the high level goals that I have, this is the Product that I want to push, or this is the item that I want to develop, everything else is a mystery.

Interviewer: And how do you get it out of them? I'm sure you have to develop it with them.

Respondent: It's – how can explain it? It's like – I'm trying to think of an example to sort of like to explain it. It's like as a Mentor you cannot give somebody the answer, right, you need to develop them to a point where they can answer, right, so that the thinking is inculcated, right. So it is a case of you build an Entrepreneur up from where they are to the point where, listen, I've got a Product that I believe I can do something with, to this is, Market ready and from there you do like an introduction to the Market, right. So that sounds very mechanistic but it is almost like assessing where a person is, right, and slowly coaxing it out of the person the realisation that, listen, Business is not necessarily what I think it is, it could be something else and the thought process that is around it.

Interviewer: Okay.

Respondent: And for them to understand that Business is not just buying something and marking it up by twenty-five percent and selling it.

Interviewer: Ja, that's the Cost plus methodology it doesn't work, so ja.

Respondent: You know, it is not that, so you bring in all of these aspects so that they don't have to learn it through pain later on in their Business careers.

Interviewer: Okay, alright. Is there anything else that maybe you'd just like to expand on, or anything that you'd like to share further? Because we're more or less reached the end.

Respondent: I think Vish, if you have any other questions you can just shoot it to me and then we can discuss it, right.

Interviewer: That is fine.

Respondent: I just don't want to talk for the sake of talking.

Interviewer: No, no but I mean obviously this thing is quite explanatory at the moment and whatever I've come across hasn't dealt with this sort of stuff.

Respondent: Ja.

Interviewer: So I'm also just trying to see what is out there, because the next step ideally is trying to link Data into this. And where do I find Data for Incubatees? You know I mean obviously you can maybe go into [SEPEDGE?] and try and see the sort of Businesss

Appendix F: Interview with Micro-Enterprise C

Interviewer: Thanks Respondent 1 and Respondent 2 for having a chat with me with regards to the Interview. So just to give you a bit of background as to what I'm trying to achieve with my Thesis is I'm trying to identify potential factors that are success and failure based between Businesses or Micro Enterprises like yourself and Business Incubators. You see essentially I do know that you compete in a very different space from Micro Enterprise in the sense that you're a Tech start-up essentially and you're obviously going around giving Businesses visibility, etcetera, etcetera, but perhaps – I'll hand it over just now, but perhaps just take me through the history of the Company, how you guys came about, what was the Vision and the Strategy behind LOOP essentially. And thereafter we'll talk about the Business Operations and how your Internal Processes and Systems work. And lastly which I think will be quite open-ended, but what are the Success and Failure factors that you pride yourselves on and how do you deal with those challenges. Ja, I'll hand it over to you.

Respondent 1: Can you just, the first - that first question, just repeat it again for me?

Interviewer: About the "history."

Respondent 1: Okay.

Interviewer: So how was LOOP conceptualised? How did you identify the need? Second of all, well the Strategy that you've adopted into conceptualising and brining LOOP on board into the Business Sphere. And ja, what do your Business Operations comprise of? What are your **Internal** Processes, External Processes? What are the Systems that you employ to ensure that the Business continues the way it does?

Respondent 1: Okay, so from a history of the Company, the Company was founded in 2014, mid 2014.

Respondent 2: About three years ago.

Respondent 1: It's about three years ago, ja, you know founded by two young Entrepreneurs having just finished School. So you know I'd say he is coming straight out of the, you know –

Respondent 2: School System.

Respondent 1: School System, exactly. And I think the driving factor behind getting the Company going was, you know, looking to you know "innovate" and create Solutions, find Solutions to problems within the South African Market. That was one of the biggest driving factors, is that we as young Entrepreneurs, young you know visionaries found that we honestly believe that you know in comparison to your First World countries, the United States, the UK and mostly European countries we found that there's a "massive" space and opportunity to create Solutions and innovative ideas, and you know, Strategies within the South African Market. We believe that there is [tons?] of opportunities here. And we believe that you're not actually "limited" to sort of one you know Business Strategy, and we believe that where you've got the Resources or the Skills you can diversify and find new Solutions you know on a daily basis.

Respondent 2: Effectively in the beginning we chose IT because you know we are the future of I'd say, first of all every sphere of Business is IT, because I mean everything you go into has been starting to integrate you know Technology and Technology Solutions into their Business Model. If you take Uber which is now Transport and Technology, [inaudible] [0:03:56.5] which is a combination in Technology. So you know we decided to put ourselves in that Field initially with IT because we believe that, you know, the future is IT and through that we could diversify as a Respondent 1 said into a whole lot of other ventures, just in order to keep the Business Model diverse because you know to keep something sustainable you know, we simply believe that if you diversify your Business Model and your Operations that that ensures a whole lot of “no” Profitability and sustainability for the future.

Respondent 1: Ja, I think that’s one of the biggest driving factors in this Company, is the idea of diversification, that is the premise on which this Company is built. And if you look at where the Company first initially took off it was to sort of enter the Food Industry and implement Technology there. And unfortunately we didn’t have the capital at that stage and so we moved onto a Development and Design Field and that has allowed us to now slowly you know enter another space, and so forth. You know our goal was not just to become you know focused in a specific Field, but to become Multi-National in a sense that we can work in all different Industries by implementing the form of Technology and Solutions.

Interviewer: Okay, so it is actually just keeping the approach as broad as possible?

Respondent 1: Mmm.

Interviewer: And also tailor-making the Solutions to apply in various Industries?

Respondent 1: Ja

Respondent 2: Ja, because I mean you know we are positioned in a place where we are able to view many different Sectors and many different Business Models, because we build you know Solutions for many different Clients, you know whether it be Mining, Accommodation or Sport and you know that allows us to you know educate ourselves, it gives us an overview of what is happening in each Sector. And I think that alone gives us insight into problems that we can apply IT Solutions into. So ja, I think the biggest driving factor would be as I said, you know, IT as a base. In the same way you’d say if you started something with Electricity you know, in the Industrial area, I mean if you started there you know you could diversify to a lot of things because that was the driving force and now you know as Steven Case said in his Book –

Interviewer: The Third Wave.

Respondent 2: The Third Wave, ja.

Interviewer: Very important.

Respondent 2: Back then people didn't take Electricity for granted, you know, Electricity then was what Internet is now and you know if you fast-forward, you know, 50 to 60 years to today, Internet is now in the same space where Electricity was. So you know, now we take Electricity for granted but back then we didn't and you know we believe that you know, in 20/30 years the Internet is –

Respondent 1: Will be taken for granted.

Respondent 2: Ja, it is going to be something you know, a part of everyday life.

Respondent 1: That's our driving force.

Interviewer: Okay, alright. Initially when you conceptualised the Company and the way you actually brought it up, what were some of the initial challenges that you experienced?

Respondent 1: I think capital would be the problem.

Respondent 2: Ja.

Respondent 1: But not to the extent that capital prevents you from entering the Market. I would say that's a big misconception that if we don't have capital we can't, you know, enter this Market. I just believe that you've to start then on a smaller scale. If you ask me now, do you have the capital to do what we wanted to do back then? Now I can say "yes," because we started on a small scale and built it up. So I'd say capital is somewhat of a hurdle and maybe it's different in every Industry, but I would say that was somewhat of a challenge for us.

Respondent 2: One of our biggest hurdles I'd say is ja, definitely capital. Another one would be, you know, because we were young just stepping out of School one sort of branched out into two problems was experience and I'd say "technical" know how on how to begin our Business adventure, because they were scared.

Respondent 1: Ja.

Respondent 2: So experience because you know we're just fresh out of School, you know, we hadn't been in the Business Industry, we hadn't done any work really previously, so that was sort of a small hurdle but you know we overcame that by just you know simple Research. And you know if you apply yourself into any problem you know you can always find the answers. And onto the second Solution for the problem of – what was it? I said “experience” first. Ja, but the basic “know how” on how to begin, that was also you know just pure Research.

Respondent 1: Ja, I also find that that was one of the problems, you know and I can actually look back on that specific time. It’s the people aren’t or Companies don’t provide enough Resources, and I’ll give you an example. It’s like looking at CIPC, if you’re looking to empower young Entrepreneurs, start-up Companies, they don’t really offer much in terms of focusing on that specific – and Product Market. I mean it’s [inaudible] [0:09:41.1], when we were starting the Company we drove all the way to Pretoria to get there and someone tell us, well we “can’t” help you. You know there is no sort of driving initiative to help Businesses get started and unfortunately a large Sector of the Market is not educated in you know, Company Law, Business Registration, VAT, SARS compliance and I think that is one of the biggest downfalls in the country is that there “is not enough” drive to provide those Resources, and you know, those Resources and that information. That’s one of the challenges I found was –

Respondent 2: You know we were lucky enough you know, we have the Resources to sit down and Research you know, what do we need to do, but I mean there’s, you know, there is other people from the more remote areas who don’t know, you know where to begin.

Respondent 1: It’s like they all want to start a Company, how on earth do they go about getting a Registration Number, you know, Tax Income, VAT, and you go to the relevant Authorities and no one is willing to help you. I find that one of the biggest problems.

Respondent 2: Exactly.

Interviewer: So there is no dedicated Services from –

Respondent 2: Nothing.

Interviewer: The main sort of guys that are supposed to help you.

Respondent 2: No, nothing.

Respondent 1: I mean I kid you not, we literally drove out an entire day –

Respondent 2: Twice.

Respondent 1: Ja, twice and then to walk in and then no one can help you. So we had to go through a Private you know Institution to get that done which costs money.

Interviewer: Yes, yes.

Respondent 1: So definitely that's a drawback. So like we've said, it's the "capital" to some extent, "experience" but in the largest part is that there's that "lack" of support.

Respondent 2: Ja, and the support stems down to education as well, you know, you need to educate people on simple Business –

Respondent 1: Learning –

Respondent 2: Learning principles, ja.

Respondent 1: They don't even [inaudible – over talking] [0:11:21.8] –

Respondent 2: Exactly. So you know how to make your Business profitable? You know, how to market your Business? How to find your target Market? You know those are simple Business principles that you know it's a foundation you need to build your Business on, but I found that those simple principles you couldn't find. Another way we got through that was just hard, hard Research.

Respondent 1: Just going [inaudible] [0:11:50.2].

Respondent 2: Exactly.

Respondent 1: Just [inaudible – over talking] [0:11:50.5] –

Respondent 2: Exactly, ja.

Interviewer: Geez like that's impressive. Alight, thanks for that. Perhaps take me through a little bit as to how you conduct your Business Operations. What processes you have in place, Internal and External. And what are some of the Systems you have that enables your Business to be successful as much as possible?

Respondent 1: Ja, that's quite a nice one [inaudible] [0:12:13.9] –

Respondent 2: Ja, let's start External, so how we market ourselves and how we obtain Clients? The basis of the Business, well the basis of how we obtain Clients is through Digital Marketing, but firstly we obtain Clients through our Website mostly. And we believe that that is a very powerful Marketing Took, because I mean these days everyone heads straight to Google if you've got a problem. No one heads to like I said the Phone Book previously. So we found that you know it's effective in founding our sort of Target Market, because our Clients are mostly Business Owners or perspective Business Owners. Another way is you know, word-of-mouth.

Respondent 1: That's one of our biggest driving factors, is word-of-mouth, and I think a lot of Companies and Businesses take that for granted, but we can say that you know maybe 70% of our new Clients you know come through a referral from a previous Client.

Respondent 2: Ja.

Respondent 1: And that point itself brings you to another focus within our Operations, is that in order for you to utilise the word-of-mouth you know route or the Strategy is that you need to give your Clients a reason to refer you or to suggest you to, you know, further Colleagues, other Businesses. So what was our focus going for is that when we provide a Job or a Service, we look at a Customer Centric focus, providing an excellent Service, providing ease of Communication –

Respondent 2: Transparency.

Respondent 1: Transparency, effective Price and Strategies, and what is this? This all comes down to creating an unparallel Customer experience, that is something I think the core [inaudible] [0:14:26.2] focuses on.

Respondent 2: Ja and if you use your Customers as I'd say, your Marketers, I mean that is second to none because they have been through your Service and they know firsthand what to refer and what to say about you. So we believe that "treat" your Customers well and give them you know a great experience, and then they will definitely do their bid for you.

Respondent 1: Another interesting point, so when we talk about External Operations and the interaction between our Business in the Market, is that we're trying to create and use Technology to "streamline" processes, a simple example of that is you know our Ordering System, you know it creates a streamline process whereby you know if Customers are interested in our Services, once we've pitched and provided the offering to them, you know they will log their request on our System and that gets put into a Database and it goes through to Accounts, and from Accounts it goes – you know and that gets processed, you know from Accounts then it goes back to Sales and then to Development, and it's become such a streamline process that when we first started off what would take us three weeks is now taking you know –

Respondent 2: Two or three days maybe.

Respondent 1: A few days, ja. So I would say I personally believe that a lot of Businesses have – they extend their Operating times arbitrarily because, or simply because they are not utilising the type of processes and Systems to streamline their Business. I'll give you another example, is that we recently, or not recently but Internal Communications are now handled through a you know specialised Software whereby our Team can communicate effectively. And you'd find some of our biggest, biggest Clients and I'm talking – I won't mention names, you know, they're still sitting on WhatsApp with a Team of 250 people.

Interviewer: All communicating via Group Chat.

Respondent 2: Exactly.

Respondent 1: Via Group Chat, and myself and Lea as a Small Business we walk in and we look at them and it's like, you know, why have you not progressed and evolved to a stage whereby you are making use Platforms to streamline your Business? We, you know invested in an Application Online and I can tell you our Operations have streamlined by more than 500%. It's you know, work is "communicated" effectively within the specific channel and I think that is a shortfall with a lot of Companies, and that is one of our competitive edges is that if one of our Team Members is communicating with a Client, that Data is then passed through a relevant channel and when the Teams work there is a constant flow of communication.

Interviewer: So I presume there is a level of transparency within the Team as well.

Respondent 1: Exactly.

Respondent 2: Definitely, because [inaudible – over talking] [0:17:50.7], exactly it's because you know in the beginning it was the only way we knew what was happening in the Company, what was progressing, is if we saw what [inaudible] [0:17:58.6] and me, we actually spoke about it. And you know because of that we could only finish you know one to two Sites every six weeks.

Respondent 1: Ja, [inaudible] [0:18:06.5] inquiry, have you done this? Have you done that? Now it's –

Respondent 2: And these days you know we're doing six, seven, eight you know in like three/four weeks just simply through streamlining the process.

Respondent 1: And it's gotten to a point now where – do you know there's – they say this "concept" of – what was the Book? I read in a Book of –

Interviewer: Lean Startup, maybe?

Respondent 1: No, no I'll tell you the name now. And I think it's nice always to add –

Interviewer: Ja, sure.

Respondent 1: And that's another thing that I also – it's very important especially to me, and you know is making use of Academic Material, reading, that's a culture we've sort of you know "instilled." If you go into our [Workroom?] you'll find Books on [inaudible – over talking] [0:18:56.0] –

Interviewer: Yes, I saw those, that Magazine, that Five Hundred –

Respondent 1: Yes, yes.

Interviewer: So making use of Academic and Business Literature as much as possible?

Respondent 1: Yes.

Respondent 2: Ja, because I mean those things explain a whole lot of processes and journeys that we are going to go through, and they explain it you know perfectly and it teaches you a lot on simple things, you know because we're only human you know you can't go through every single aspect and sphere of Business.

Interviewer: Yes.

Respondent 2: But I mean the Literature brings attention to sometimes the basics, like an example, you're just streamlining a Business. Another would be you know just keeping Records of Sales for example.

Interviewer: Yes.

Respondent 2: So that you can follow up, and if you know whoever was handling that Sales steps out of the Business and whoever steps in –

Respondent 1: It can flow again.

Respondent 2: Exactly.

Interviewer: Can take that information [inaudible – over talking] [0:19:47.7] –

Respondent 2: Exactly, just take all –

Respondent 1: Ja, that takes me back to what I was saying now. I read, actually I listened to a Pod Cast a few weeks ago and they were talking about this Platform, or not Platform, the Strategy in which Corporates approach and what makes a Corporate a Corporate. And they talk about this word and "departmentalisation," so breaking up and working – a Company is broken up into different you know Departments.

Respondent 2: Ja.

Respondent 1: So I said, I don't think you're necessarily constrained in the fact that you need 50 people working in Sales, but if you break up and operate in a space whereby you've departmentalised you can grow each Department from the base. So fair enough we've got a Department of Sales and that's what our Customers think, or those who need to [inaudible] [0:20:31.9] working in there.

Respondent 2: But then again Sales will sit in the same Room as Development.

Respondent 1: Yes, there is that space to communicate although we have I would say on Paper, you know, created a specific Sales Department. Now what's nice is that we then say, okay, well within that Department they have specific Procedures and Operations happening. So for example our Sales Team fills out their Sales [inaudible] [0:20:59.7] Document whenever they approach a new Client. A Director can walk in pull up the File and have a look at the entire Sales Record and you know [inaudible] [0:21:12.2] the rest of the Business further on that. The same thing happens with Social Media for example, there's a full scheduled Managed within that Department.

Interviewer: Yes.

Respondent 1: And fair enough it's one in one person in that Department but it allows the Business to operate on a much greater scale. And I think that's, you know, the use of something like that, and they're saying, well that's only for Corporates, you know I think a lot of Businesses should operate in such a manner.

Respondent 2: Ja.

Respondent 1: If you look at our Online Communication Platform, every day the Directors and the Administrators of the Company communicates within the specific channel. The Sales guys discuss stuff within a channel. The Development Team discusses within a channel.

Interviewer: So it's one Platform for Communication?

Respondent 2: Ja.

Respondent 1: One Platform but everyone is connected.

Interviewer: Everyone is there?

Respondent 1: Everyone is there.

Interviewer: So the Communication Pipeline is one, but everyone is feeding information into that?

Respondent 1: Ja, in their specific channels.

Respondent 2: And the nice thing with that is you know is if you're not a part of Sales but you know, you have access to the channel, you can see exactly what is happening in Sales for that day, and I think that has really streamlined the Business.

Respondent 1: I think that's a powerful you know aspect, that's what helped our Business literally grow, because in fact I find that Companies don't have that. Like I was saying, back to some of the people we've met they're 20 times the size of our Company but you're all communicating with WhatsApp.

Interviewer: I've always wondered you know for the time that I have known you guys that, how is it that everyone just sort of gels and works well, so well.

Respondent 2: Ja.

Interviewer: That's one thing that's obviously kept you very positive, now and I suppose this explains it very well, where everyone knows what everyone is doing.

Respondent 1: I can even provide more of a justification of that is that half or one-tenth of the Company is not even situated in this Province, yet they operate in the same frequency. The Developers are based in Durban –

Respondent 2: Through the Platform, exactly.

Respondent 1: Through a Communication Channel. We've never even met him in person. He has been working for us for the past two years now on the same level at which myself and Lea work.

Respondent 2: Mmm, and you know back to the question you asked, you know, how do we gel? You know it is keeping it simple, for me it's a simple principle of you know, treat each person you know as if they are your Boss, you know for example, and also keep a good "spirit" and good Team moral. So you know when you walk into a Meeting for example it's not just straight to Business it's you know, find out how everyone is doing you know, crack a few jokes and then you know get to Business. And you know if you treat each person as your Boss, you know I might be for example a Director of the Company, but if I treat the Sales guy as if he is my Sales Boss, you know you give him sort of a sense of authority and a sense of responsibility because now you know he feels like he has got a whole Division to himself, you know, you're not interfering, you're not you know shouting at him every time something is going wrong, you know you find Solutions with your Team. So you know just three basic principles would be you know, treat each person as your Boss. Keep a good Team moral and good Team spirit as well.

Respondent 1: Ja, that's you know part of ways that we encourage our Team Members to contribute is as if the Company is theirs.

Interviewer: So even though you guys are Directors they still –

Respondent 1: We all sit at this Boardroom table and we'll say, okay, what are your thoughts on new ideas, innovation for the Company? And I'll make reference to it in [inaudible] [0:24:51.4] is that we spoke to our new Team Member, you know, two weeks ago and I explained this to him. And he said, well, that's actually quite eye-opening, I thought I was here just as a worker, I didn't know that I was actually allowed to contribute.

Interviewer: Sjoe, that is fantastic.

Respondent 1: And you know, he opened up to that and now you know he'll talk about new ideas and say that, this is what I'm for. And I feel that that is missing in a lot of Corporate spaces.

Interviewer: Mmm, that's true, very true that whole Platform of enabling and powering and instilling new ideas.

Respondent 1: Ja.

Respondent 2: You know you treat each person as if they are indispensable, and through that they will become indispensable. And while it may not seem as if your Company will function without them, they won't want to leave your Company because you know you treat them extremely well.

Interviewer: So in essence – so in Corporate obviously from my experience, it's very hierarchal, you know you –

Respondent 1: Hierarchy, ja, that's –

Respondent 2: Ja, there is lots of them.

Interviewer: As you know like for example I'm working, it's literally – before they used to have levels, I think it's still there, but Level One, Two, Three, Four, Five, Six, Seven, Eight all the way down to the bottom.

Respondent 1: Ja.

Interviewer: So typically an [inaudible] [0:26:01.9] like myself comes at a Level Five C or whatever, Level One is typically CEO, but that sort of hierarchy of the levels actually distorts the culture. So one of the great factors that I – well one of the factors that I'm looking at that determines the Successes is "culture" and enabling and maintaining that culture of being "open" and "enabling" people to reach their own potentials.

Respondent 1: I don't think it's impossible to you know instil that type of culture within a Corporate space and a typical example is that of Google Inc., you will find that the environment is so Team Member orientated or focused, you know they want people to contribute towards the Company and to bring your ideas to the table. And you know, you never know, for example you're working in a Corporate space, have you ever asked your Ground Staff, you know or your Low Level Staff to you know "brainstorm" or contribute, and you know it's not saying that you know you need to lay out this massive indefinite, difficult task, but engage with your Company, engage with the people who make you who you are. And I think on a small level it's sort of the culture you need to create and build throughout the years as your Company grows.

Respondent 2: I'd say effectively you have to build the people you need. So if you need you know the best Salesman in the world, I'd say you know you get someone in who is perhaps not about Sales, and obviously he won't be the best Salesman in the world, but if you empower him and you teach him that you know, that Sales position is his and he needs to grasp it. If you teach him that he has the power to do anything and to achieve whatever he wants, not because he has got his own Sales Company but because you know the Company as a whole he could treat it as his own, you know you could create the best Salesman in the world simply because you give him that freedom to, you know, to innovate to brainstorm into contributing. You know you don't give him you know "orders" to do X, Y and Z.

Respondent 1: Ja, here it is "invest" in your people. I always believe you know a Team is stronger when they stand equally and where they stand behind each other. And that's a culture I believe you know can [inaudible] [0:28:32.9] over the years [inaudible] [0:28:34.1]. You know a lot of, you know, counter arguments to say, well ja, when you grow to a certain scale you need to have some sort of, you know, hierarchy. But I believe that whilst you have a hierarchy there is still certain strategies and methods you can use to bring out the best in your, you know, your Staff, your employees.

Interviewer: Alright, fantastic. So obviously it varies from the Success side. Any sort of Failure Factors that you can mention? Because obviously I can take this and distort it and say, if this doesn't happen it is a Failure Factor. But any unique thing that you would like to share based on that.

Respondent 2: You know, ja, you know why we've started this whole you know LOOP as an IT Company, you know inside the Company we've had a whole lot of Failures I would say, but I wouldn't really call them Failures because I believe if you learn to, you know if you cut your losses quickly and you know you get out when you don't think it's feasible, that to me is a Success because now you found you know that way of doing things doesn't work.

Interviewer: Yes.

Respondent 2: And you know that alone is a Success. So I would say –

Respondent 1: In the Book of Thinking Courage on [inaudible] [0:29:49.6], they talk about you know having this Master Mind Group or a – the concept is having a Team who is operating in the same frequency. Having the right people on the bus. So if someone does not want to be on that bus or is not you know providing sufficient purpose, you are essentially you know carrying unnecessary weight.

Respondent 2: Definitely.

Respondent 1: And that's where I say it hasn't been a Weakness or a Failure, but it's been a massive learning you know curve for us. We are a Team of eight at the moment, we had I would say three or four you know, I wouldn't call it a "fallout" but you know we've engaged with you know at least three to four people whereby they unfortunately didn't fit within our Company. And surprisingly enough you know those people left on their own [fruition?].

Interviewer: Obviously the other five [inaudible] [0:31:08.1], so what's that? 63% You've managed to retain.

Respondent 1: Ja.

Respondent 2: But it's retaining through you know, like we said, giving them that freedom and then grasping the opportunity you know. The few that we did have a fallout with was, I'd say we gave them the opportunity and we didn't get the feedback that we wanted, or we didn't get the response that we [inaudible – over talking] [0:31:30.9] –

Respondent 1: Sorry, the funny thing is that such people who left approached us, you know, I want to be a part of this. I want to work. And then I think when they realised the scale and the complexity of what they're getting themselves into, it's not just a massive opportunity but it is hard work as well.

Interviewer: Yes, absolutely.

Respondent 1: And I think they, you know, they realised, well unfortunately this is not for me. And you know we need people who want this as much as we do, that I think is something that is very, very important.

Respondent 2: Ja.

Interviewer: So it's basically a major Team effort not just by the Executives effectively?

Respondent 1: Ja.

Interviewer: Everyone should be playing the same game to be on –

Respondent 1: Ja.

Respondent 2: I think everything you do in life if you've got a Team behind you all contributing to the same purpose, you know [inaudible – over talking] [0:32:22.2], exactly, ja. So ja.

Interviewer: Okay, I'm just turning towards the last sort of discussion about our chat. Supposedly, and again Conceptual thinking here. Supposedly if you were to get Investors on board at a late stage, I'm sure at some stage if you decide to go Public or whatever the case is, you'll have to get Investors on board. You'll probably need to have some form of "Acceleration" or "Incubation." And I see from that Award you've probably looked into that sort of aspect. What is it that you would like them to focus on if they were to come in to either Invest or Accelerate the Business? What is the core –

Respondent 1: That's an interesting question.

Respondent 2: Ja.

Interviewer: What is the core aspects? So obviously one thing that I can mention on a very high level is to understand the cultures, that is a big thing here, and I have a feeling that LOOP has got a very good culture, a very solid culture to ensure that everyone "buys" for the same goal at the end of the day. But Investors unfortunately look at the Bottom Line, for them [inaudible – over talking] [0:33:25.6] – I mean for, I mean something stupid you know, you've got a great Coffee Machine, if it's draining R1 000.00 a month it's R1 000.00 that they can cut out and say – and then all of a sudden people unhappy, or substitute it with Ricoffy for example. So ja, onto you.

Respondent 1: That’s a good question. I always think that you know if you’re taking on some sort of Incubation or you’re getting Investors on board, they sort of need to invest in the Company and the people itself secondary to –

Respondent 2: Business.

Respondent 1: [Inaudible] [0:34:06.3] Business and Product or Service that they’re investing in. A Product or Service is nothing without the people that drive it. And ja, fair enough on an objective and you know, on an objective scale there obviously needs to be a Return. And I just believe that that can be you know calculated and worked on accordingly, but driving that requires somewhat more of just you know a straightforward Monetary Investment. You need to know who you’re investing in.

Respondent 2: Ja, because Business is [inaudible] [0:34:49.5] people effectively. Ja, no that’s absolutely a correct question though, because you know effectively anyone who is investing doesn’t share the same Vision as you, which would be you know to grow your Company like [inaudible] [0:35:06.9] said, it comes down to one factor which is our [inaudible] [0:35:09.4]. But you know I believe that our history itself proves that you know the strategies we’ve taken, you know the moves we’ve taken have maximised our ROI simply because you know when we started the Company, we started you know with X amount and we didn’t immediately you know straight, chase down the money, chase down the profits –

Respondent 1: But build the Brand.

Respondent 2: Exactly, build the Brand and build the Business and build something sustainable, build a 20/30 year Company instead of you know a two or three year Company.

Respondent 1: Two year three to sell.

Respondent 2: Exactly, you know build a 20/30 Company and then you know through that to date you know our profits have gone up, you know 400/500% not even 500% I’d say 5000%. And you know [inaudible] [0:35:54.2] been, you could do the same you know. So you know through our history I think that alone can prove that you know what you’re buying into is not just a Business, you know it’s more of an Asset more of a culture.

Respondent 1: I think the same thing applies, and I can say this, when you're investing in you know Foreign Exchange or your you know Local Stock Market is that you asked yourself, why am I buying this Currency [pay?]? Why am I investing in this Company's Stocks or Shares? And on a fundamental basis you're investing in that Company's ability to grow to increase at Share Value for that Value of that Currency to appreciate, and I think if you're focused on the reasons for investing and not so much as "what" will my Return be if I invest in this now, you know, if I invest in X Company and I know that, okay, well you know the Value of it is going up to 200, fair enough, I would make let's say maybe 20% Return, but I think the question is, what makes me believe that this Company will grow to that level or you know that Value. So I think when Companies invest in you know Start-Ups or the Incubator of the Companies I think you first need to understand who you are investing in, what you know sort of Agenda they have, and where you believe the Company is capable of going, and then based on that assess the actual Product [inaudible] [0:37:41.1].

Interviewer: Okay, I see. I think we've reached the end of the discussion. Anything else that you would like to share about the Company and what the Vision is perhaps going forward?

Respondent 2: Ja, I'd just like to maybe add another point to our Failures which you said. And I think the only Failure is you know the opportunities we didn't take, because –

Respondent 1: Yes, yes that was a –

Respondent 2: Ja, because you know an opportunity can always be lost if you don't take it, but I mean if you take the opportunity and you find out it didn't work you know you're fine with that. Like I said you learn something and then it's not really a Failure. So I think, ja, that is for me the only Failure, because you know in life, you know you're failing everything you do and you know it's just a part of life. So if you turn your Failures into Successes like you know finding out that that doesn't work, that you find out how not to do something, you know that for me is a Success. So ja, you know the Vision of the Company, you know as I've said before, you know we're not building a two to three year Company, you know building something to 20/30 years and you know our goal is to become a Market Leader in South Africa in terms of IT, as well as a whole lot of other various Fields you know I'd say in 25 years you know we want to go into Banking and Insurance, you know but that starts now. So you know like Respondent 1 said and you know something we've [stemmed?] down hard is the "culture." And you know we're trying to build a culture that will drive towards the 20/25 year plan.

Interviewer: Fantastic.

Respondent 1: Ja, so I don't know you can maybe add it somewhere there as a Micro Enterprise, Small Business. In the past few months our focus has also been to start approaching and working with more Corporates as well as government, however, I do believe that the opportunities made by such Corporates or government could be a lot better. I think there is a lot of "red tape" involved.

Respondent 2: Ja.

Respondent 1: We've come across that, you know, going back to this idea of providing Small Businesses with opportunities I think it's lost along the way and the whole plan – it's been a difficult task for us.

Respondent 2: Ja.

Interviewer: Ja, I believe the bureaucracy is terrible.

Respondent 2: Ja, it is,

Respondent 1: Ja, I mean we've gone through maybe already five or six Tender Applications and it's you know, it's extremely difficult.

Respondent 2: Mmm, and not transparent as well.

Respondent 1: There is no, absolutely no transparency. And when I explain this, I'm talking about the fact that in an ideal situation, right, you should be able to Apply for a Tender, your Bid should be acknowledged and you should be notified, well, the acknowledgement of your Bid. You should then be sent the Bid Breakdown and Points allocation. You should then be notified whether or not you have received the Awarded Tender or not.

Respondent 2: Ja, and reasons why not.

Respondent 1: And reasons for the rejection on it. And I could probably tell you now that along the lines there is actually a Legislative problem at this point, you know [inaudible] [0:41:11.1] current [inaudible] [0:41:12.6] Administrative Law, and there is actually a Constitutional requirement for government to work and provide opportunities you know to the Business Sector. And whilst we talk about “empowering” BEE Companies, etcetera, there is absolutely no transparency.

Interviewer: Is transparency a big issue?

Respondent 1: That is [inaudible – over talking] [0:41:36.1] –

Respondent 2: And [inaudible – over talking] [0:41:37.3] as well, you know I’ve been working for one and it’s unbelievable the amount of “red tape” we’ve also got.

Respondent 1: I mean we are – I’m not mentioning names again, we are in Consultation with a Billion Rand Engineering Firm in South Africa, and we’ve been working on this for the last month and a half, but it is taking so long to get some sort of feedback. And it’s, okay, well we’re having a Meeting on this date, follow up in a month’s time. But ja, I find that on a government level it’s just so bad. I mean –

Respondent 2: Transparency is [inaudible – over talking] [0:42:14.7] –

Respondent 1: The fact is that you should be able to see, well, your Bid was acknowledged. What did you score against? Who got the it at what price?

Interviewer: Yes.

Respondent 1: Okay well, you know what, we were out priced [inaudible – over talking] [0:42:25.4] –

Interviewer: Yes, because then at least you can take the feedback –

Respondent 2: Exactly and [inaudible – over talking] [0:42:28.8], exactly, you’ll be able to change how you approach them in the future. You can learn from, you know –

Interviewer: But there’s no, [inaudible – over talking] [0:42:34.5], I know from even my interaction with government it’s terrible.

Respondent 2: So you know there is no transparency and I think that alone is a –

Respondent 1: So there is another Solution that needs to be looked at, and that is part of LOOP, is to find Solutions.

Interviewer: That's it, because I mean how do you as a Tech Company come on board?

Respondent 2: Exactly.

Respondent 1: [Inaudible] [0:42:50.3].

Interviewer: That's it.

Respondent 1: But ja, going back to I think Corporate and –

Respondent 2: Government.

Respondent 1: There's bad, bad culture environment in especially supporting Small Businesses. At the end of the day I find that government and Corporates are "recycling" you know Financial and Economic Resources within that level. When you empower a Corporate who has been in power for the last 50 years, the Cash Flow is retained and profited within the Company. The Staff who work there are paid on a Salary basis and the large portion of Funds are you know held within the Company. Support a Small Business, you are supporting the Owners, the Staff, the Staff support their families –

Interviewer: Ja.

Respondent 1: You get this –

Interviewer: Complete –

Respondent 1: Allowing of –

Interviewer: It's like a domino effect.

Respondent 1: Ja.

Interviewer: Okay, alright I think that brings us to the end. Maybe anything else?

Respondent 1: The idea when I said we're "diversified," I think that's also important to say. As a Company we started off with Tech in the beginning, we're now moving into Digital Advertising and even the Financial Market.

Respondent 2: Diversification you know I think that is the best and easiest way to ensure sustainability, because you know if one part of your Business decides to – or if you know the Market for one part of your Business isn't a healthy Market for creating a sustainable Business, you know, at least you've got you know your eggs in other Fields.

Interviewer: Yes,

Respondent 2: In other baskets, so I'd say diversity creation is extremely key because in each Sector you can only reach a certain amount of growth. You can only become –

Interviewer: Market Share.

Respondent 2: You can only attain so much Market Shares. So you know if you diversify I think you know getting a bit of everything, you know it also helps you learn a lot more, because I mean Digital Advertising could provide Solutions for Banking for example.

Respondent 1: We premise all of our diversification on an IT basis.

Interviewer: Ja, everything arrives back to Tech.

Respondent 2: Ja, exactly.

Interviewer: How do you use that sustainably like you mentioned, and profitably to ensure that Solutions are viable, transparent and at the end of the day there is Value that is added to people. I think that's the strategic sort of Vision that I get from your discussion.

Respondent 1: Ja, so if you want to like even put a [inaudible] [0:45:27.5], the basis of this Company right, is that there's a foundation of Technology, right, and the basis of Technology can be Academically supported by Steve Case in which he talks about the Third Wave, whereby Technology and as he said, will become the "new" electricity.

Interviewer: Yes.

Respondent 1: So in between Internet, IT is that what we refer to as Technology, that is your basis right, and this foundation can be laid on top or below I'd say any [inaudible – over talking] [0:46:09.2] Industry, any single Industry. So you've got your Industry which is then on your foundation, and I'm talking about Banking, I'm talking about [inaudible – over talking] [0:46:18.1] –

Interviewer: Anything.

Respondent 1: Industry, I'm talking about Health Care, I'm talking about Education –

Interviewer: Energy.

Respondent 2: Energy, Transportation –

Respondent 1: And then you've got this Industry built on top of a Technology basis, but what creates the Success in your Business then is "micro factors," and I'm talking about transparency there. I'm talking about Customer Service. I'm talking about you know, Price.

Interviewer: Ja, so all the tangible stuff that actually mentions the Business [inaudible – over talking] [0:46:56.0] –

Respondent 2: Solutions to problems.

Respondent 1: Ja no, exactly, transparency, Customer Service, Price and –

Respondent 2: A sort of healthy employee culture.

Respondent 1: You know on top of all of that, you know is the use to empower people. That is the ultimate and it's [inaudible] [0:47:17.6] is to empower people. I don't have my laptop here, but we recently finished our new Business Profile and the Mission and the Vision states there that we –

Interviewer: I think I saw that on the Website, ja. I did see that on the Website. Is that the one with all you guys who put photos now and everything?

Respondent 1: Ja, it's –

Interviewer: I think it's somewhere there.

Respondent 1: So that's sort of the pyramid and we actually say is what the Company is built on, good Technology built basis. It's built of any Industry focusing on the aspects that make a Business all of which empowers people.

Interviewer: Sure, alright.

Respondent 1: Ja, so to reinvent Global Business operations and [inaudible] [0:48:07.9] across various Sectors. And then our Vision is [inaudible] [0:48:11.4] to become Leaders in Business in creating wealth, employment and prosperity for [inaudible] [0:48:16.4].

Interviewer: Wow, very impressive. Now I see the diversification there.

Respondent 1: Mmm, a lot of it has changed. And then –

Interviewer: It's pretty cool now. Alright, awesome. No thanks guys I appreciate it. Let me stop this quickly.

Appendix G: Interview with Business Incubator C

Respondent: Hello?

Interviewer: Hi [inaudible – mentions Participant's name] [0:00:15.6], how are you doing?

Respondent: Good and you?

Interviewer: All good, all good. How is everything going?

Respondent: Ag, okay just busy as usual.

Interviewer: And the MBA?

Respondent: I'm done for the year.

Interviewer: Okay.

Respondent: So again as from next year.

Interviewer: Oh, okay alright, I see.

Respondent: Ja.

Interviewer: Alright, not that's good. And have you decided on a Thesis for the MBA yet or not?

Respondent: Ja, we actually had to submit our Proposal in by the end of this year.

Interviewer: Okay.

Respondent: And so I'm also doing something within the Incubation space.

Interviewer: Alright.

Respondent: Ja, so I've got that already.

Interviewer: Okay, so I think you'll provide a lot of insight into my Thesis, because I'm also – obviously like you've probably seen, also trying to Investigate a lot within that space.

Respondent: Yes, I saw that.

Interviewer: Ja and obviously I think for me like, if I can just share, the Vision is to try and build or do some Simulation Modelling using Systems Dynamics within that Business Incubation space, but for now I'm just trying to do like an Exploratory Study just Investigating different – well trying to see if there's a link between the

Success and the Failure factors between Incubators and the Incubatees at their support. So I think if you don't mind we can commence with the discussion.

Respondent: Sure.

Interviewer: And again I think it would be quite value-adding if obviously you share your views, and I'll just pretty much just verify and clarify and in [inaudible – background noise] [0:01:49.3] I will just ask to clarify or expand on certain views. Sorry, I just want to close this. But if you may begin the discussion by maybe you expanding on what the Hub does? How it works? What are its Operating Models? Like what sort of Metrics it follows? Etcetera, etcetera.

Respondent: Okay, so the way this Business Incubator works is that we use it as a Platform to launch Businesses. So it is not about developing a concept or a Business idea. The kinds of Companies we're looking at is Companies that have already got their idea and they have already taken their idea to Market, and they have secured some sort of work and now they need to commercialise this because they want to grow a Business and they need access to Facilities to really take it to a Commercial level, and that is when they come to us.

Interviewer: Okay.

Respondent: In terms of what we do, then we will provide them with Non-Financial, Financial and potentially [Low-Funding?] support.

Interviewer: Okay.

Respondent: "Non-Financial" being that we have our Specialists with their In-House expertise, or we tap into the various Employees that can help, so that contributes a Non-Financial and that could be in any aspect of the Business, and it could also be Technical. Then the "Financial" support is where we would for example implement something like a System, you need an Accounting Package, or you need some Marketing Tools, getting a Web Design, etcetera.

Interviewer: Ja.

Respondent: So that is where we will Fund it and the SMME does not need to pay us back.

Interviewer: The Fund, sorry?

Respondent: That's the Trust, yes, ja the Fund. So then you qualify for the [Low-Fund?] support. The Incubation is typically 12 months and we say is that, we try depending on the type of Business that comes in we would typically find either [inaudible] [0:04:18.1], or provide a four or a six month Payment Holiday. So the first four to six months you don't pay any Rental Agreement, you don't have to pay any Rent, from thereafter you need to obviously pay your Rental Agreement.

Interviewer: Ja.

Respondent: We're providing this space at a – it's just below Market related cost, and it's not only the space that is available, it is access to Equipment.

Interviewer: Okay.

Respondent: It is Raw Materials, so we will by the Raw Materials just so that it is available for the [inaudible] [0:04:56.0] to use, you have access to the [inaudible] [0:04:59.3.]. So all of those things get booked to the Incubatee. After 12 months we want to make sure – or during the 12 month period we want to make sure that the Company has now grown or is on a growth-path that they can at least reach their "breakeven" or exceed it, and that they can afford to go out into the Market where they already pay Market related Rent and Market related Costs. So that is one of the measures that we use, is when this Incubatee is leaving, can they afford those Market related Costs or not? The other thing that we do is for the 12 month, I call it a "Project Plan" or "Activity Plan," we then need to see, when you come into the Incubator there needs to be a Plan. What is it that you're going to do? When are you going to do it? How are you going to do it? And then how do we support you in doing that? And it is those Performance Measures that we use to see, are you on track or not? And if you're not on track, what went wrong and what do we need to support you with?

Interviewer: Alright.

Respondent: So ja, that's basically how the Model works and that's for a period of 12 months. Once they leave the Incubator there is still a two year Virtual Incubation. So what we're saying is that, you need to continue on your growth-path and you don't necessarily need to physically be in the Incubator, but when you leave irrespective of where you locate your Business, we will still provide you with the support so that you can continue growing.

Interviewer: Alright. And the "support" that you speak about, sorry, I've just made a couple of points so maybe you can just clarify on that please.

Respondent: Sure.

Interviewer: The "Non-Financial" interventions that you speak about, you mention a lot of "Technical" aspects. So is that typically – like what we've been getting involved with the Businesses like doing a little bit of Management Consulting Tools and Process Maps, and what other aspects? RCs, ja.

Respondent: Ja, so there will be things like your HR, do you have Recruitment Policy? Do you have a Company Policy? What is your Leave Policy? It will be things like, do you have a Vision and Mission? Do you understand [inaudible] [0:07:27.8]? So everything related to the Business that will happen, but we also have our Specialists that are also Technically inclined. So you have for example in the Chemical space, our Specialist at the [Chemist?] [inaudible] [0:07:43.4], Scientist. So he will for example provide a lot of Technical Guidance to say, okay, you have 20 Products that you can manufacture, this is what we need, this one is going to give you a better Profit Margin than the other one, etcetera, etcetera. So you "guide" the Company from a Technical and Business point of view so that they can generate their Revenue, but with Products that have a higher Profit Margin on it.

Interviewer: Okay, I see. And maybe this is my naivety, but then how exactly – okay, so where I'm coming from I would assume – sense the Business Incubator is also just an entity within a Market environment. How do we make the money then? How does the Business Incubator make money?

Respondent: We don't. We are not in this to make money.

Interviewer: Okay.

Respondent: So remember the Model that we're using is that the company is doing this to enhance the Local Economic Development in the area. So this is actually a Cost to us, we're a Cost Centre but at the same time in order to teach Business principles to these Incubatees we have to Invoice them for a number of things that they use, so that they get into the habit of paying for things and that not everything is for free.

Interviewer: Okay.

Respondent: So it is really on that basis. In terms of – so it is purely, purely Cost.

Interviewer: Okay, so it's basically – so there's absolutely no Profit that we drive or anything of that sort, right?

Respondent: No if anything, we need to write-off Costs.

Interviewer: Oh ja, completely. Well let's put it this way, if that's the case what are some of the Metrics that you use in identifying how well the Incubator is doing?

Respondent: So the success comes from the success of the SMMEs. So our Incubatees, have they been able to launch their Business? I mean if you get a guy that's sitting here for 12 months and he hasn't generated any Revenue, he hasn't Employed more people, he hasn't secured more Contracts and he hasn't improved on his Geographical reach, it is things like that that we will measure. So we use a Balance Score Card with those elements, so the number of people that they Employ and the Geographical reach, and the number of Interventions they implement in from a Compliance point of view, their Customer, the number of Customers, their Revenue and their Profit and their Costs. So you want a Company to be able to "reduce" their Costs and improve their Revenue, Employ more people and to secure more Contracts.

Interviewer: Yes.

Respondent: And those are the things that we measure as [inaudible] [0:10:38.4].

Interviewer: Alright. And I suppose this is – I'm just speaking from experience here. So for example when I was doing the Balance Score Card which I'm still running with, that's developed obviously to suit the Company's own Model, right, we don't really set the Terms for that we just kind of do an Analysis and provide the Metrics for that Company, and as a result that feeds into our Structures. Am I correct?

Respondent: Ja, so we put the Framework together.

Interviewer: Okay.

Respondent: And we say, these are some of the things that you should be monitoring in your Business in order for you to make proper informed Business decisions.

Interviewer: Yes.

Respondent: And they then set the Targets, because they then need to decide, okay, I want my Revenue to increase to R100 000.00 in the next three months.

Interviewer: Correct.

Respondent: We then measure according to that.

Interviewer: Oh okay, perhaps not the other way around? Like maybe – so obviously we'd go in with the Technical understanding and expertise and say, okay, well based on your Business competencies and competitive advantage, maybe R100 000.00 is too ambitious, we would say R50 000.00. And then drive that sort of behaviour. Wouldn't that be better?

Respondent: There is some guidance.

Interviewer: Okay.

Respondent: But at the same time you also get the flip-side of that where we can see a lot of potential in a Company.

Interviewer: Okay.

Respondent: But they have different aspirations.

Interviewer: Oh, okay.

Respondent: So as much as we want to support the Company, we don't want to enforce our thinking on the Company, so we will provide the Guide. So we'll question them, so if they for example want to say – say they say, R100 000.00 within three months. And we know based on our experience that that is not really realistic.

Interviewer: Ja.

Respondent: Then we will Coach and we'll ask the questions so that they get to a point where they realise, okay, maybe this is not achievable, I need to reduce it. But we don't tell them "no" you know what, it is not R100 000.00 it is R50 000.00. So there is a difference in terms of the Coaching versus just telling them without them understanding why we're saying it is "not" R100 000.00.

Interviewer: Okay, I see. And from your experience, so obviously you've highlighted how we measure the Success factors, but now shifting focus onto the Enterprises that you're involved with and obviously the Business Incubator, what is some of your experiences with regards to their successes? And how do they define their success? And what gets them going into a success mode for a Business? Because obviously in our environment and on a National Macro Economic level, and a lot of the Reports that have come out from places like, what's this? Global Entrepreneurship Monitor, a lot of them say that in South Africa the Business "fail" – well they "fail" very, very early on in their stages, but – well since our Incubator is there as a long-term support function, well, what defines their success? How do we make them successful? Not "we" but how do they make the Business successful from your experience?

Respondent: So, okay there is a number of questions in what you're asking. The first part to that is depending on the type of Companies that you – or let me rather say, you find different types of Entrepreneurs.

Interviewer: Okay.

Respondent: Most of them from what we can see define "success" is when they secure Contracts with large Corporates.

Interviewer: Okay.

Respondent: And that's their definition of "success."

Interviewer: So basically like a Tendering process sort of –

Respondent: That's it. So they see the Dollar signs and they want to Target that.

Interviewer: Okay.

Respondent: And that could potentially be one of the reasons why many Businesses fail, because what they fail to realise is that there is a lot of opportunity in starting with smaller work opportunities, and securing a Contract with a larger Corporate is not necessarily the way to go.

Interviewer: Correct.

Respondent: Especially when you're starting from scratch.

Interviewer: Ja.

Respondent: You need to build a capacity, you know you need to – you know, it's a balance between securing enough work but also having the capacity to deliver, and you know you've got to continue like that as opposed to securing – or thinking that as a Starter Company you're going to secure work with a large Corporate. What happens then is when they try to do that they wait for a long time, and they longer they wait they more they ease into their –

Interviewer: [Inaudible – over talking] [0:15:09.9] –

Respondent: Their – well some of them are not even making money –

Interviewer: Ja.

Respondent: And that's the difficulty, they are incurring Debt and not making money, and that is why they end up failing. So what we tell them is that "look" for the opportunities where even if it "piecemeal," but it is enough to get you going, and start to get some Cash Flow going into the Business before you can actually secure your large Contract. So I think that is one of the biggest things that we've picked up with our SMMEs, and it's something that we've been Coaching them on because you know it starts off, you're going to have to do one hundred jobs of R10 000.00 to eventually get to that one job of R50 000.00. You know, so this is the "mindset" that we need to change.

Interviewer: Alright and –

Respondent: And you know, so I think that's the main thing that I pick up in terms of how they define "success."

Interviewer: Okay, so – and I presume given the current environment, there's still a major, major focus towards Tendering and going for the bigger Corporations, right? So what sort of Management Interventions apart from Mentoring and Coaching do you and by extension the Incubator provide to obviously accompany that change in mindset? Because I presume, well, from what I've read a lot of Entrepreneurs are also – they tend to get stuck sometimes, so it becomes very difficult to pivot, but not everyone are like that, right. So from your experience how do you facilitate that process?

Respondent: Okay, so the one difference that we have in this Incubator is that you have a Specialist that is dedicated to you.

Interviewer: Okay.

Respondent: So they are your “go-to” person, with every issue that you may have no matter how big or no matter how small, right?

Interviewer: Ja.

Respondent: So I think that makes a difference because the Entrepreneur needs someone to kind of ground them to kind of bounce off ideas and thoughts, and just help them think through their process. So the Specialist plays that role. We also have Events once a month where – at least once a month rather, where we get people from different – or Subject Matter Experts with different Topics. They then talk to an audience, we invite all our Incubatees and all our SMMEs and they then have a discussion around things that are important to them at the time. So it could be HR, it could be Legal where we are looking at Contracting, it could be understanding the Act around “what” I need to do as a Director. It could be understanding Labour issues. It could be Wellness issues, you know, people that have lots of Employees and HIV, things like that. It could be Financial. So there is a number of these things that are continuously going on to help the SMME to have this bigger picture of – or the important things in their Business, and what they need to consider and how they need to view it.

Interviewer: Okay. Okay, I see. And in terms of Leadership, what are some of your observations with regards to the Entrepreneurs? Because I think especially in the early stage and – well early stage Funding, a lot of Entrepreneurs tend to have a good – well, good set of ideas, but perhaps poor execution, poor Managerial Skills and a lack of Training. Well what are some of your thoughts on that? And again, how do we address it?

Respondent: So what we find is that in many instances you’ll have a person that is very Technically sound that comes up with a Business idea.

Interviewer: Okay.

Respondent: So then they start building this Business, and as the Business grows they may not necessarily have the right Leadership Skills and they may not have the right Management Skills. And so what tends to happen is they will operate on a Technical and an Operational level as opposed to a Strategic and Business level.

Interviewer: Okay.

Respondent: So then sometimes we find that the SMMEs will have issues with their Employees because they don't have those Management Skills. So this is something that we also pick up because of the "close engagement" between the Specialist and the SMME, we pick up on those issues. Where possible we will try to guide in terms of – or let me say this. We don't believe that just Training a person is sufficient. You sometimes need to – you know your strength is your strength and your weakness is your weakness. What you may need to do is bring on Partners that can complement you in your Business, and that's another Intervention, or what we recommend so that they can look at, when they are looking at their Partners "how" do they bring on Partners that complement? And again in terms of the "culture" in how do you deal with these issues? To make them aware that they need to operate on their Business and not in their Business. So which is very difficult in the start-up phase.

Interviewer: Ja.

Respondent: It is easier to implement and manage and change as the Business grows, but initially that one person is everything to the Business.

Interviewer: Yes.

Respondent: And there is almost this "transition" as they need to grow to a certain point before they can see the value and where they need to build the Management Skills, but we've even seen it in larger Companies where the Entrepreneur continues to try and do everything, but the Business grows to a point where you now – at the determent of the Business now you are now – you know, the Business is suffering because you are trying to do everything, and that was a turning point when he started to implement an Organisational Structure that will complement the growth of the Business. And that is something we from a Non-Financial point of view as well, when you look at the [in charge?] element. We look at the Organisational Structure, what kind of Structure will support the growth of the Business? So even though you may be one person, you understand what your Structure should look like as you grow people. And again you look at the position and you look at “what” is the Job Description for that position so that when you’re Recruiting you Recruit the right person to complement what you need to do.

Interviewer: I see, but if I can just clarify. When you say “Organisational Structure” to facilitate that process, we, and by extension the Business Incubator, we don’t necessarily Re-Structure do we?

Respondent: We don’t Re-Structure the Business, no, but we will work with the Entrepreneur, again, in a Coaching way and ask them, is this the right Structure? Is there a better way of handling your Marketing? Is it efficient to have one person handling the Marketing and the HR? Is there a conflict either in terms of the Job Description, the Roles? So we just bring some clarity around what needs to happen. What happens then is that sometimes an Entrepreneur comes back and they say, okay, but you know what, I actually need a person who needs to take care of this in my Business. If I reach this point I can Employ. And that’s what happens then.

Interviewer: Okay, I see. And one thing that has come out from a lot of the Literature that I’ve been reading and working on, especially – sorry, before I continue. I’ve been reading this Book as well called ‘The Lean Startup.’

Respondent: Oh yes, ja.

Interviewer: And a lot of it that it talks about is in order to “adapt” and “grow” you either pivot or you persevere essentially. Do you see that sort of mentality and attitude among the Entrepreneurs as well? Or do we still see some old – well not old, but persevering behaviour on items that don’t need to be persevered on? And pivoting on ideas that don’t need to be pivoted on?

Respondent: Ja, so you actually do find that. Well, what is difficult is that sometimes the Entrepreneurs don’t want to let go of their idea.

Interviewer: Okay.

Respondent: Because they don’t realise that, you know what, they’re failing and they need to now pivot, because – but they end up persevering an idea or a concept that it is actually failing. Coupled to that is it is very important to also understand what makes you unique, or what is competitive about your Business, because that will dictate whether you need to persevere or you need to pivot.

Interviewer: Ja.

Respondent: Because if you are just more of the same, then you really need to re-think, is there an opportunity for you to continue in this Business or not? So I think, ja, in some instances you – it's kind of like you get the "extremes" –

Interviewer: Ja.

Respondent: You get the Entrepreneurs that are really going nowhere but they're still persevering. And then you'll get the Entrepreneurs where there are so many opportunities on the table and they are pivoting all the time. So they move from this one to that one, and that one, and then we need to keep them focused. So it's almost on the two-ends of the [continue?] and you've got to balance it all and make sure you bring them to a point where they can get something that they focus on that is tangible, and that they can actually implement it.

Interviewer: Ja. And from what you're saying I think it's also – it's a case of more managing the Entrepreneur rather than that Entrepreneurial idea to an extent.

Respondent: Absolutely, absolutely. So as much as that they have a Business concept that is brilliant, the Market is there and the demand for the Service is there, if the Entrepreneur does not have the right mindset and he doesn't have the right drive, you know things like that, the Business is not going to be sustainable, it will be successful for a short time.

Interviewer: Correct, and I think like your –

Respondent: And this –

Interviewer: Sorry to interrupt you. And I think if that's the case then it's also the attitude of the Specialist, and again, by extension the Business Incubator also makes a difference, because I suppose if there is a "lack" of motivation in the Entrepreneur, well, could there be a risk in a lack of motivation in the Specialist as well? Or is that something that we just have to go with and really just try and work with the Entrepreneur no matter what sort of personality they have?

Respondent: Look, we don't – most of the time we're working with Entrepreneurs that have very different personalities and it is not like we walk away. It just means that with some Entrepreneurs you need to put in more effort as opposed to others. So the Specialist also needs to be resilient because they need to constantly Problem-Solve, not only helping the Entrepreneur in terms of their Problem-Solving but also Problem-Solve the issues that they may have with the Entrepreneur in getting them to get their Business going.

Interviewer: Ja.

Respondent: So yes, you do have some of that – what is the word?

Interviewer: Some challenges I suppose.

Respondent: You do have sometimes, yes.

Interviewer: Alright. And supposedly if a Business is to fail, alright, are the caused usually the same as what Literature dictates such as, just thinking on the top of my head and just going through some of the stuff that I've read, such as "lack" of understanding, "lack" of Funding and the "lack" of poor Business environment, etcetera, etcetera?

Respondent: So the ones that are failing, and sometimes on an individual level where it is around a mindset and the attitude. It is more of "hand me out," I'm "entitled" to kind of thing.

Interviewer: Ja.

Respondent: Where you are expecting everybody else to do it for you. So that is where some of it fails. Other instances is a lack of understanding of the space that you want to operating in. So you come up with this idea but you don't understand your with an Industry in terms of Regulations that you need to meet and Acts that you need to comply to.

Interviewer: Ja.

Respondent: Those sorts of things, so that type of knowledge they don't understand that. The other part of that is if they don't understand the Market that they're Operating in. Some Companies will even tell you that they don't even "know" who their Competitors are. So they are so inward focused in terms of looking about their

Business because they came up with this idea [inaudible] [0:28:29.1], they forget that they need to benchmark that external to them and look at the Industry, the Market and their Competitors and then to look at how do they build something unique. And that's the other thing, a lot of Companies are just doing more of the same. "More of the same" means you're moving into a space where there is a lot of other Companies and you now need to compete on Price as opposed to – so your Profit Margins are very low and you need the Volume to make the Business work, and it is difficult to get Volume in an economy that's also struggling.

Interviewer: Absolutely.

Respondent: This is where things go wrong I think in terms of the "uniqueness" of these Businesses.

Interviewer: I see. Okay again, I'm just speaking from my experience, especially in our sort of environment which is so heavy, heavy Engineering and heavy Industry based, obviously this is one Sector that is still struggling by extension. I mean even though we're Oil and Gas, a lot of our work is still very much Mechanical and it is still very much heavy Industry focused. A lot of the Businesses that I see that we are supporting, the Incubator by extension is still very much in the same Industry, but – and this is obviously debatable and I'd like to get your thoughts on this. But the IT Sector is obviously one that's been identified as a "key" Role-Player in developing new Services and new Industries. Have we looked at the possibility of Incubating in that space? Or is that something we're still playing with?

Respondent: So the need comes – okay, so we've got the Workshops space which caters for some sort of Engineering type Businesses, but our main building is in the Services space. So an IT Company can very easily come and establish themselves in the Incubator.

Interviewer: Okay.

Respondent: What drives the type of Businesses that we have here is the capacity and capabilities of the people or the Businesses within the Incubator Facility. So remember we focus on roughly a 50 kilometre radius, and if you look at the

Companies that are coming from there, again, it is the Companies that will do your typical Services, your Accounting Service, your SHE Systems as an example.

Interviewer: Yes.

Respondent: You'll have Insurance Companies. So even sometimes Companies from Johannesburg [inaudible] [0:31:07.3], they also want that sort of Company. We've also catered for General Manufacturing, so while we have Polymer and Chemicals, and Fabrication there is just a plain Workshop space where you can come with whatever Processing Operations you have, you can come and establish that here. So I mean we've got from the community, we've got Companies that have gone through our Entrepreneur Programme, so that is more on a Self-Development point of view, and they now are coming in like with Sewing Machines and Furniture Manufacturing, and things like that.

Interviewer: Oh, okay.

Respondent: Still, while we're not restricting it to Engineering and Science, the focus is still Manufacturing because if you're going to [inaudible] [0:31:55.4] the economy, we need to look at Manufacturing, we don't want – and especially because we're looking at black owned Companies. We want to break the perception that black owned Companies are Garden Services Companies and [inaudible] [0:32:08.8] Companies, because it's not true.

Interviewer: No absolutely, I think that's a stereotype we all need to move past in any case.

Respondent: Yes. So this is where we're saying, there are reputable and credible Companies that can be established, that are existing that can offer their Services. And that is why – so I think the Incubator is still quite diverse in terms of the type of Companies it can accommodate, but it is a matter of "what" those Companies are.

Interviewer: Alright. And I suppose I'm just thinking slightly strategically now as well, and I think this is where your knowledge may also assist, but I guess since we're moving into diversified Incubation, that spreads our risks and the Company's name as well. Am I correct?

Respondent: Absolutley. And look, whether you work through and Incubator or whether you just help a Company that is situated in Johannesburg or Durban, or wherever, there is always a reputational risk.

Interviewer: Alright.

Respondent: And maybe the reputational risk being part of the Incubator is a lot more. So during the time – and there is various facets of the risk. If you look at just during the Incubation period, we put down some strict Rules. So when they come they get Inducted and we clearly stipulate what the Rules are and how they need to operate from the Incubator, and what they can and cannot do.

Interviewer: Yes.

Respondent: So we do that and we try and manage it, because remember you can't totally avoid it, we try and manage it as far as possible and to date we haven't really had major issues, except, where we get a Company, and again, it comes back to the "mindset" you know when we talk about Business that "fail." If you have the mindset that "I'm" going to come here and you're going to help me get my Business going, and you're going to give me this and then you're going to give me that. That sort of mindset is a "red flag" for reputational risk, because if that Entrepreneur doesn't get what they want then they write a Letter to the CEO and [inaudible] [0:34:11.3], etcetera. So we do have that and we do have to deal with those issues, but we bring it all back to process. So we make sure that our processes are in place and that our Selection Criteria is clear and it is transparent, that our process in terms of the Selection and the decisions we make is objective and transparent. So we always bring it back to [inaudible] [0:34:36.3] so that we know it is not subjective and we haven't favoured one over the other, so that you prevent those reputational risks.

Interviewer: Correct.

Respondent: We also sign Legal Documents, [inaudible] [0:34:46.7].

Interviewer: Yes, yes, ja, it is important, ja.

Respondent: So with regards to those then we obviously then try and Mitigate potential risks.

Interviewer: Okay, alright I see. And supposedly since we do a lot of advisory and really help Businesses. Supposedly if we are to by whatever means or chance give the wrong advice, what happens then? Because obviously an Entrepreneur may or may not take it, and if they may take it and if they implement it and it's the wrong advice, that is also reputational risk. But then how do we manage that? And I suppose I have a feeling this is where Legalities and processes will come in place, right?

Respondent: Ja. So we do have a Legal Agreement, or a Clause that takes care of that, but at the same time we also say that "we are not" Advisors.

Interviewer: Yes.

Respondent: We would Coach more than advice.

Interviewer: Oh, okay.

Respondent: So we would guide you, so we cannot tell you, you now need to purchase that vehicle.

Interviewer: Ja.

Respondent: Because then you just doing what we are saying. We are saying that the "ownership" of the Business lies with the Entrepreneur, whatever decision he takes he makes it. All we're doing is supporting him to make a more informed decision.

Interviewer: Okay.

Respondent: So we just help him with his thinking if you think about it in essence. We broaden his thinking so that he doesn't become "tunnel-vision" because he is just focused to get the Business going, and by doing that then we enable him to make better decisions.

Interviewer: Okay, okay I see. Alright, I think we have more or less managed to cover everything, so thanks for that. Do you have just another five minutes, I just wanted to chat to you with regards to like my Incubation work and that stuff.

Respondent: Sure, not a problem.

Appendix H: Letter of consents for all interviewees

Participant Information Sheet

Dear Sir/Madam,

Re: Participation in Research on Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa

I am a part-time MSc student in the School of Mechanical, Industrial and Aeronautical Engineering at the University of the Witwatersrand, under the supervision of Ms. Bernadette Sunjka. My MSc title is: *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa.*

My belief is that the micro-enterprises are forming, and if not already, to be the backbone of the South African economy. In addition, there is a strong business incubation climate in South Africa that can provide the crucial support of these businesses I would specifically like to understand the specific links between the success and failure factors between business incubators and micro-enterprises.

I would like to formally invite you to participate in this study. As a Manager of an incubator operating within this complex and diverse field, I believe that you are perfectly positioned to take part in the research.

The study will be conducted between October and December 2016 Involvement in the study would entail an interview with you, as the Manager, at your convenience. During this interview, which will be between 30 minutes and 60 minutes long, I would like to understand how your company operates, map your processes, and understand more about the issues faced with regards to the failures and successes that the incubator faces and how these are defined. The interview would be conducted at your natural setting within the company.

Participation in the study is voluntary, and you may withdraw at any time. Anonymity (regarding company name and any owner/manager/employee names) and confidentiality of information provided will be assured and respected. I would like to record the interviews, so I can later transcribe them. Your consent at the time of the interview will be requested. If you do not wish the interviews to be recorded this will be respected.

The results of the study will form part of my MSc dissertation report, and may also be reported in academic papers and at conferences. A summary of the results of the research will be made available to you on request.

Please contact me if you have any questions regarding the research and participation in the study.

I look forward to hearing from you.

Yours faithfully

....

(Mr. Vishal Shrivastava)

Supervisor: Tel: 0738467884 Email: vishshrivastava@gmail.com

Figure 6: Participant information sheet

Letter of Consent

I, Yashwant Harrisoon, agree to participate in the MSc research entitled *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa*, to be undertaken by Vishal Shrivastava under the supervision of Ms. Bernadette Sunjka, and certify that I have received a copy of this letter of consent.

I acknowledge that the research has been explained to me and I understand what it entails, as follows:

1. I agree to allow access to my company and manufacturing facilities for the purpose of this research.
2. There will be one interview with each participant, which is expected to be between 30 and 60 minutes.
3. The interviews will be audio taped, and transcribed for analysis by the researcher.
4. The processes of my company will be mapped.
5. I will provide a brief tour of my manufacturing facilities at my discretion, and that the researcher will record her own observations.
6. I have the right to withdraw my assistance from this project at any time without penalty, even after signing the letter of consent.
7. I have the right to refuse to answer one or more of the questions without penalty and may continue to be a part of the study.
8. I may request a report summary, which will come as a result of this study.
9. I am entirely free to discuss issues and will not be in any way be coerced into providing information that is confidential or of a sensitive nature.
10. Pseudonyms will be used to conceal my identity, and that of my company, my employees, my suppliers and my customers. The information disclosed in the interviews will be confidential.
11. Audio-tapes and transcripts will be kept securely stored during the research and after the research has been completed.
12. This project was approved by the Faculty of Engineering and the Built Environment of the University of the Witwatersrand and the School of Mechanical, Industrial and Aeronautical Research Ethics Committee (non-medical) of the University.
13. If I have any questions or concerns about my rights or treatment as a participant, I may contact the Chair of the School of Mechanical, Industrial and Aeronautical Research Ethics Committee (non-medical) at (0117177343) or by (Bruno.emwanu@wits.ac.za).

Signed: ______________________

Date: 12 · 11 · 16

Questions concerning the study can be directed to:

Mr. Vishal Shrivastava (Researcher)

Tel: 073-846-7884 Email: vishshrivastava@gmail.com

Ms. Bernadette Sunjka (Supervisor)

Letter of Consent

I, ______________, agree to participate in the MSc research entitled *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa*, to be undertaken by Vishal Shrivastava under the supervision of Ms. Bernadette Sunjka, and certify that I have received a copy of this letter of consent.

I acknowledge that the research has been explained to me and I understand what it entails, as follows:

1. I agree to allow access to my company and manufacturing facilities for the purpose of this research.
2. There will be one interview with each participant, which is expected to be between 30 and 60 minutes.
3. The interviews will be audio taped, and transcribed for analysis by the researcher.
4. The processes of my company will be mapped.
5. I will provide a brief tour of my manufacturing facilities at my discretion, and that the researcher will record her own observations.
6. I have the right to withdraw my assistance from this project at any time without penalty, even after signing the letter of consent.
7. I have the right to refuse to answer one or more of the questions without penalty and may continue to be a part of the study.
8. I may request a report summary, which will come as a result of this study.
9. I am entirely free to discuss issues and will not be in any way be coerced into providing information that is confidential or of a sensitive nature.
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Signed: ______________

Date: 29. 11. 16

Questions concerning the study can be directed to:

Mr. Vishal Shrivastava (Researcher)

Tel: 073-846-7884 Email: vishshrivastava@gmail.com

Ms. Bernadette Sunjka (Supervisor)

Letter of Consent

I, Christo, agree to participate in the MSc research entitled *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa*, to be undertaken by Vishal Shrivastava under the supervision of Ms. Bernadette Sunjka, and certify that I have received a copy of this letter of consent.

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Signed: Christien

Date: 23.11.16

Questions concerning the study can be directed to:

Mr. Vishal Shrivastava (Researcher)

Tel: 073-846-7884 Email: vishshrivastava@gmail.com

Ms. Bernadette Sunjka (Supervisor)

Letter of Consent

I, Anthony Maas, agree to participate in the MSc research entitled *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa*, to be undertaken by Vishal Shrivastava under the supervision of Ms. Bernadette Sunjka, and certify that I have received a copy of this letter of consent.

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Signed: 22.4.16 [signature]

Date: 22.4.16

Questions concerning the study can be directed to:

Mr. Vishal Shrivastava (Researcher)

Tel: 073-846-7884 Email: vishshrivastava@gmail.com

Ms. Bernadette Sunjka (Supervisor)

Letter of Consent

I, Lorenzo, agree to participate in the MSc research entitled *Understanding the links between the success and failure factors of micro-enterprises and business incubators in South Africa*, to be undertaken by Vishal Shrivastava under the supervision of Ms. Bernadette Sunjka, and certify that I have received a copy of this letter of consent.

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Signed: ____________________

Date: 26 · 03 · 17

Questions concerning the study can be directed to:

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Tel: 073-846-7884 Email: vishshrivastava@gmail.com

Ms. Bernadette Sunjka (Supervisor)

Appendix I: Diagram for Micro-Enterprise B

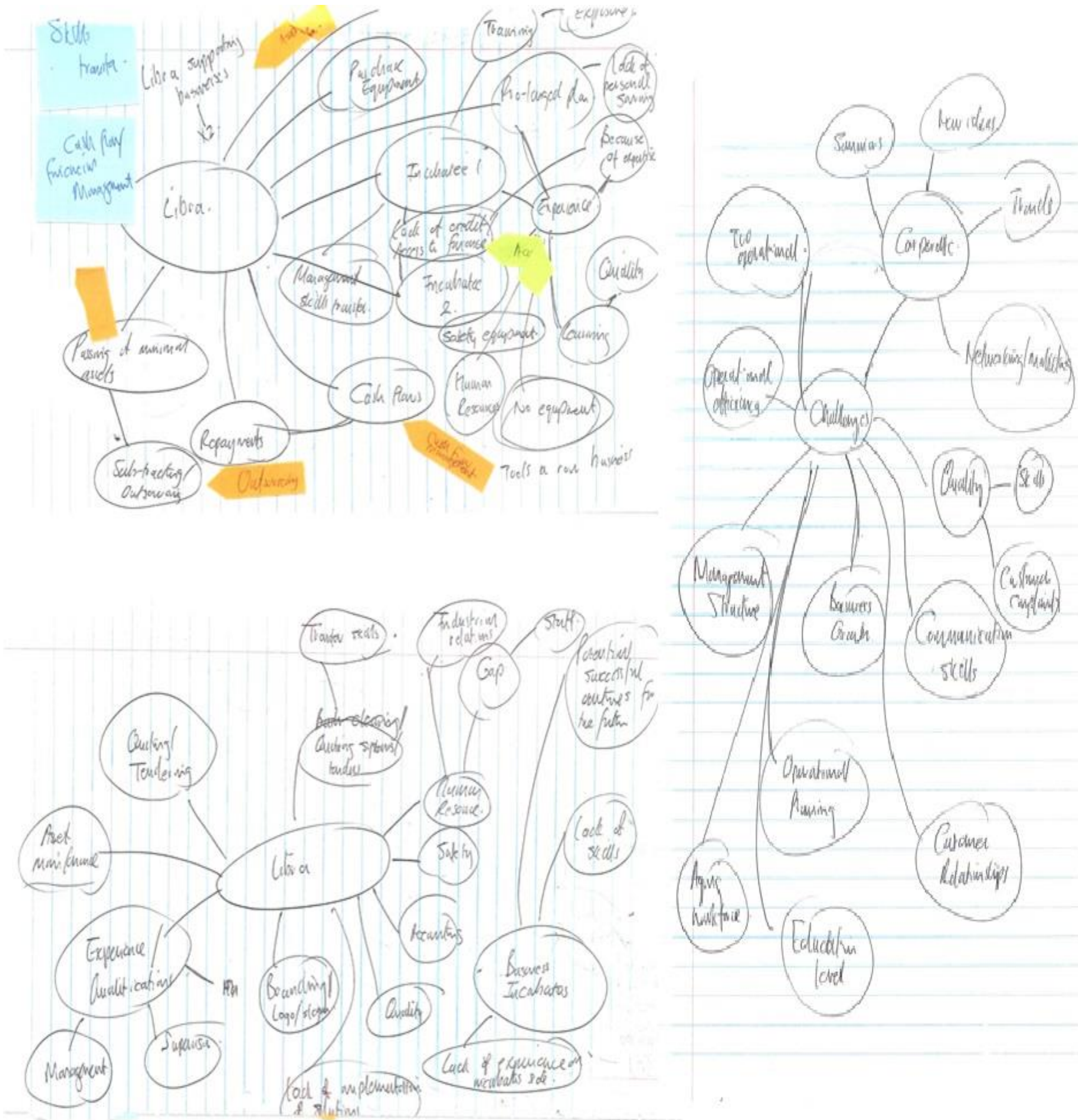


Figure 7: Assistance diagrams for Micro-Enterprise B created during the interview

Appendix J: Diagram for Business Incubator A

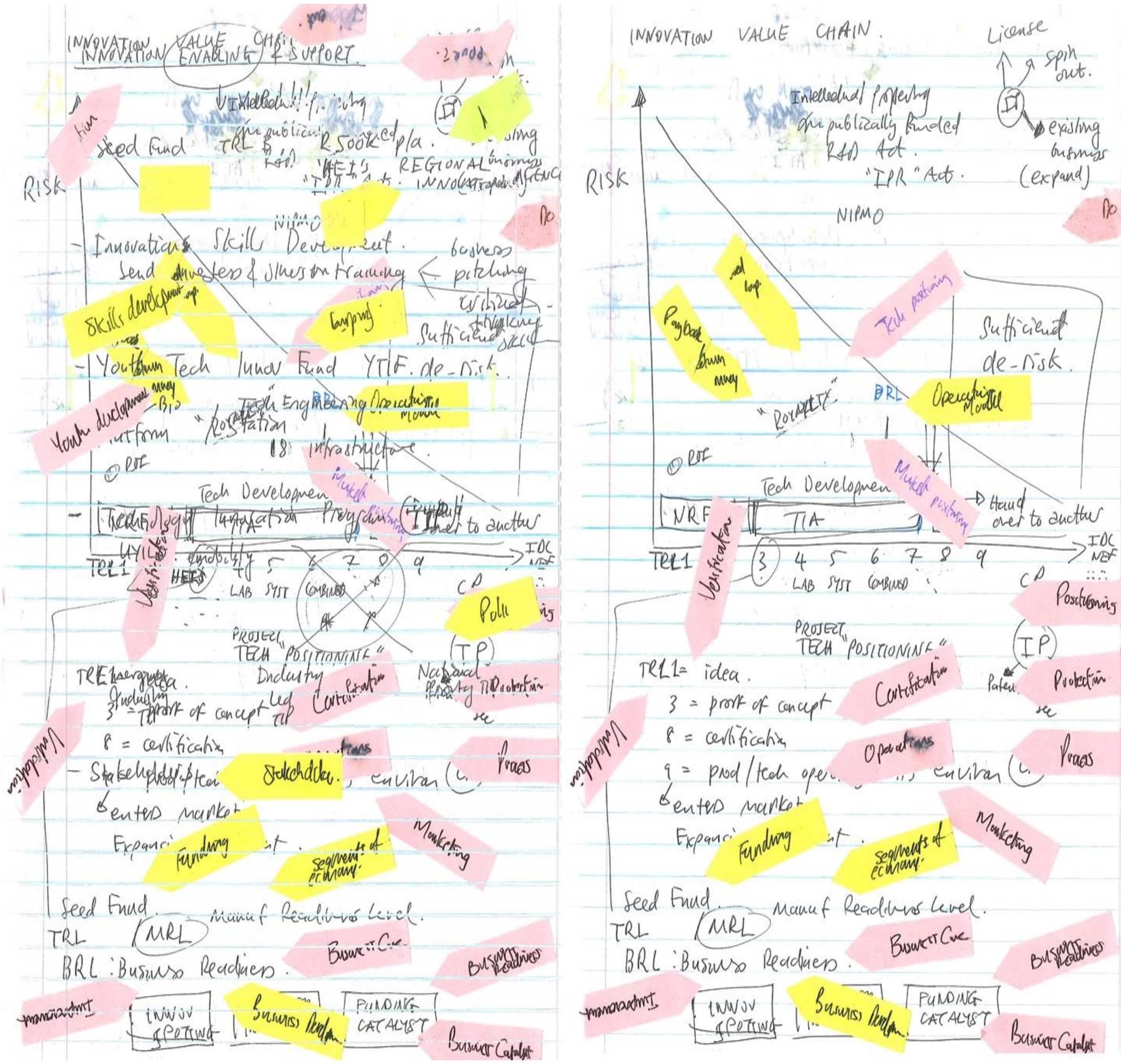


Figure 8: Diagram created to facilitate the interview with Business Incubator B

Appendix K: Validation charts for Case Study 1

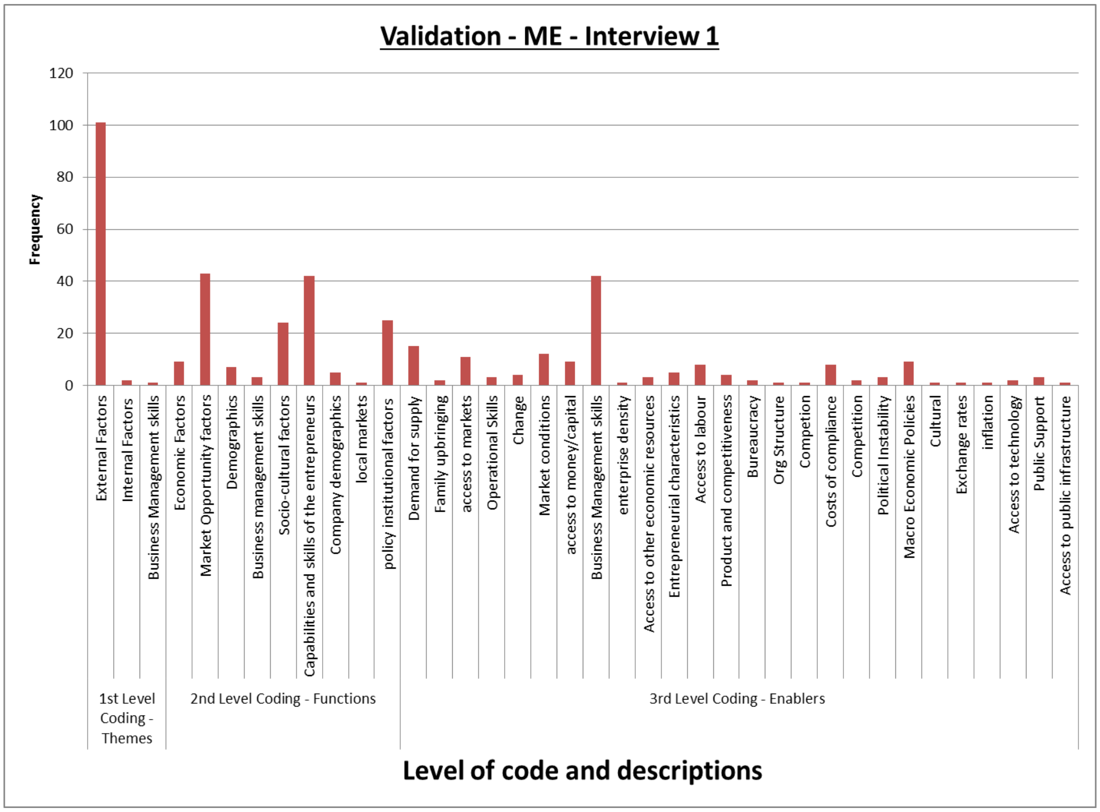


Figure 9: Validation of Micro-Enterprise A

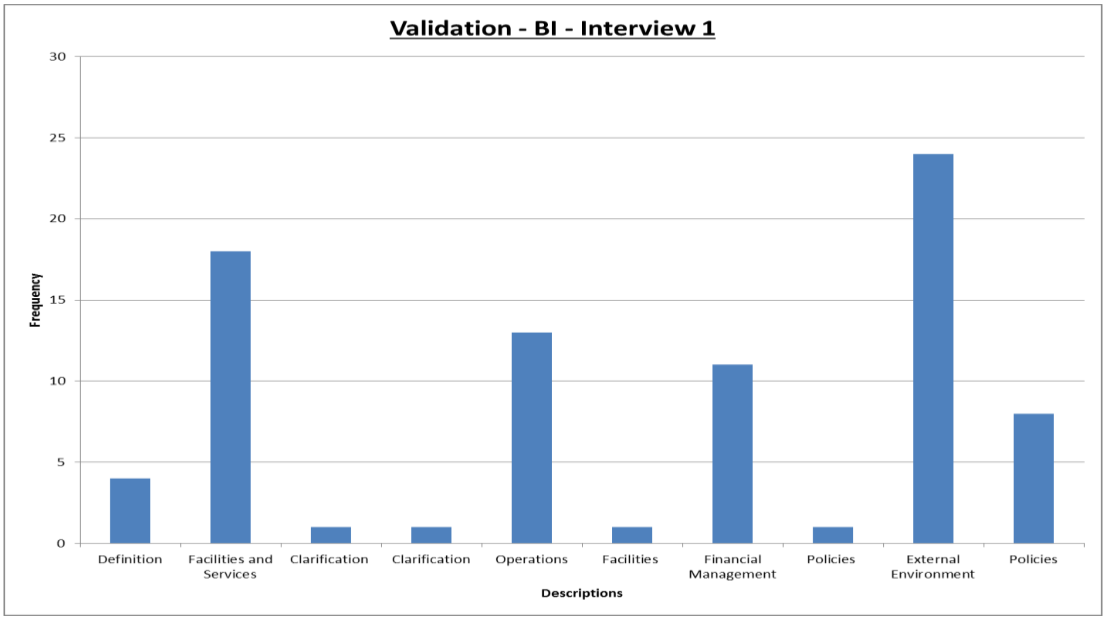


Figure 10: Validation for Business Incubator A

Appendix L: Validation charts for Case Study 2

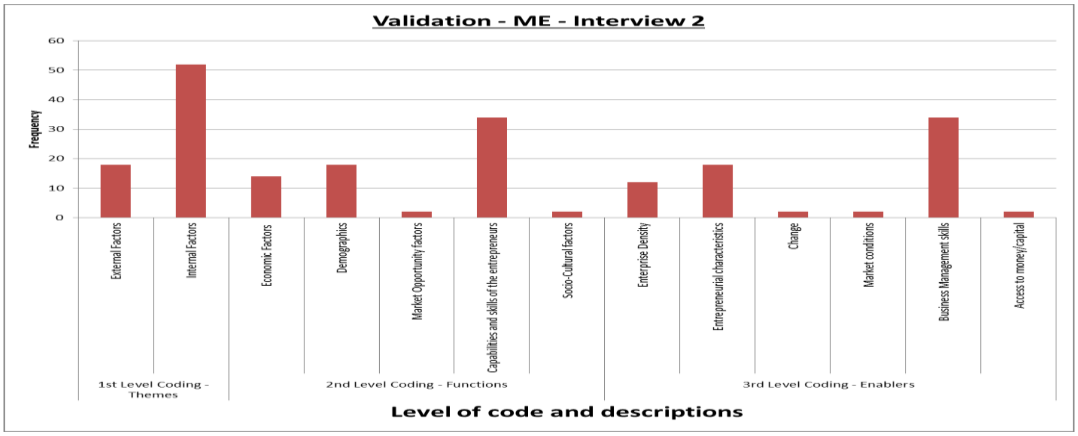


Figure 11: Validation of Micro-Enterprise B

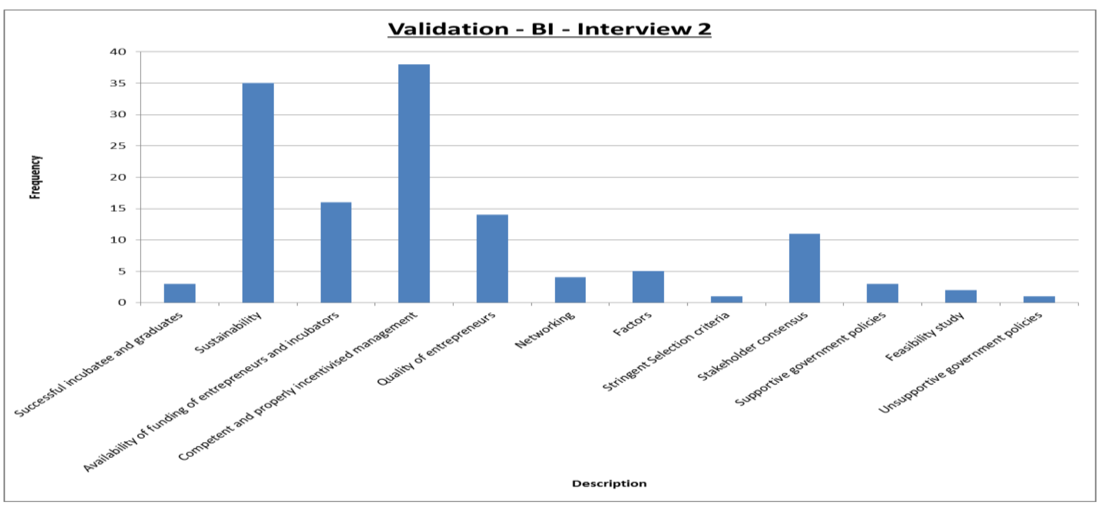


Figure 12: Validation of Business Incubator B

Appendix M: Validation charts for Case Study 3

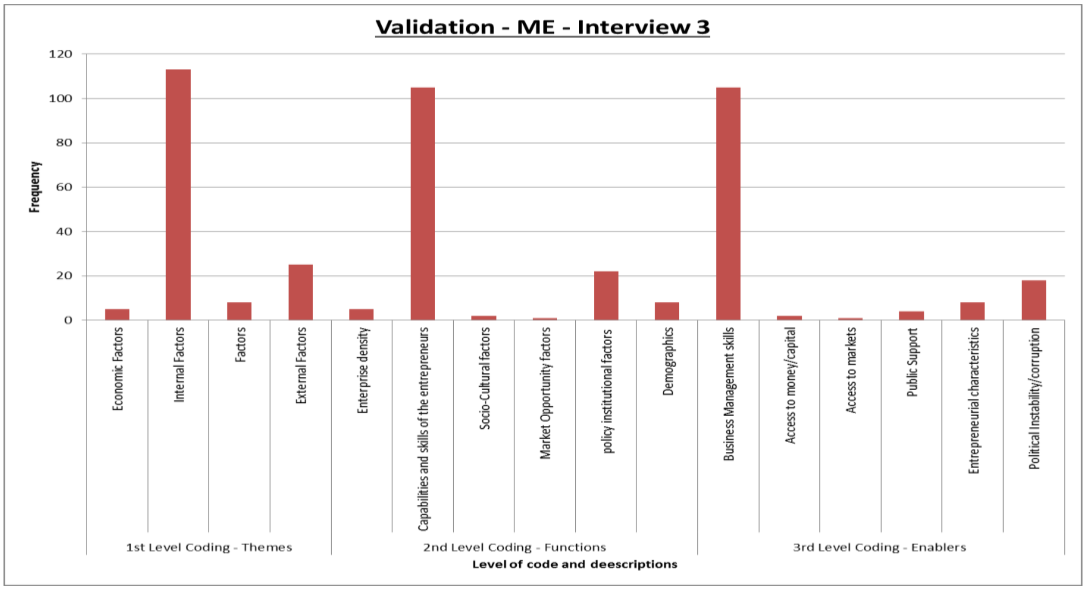


Figure 13: Validation of Micro-Enterprise C

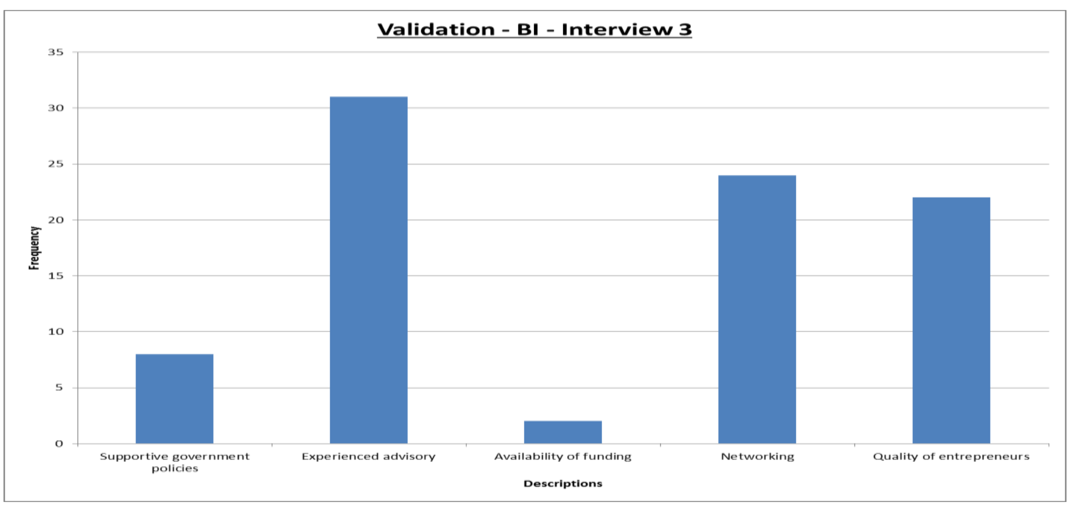


Figure 14: Validation of Business Incubator C

Appendix N: Linkage diagram for Micro-Enterprise A and Business Incubator A

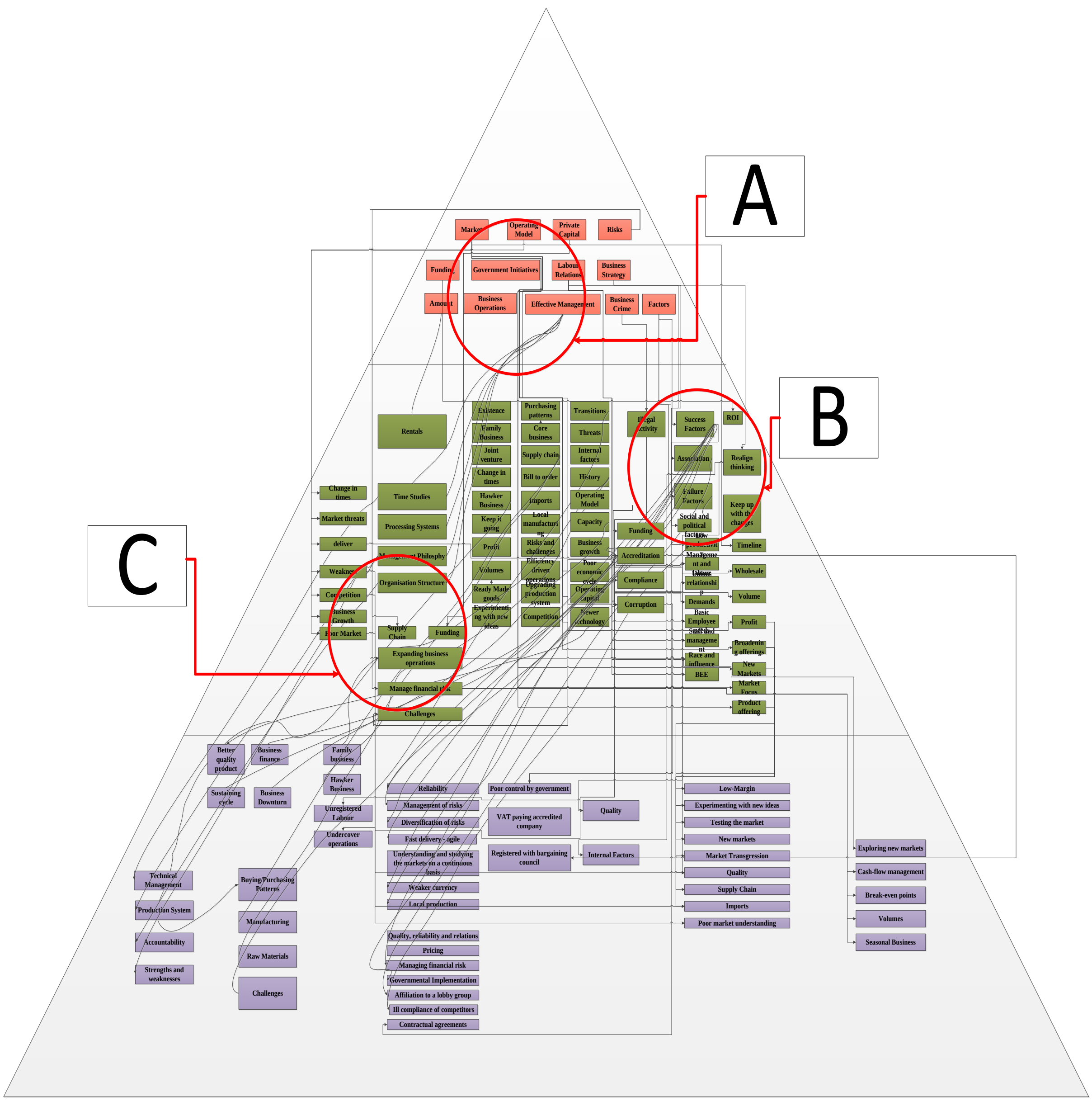


Figure 15: Linkage diagram for Micro-Enterprise A

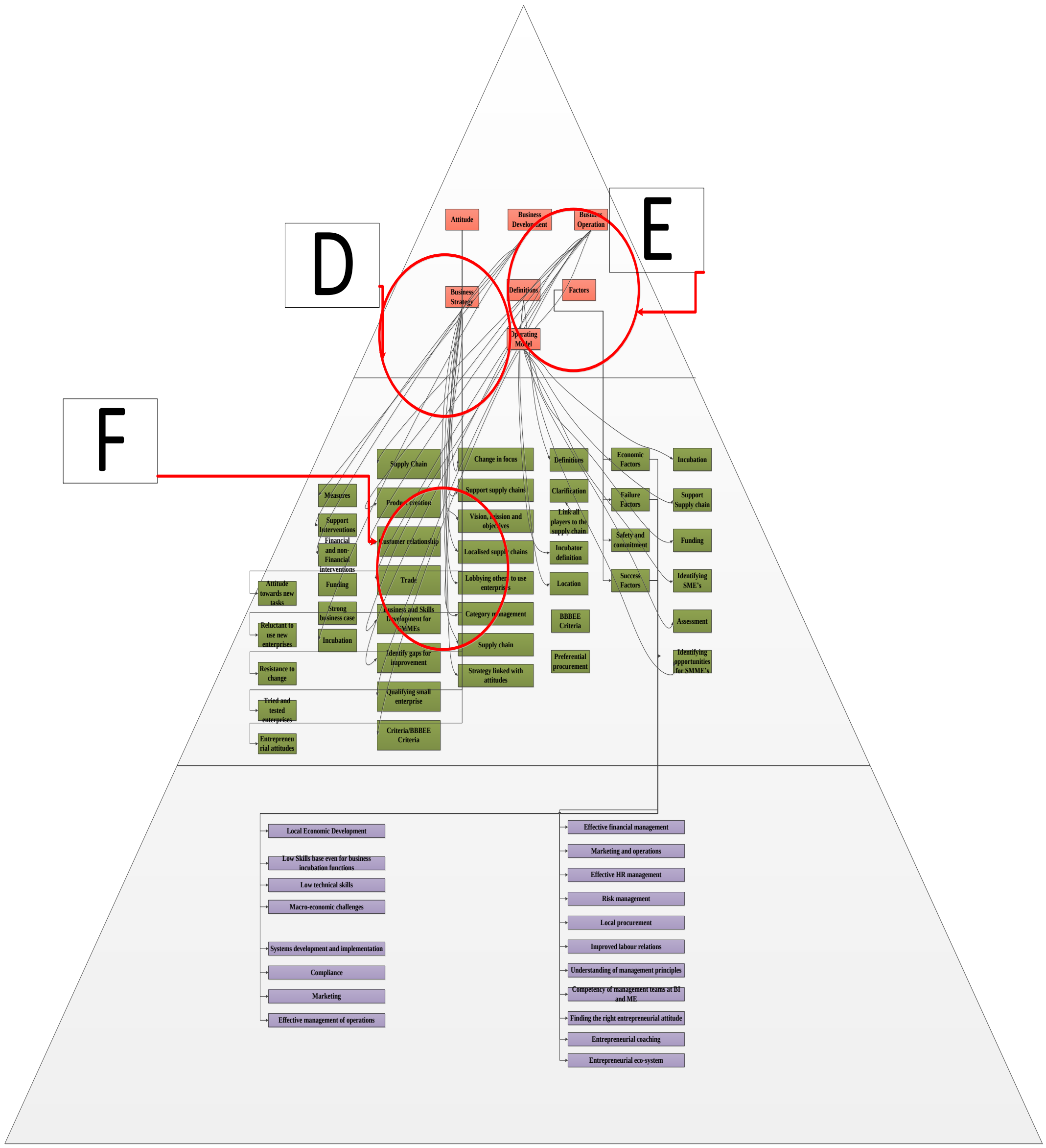


Figure 16: Business Incubator A linkage diagram

Appendix O: Linkage diagram for Micro-Enterprise B and Business Incubator B

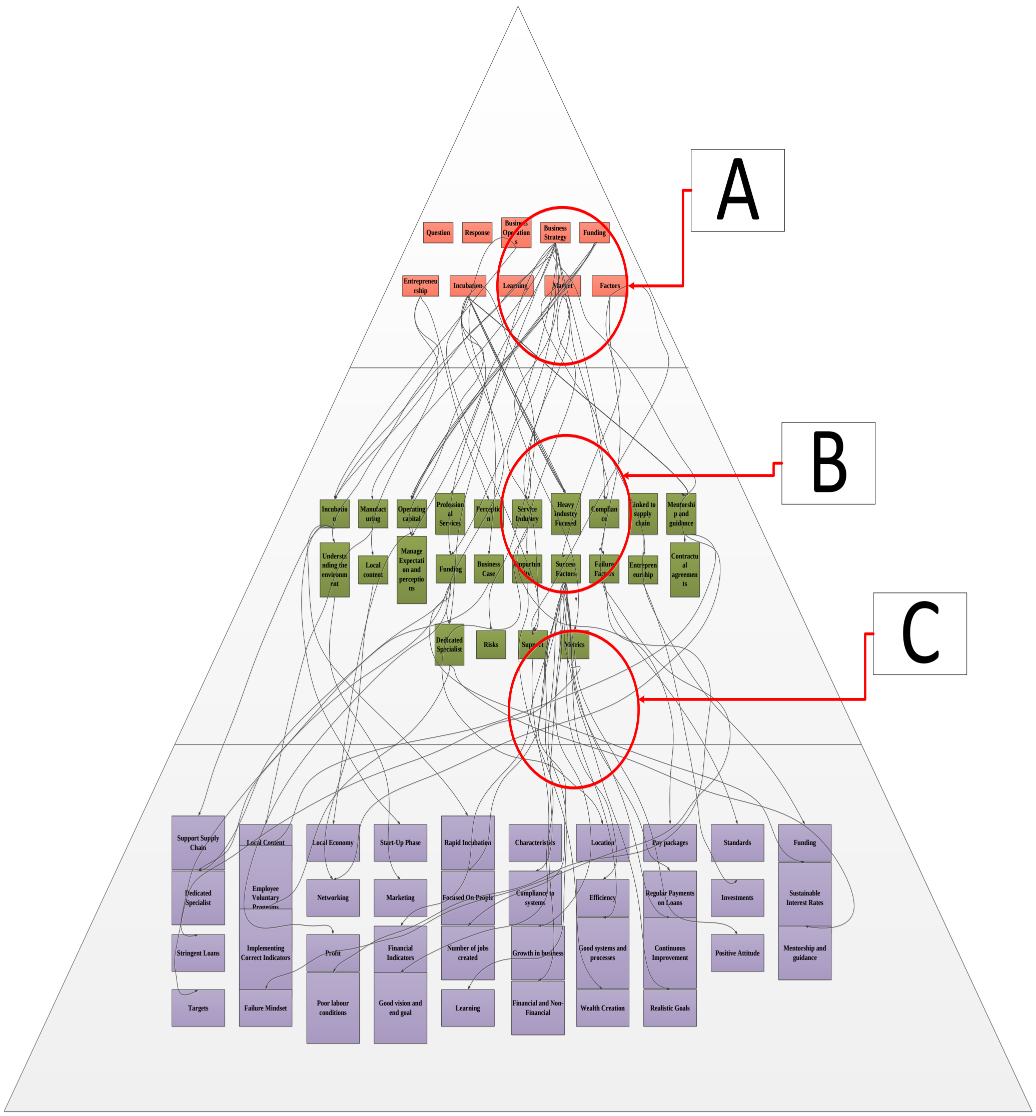


Figure 17: Linkage diagram for Micro-Enterprise B

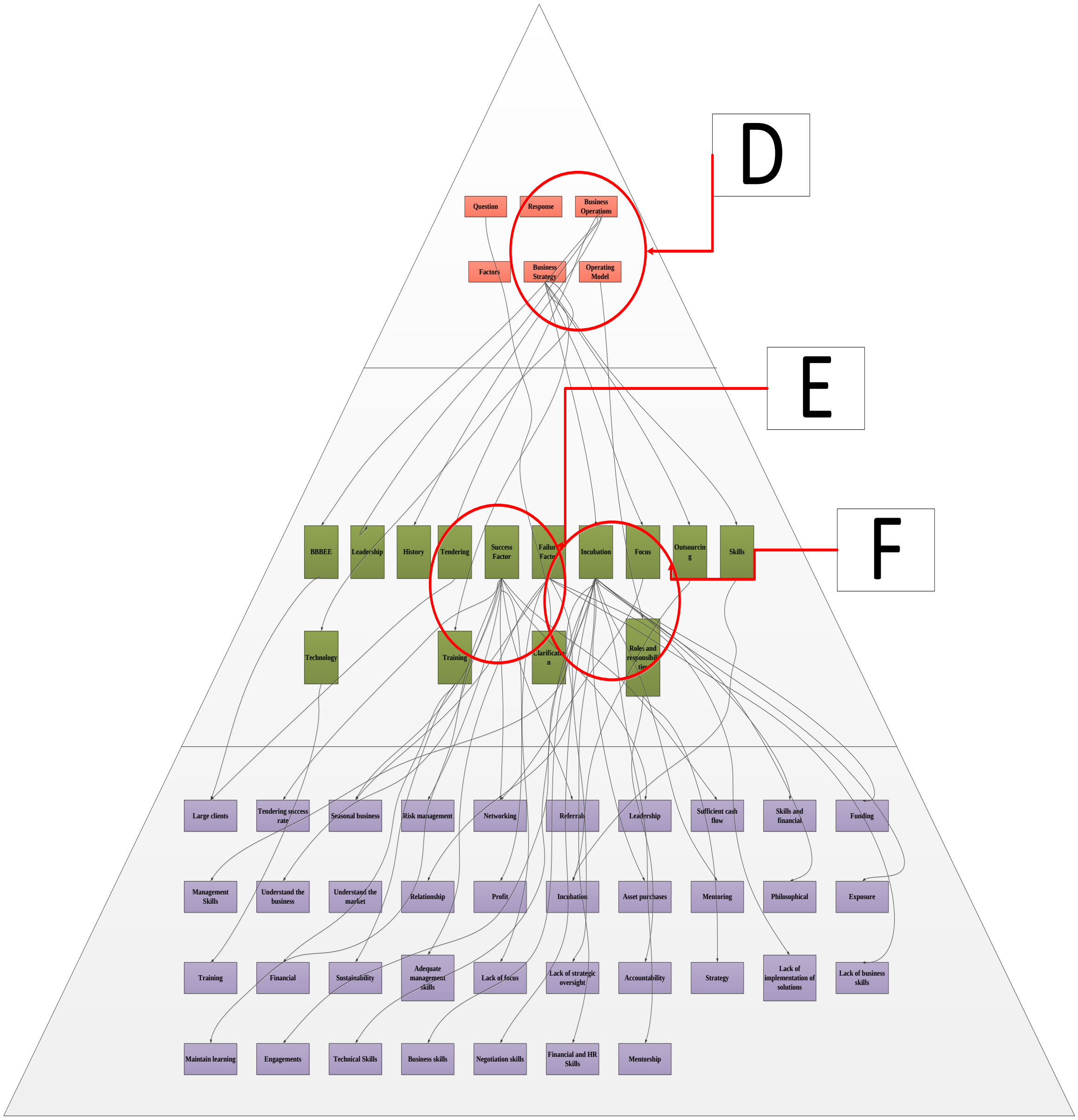


Figure 18: Linkage diagram for Business Incubator B

Appendix P: Linkage diagram for Micro-Enterprise C and Business Incubator C

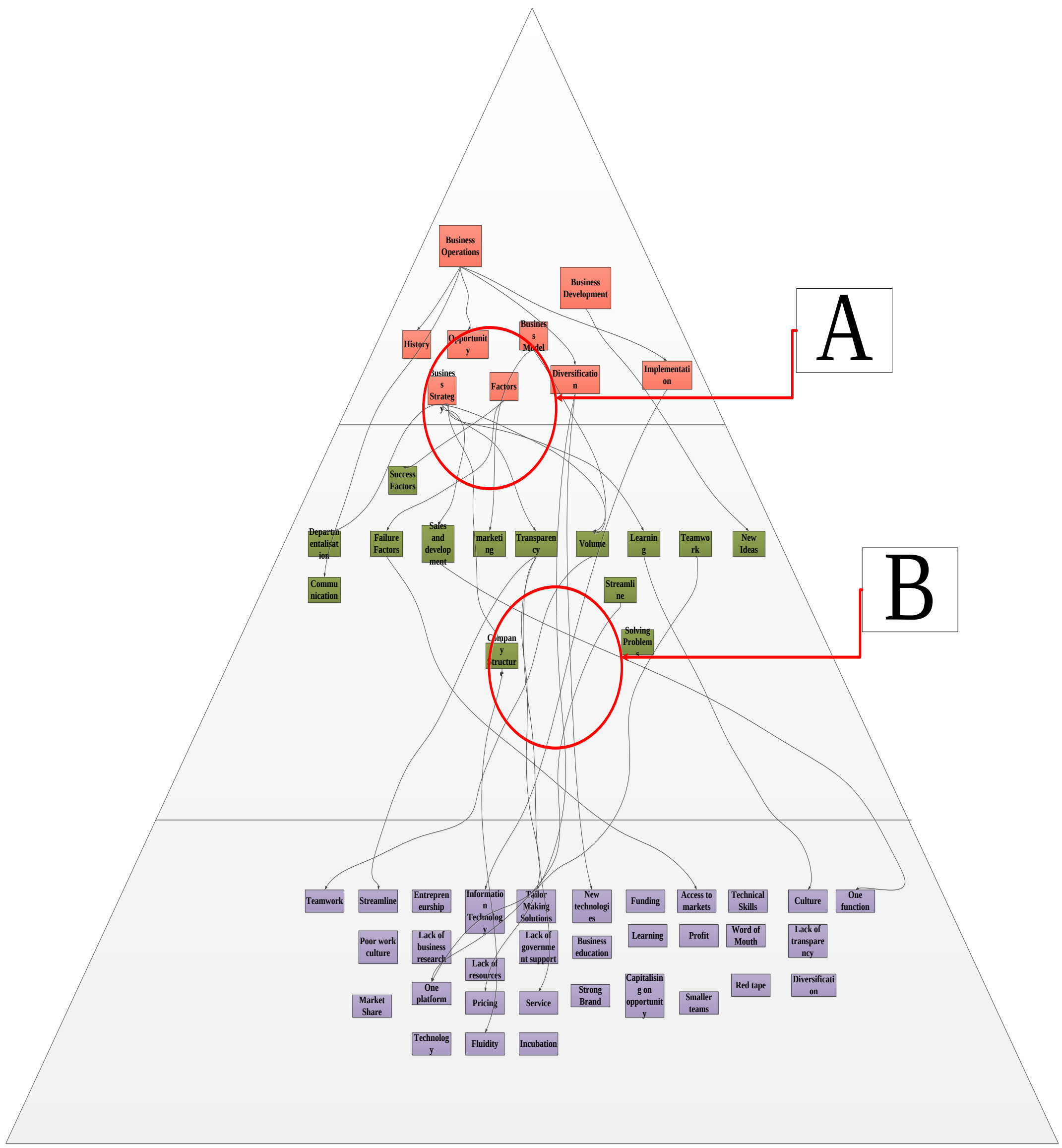
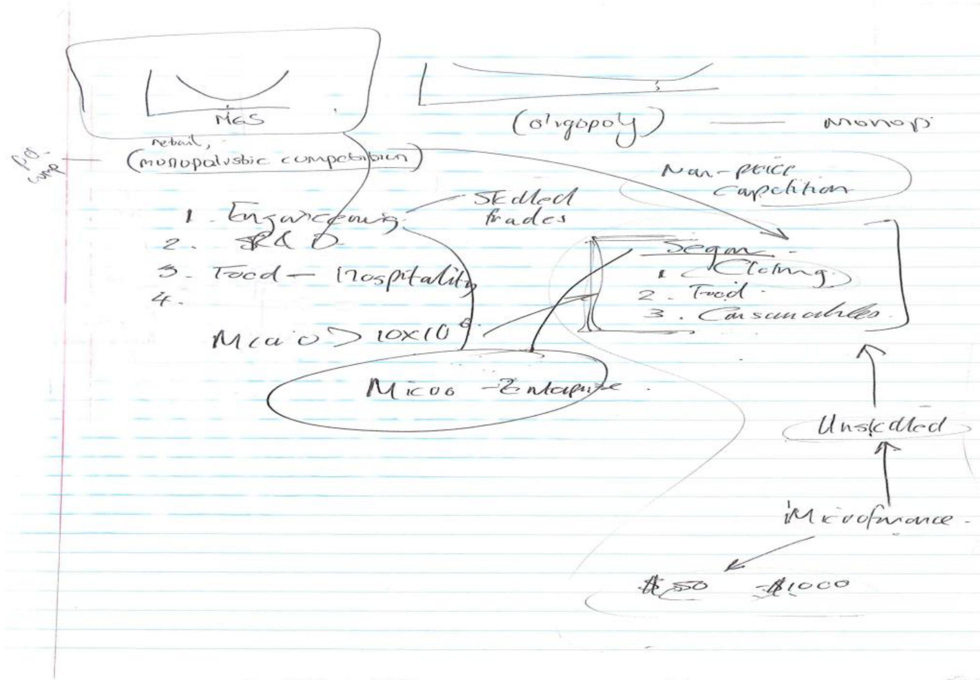
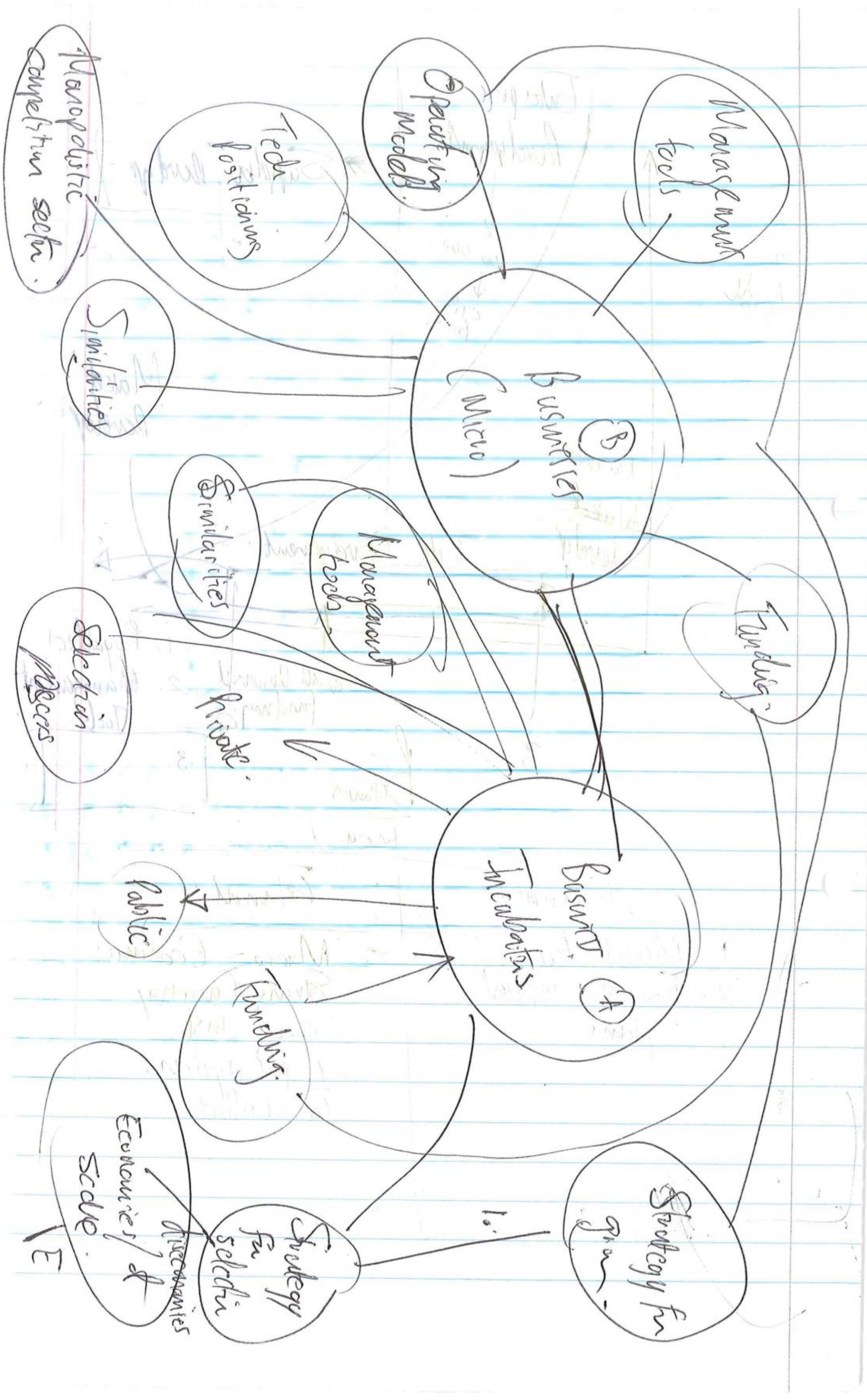
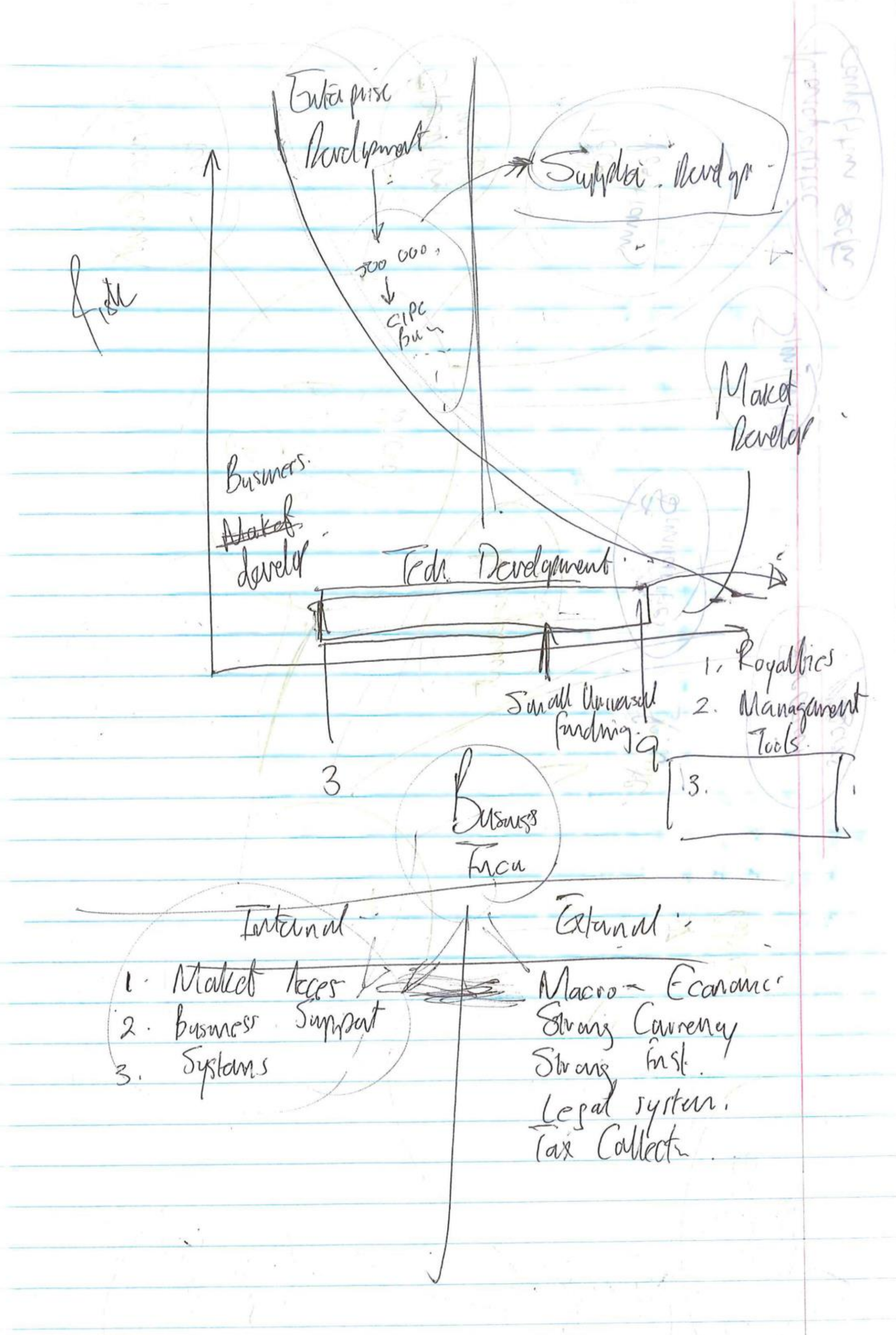


Figure 19: Linkage diagram for Micro-Enterprise C

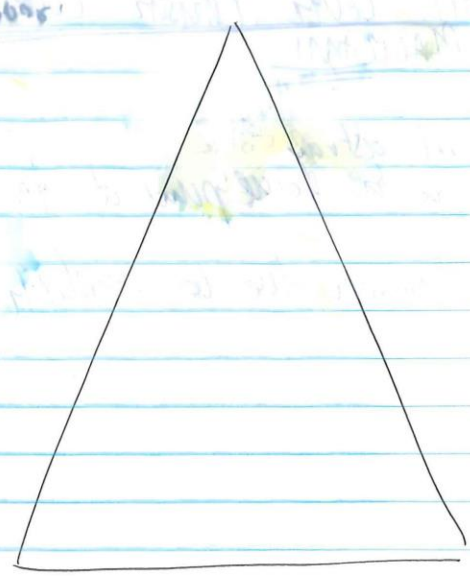
Appendix Q: Research Journal




Management tools
Operating models
Tech positioning
Monopolistic competition sector
Similarities
B
Business (Micro)
Similarities
Management tools
Funding
Selection process
Private
Business Incubators
A
Public
Funding
Strategy for growth
Strategy for selection
Economies/diseconomies of scale
E


Enterprise Development
Supplier Develop
500 000,
CIPC
Risk
Market Develop
Business
~~Market~~
develop
Tech Development
1. Royalties
2. Management Tools
3.
Small Universal funding.
3
Business Focus
Internal
External
1. Market Access
2. Business Support
3. Systems
Macro Economic
Strong Currency
Strong Inst.
Legal system.
Tax Collection.

GOOGLE!



ACTIVITIES
OUTPUTS
OUTCOMES
IMPACT

# of jobs created.

Content Analysis = Analyse qualitative data.

~~Why do we qualitative data?~~

What does the literature say about participant observation?

Understand the full problem at hand.

Participants Observation

Uncover more factors from than the study was designed.

HIGH LEVEL CAUSAL LOOP DIAGRAMS

- Discussions can lead astray.
- Facilitate and become too focal point of discussion.
- Behave in a certain manner due to complexity of work.

~~QUANTITATIVE Data.~~

~~RELIABILITY :~~

DATA ANALYSIS / MINING - JACO JOUBERT.

Qualitative

Triangulation
Saturation

Verify with text.

Overview

Unsupervised learning -

Machine learning

Data verification — Qualitative

Qualitative.

Are we doing the right thing?

Verification strategies for ensuring reliability of data.

Data verification

Establish a process to determine if ~~a the~~ the data at hand is correct. → how will we verify the qualitative data?

Unsupervised learning -

Machine learning

Data verification — Qualitative

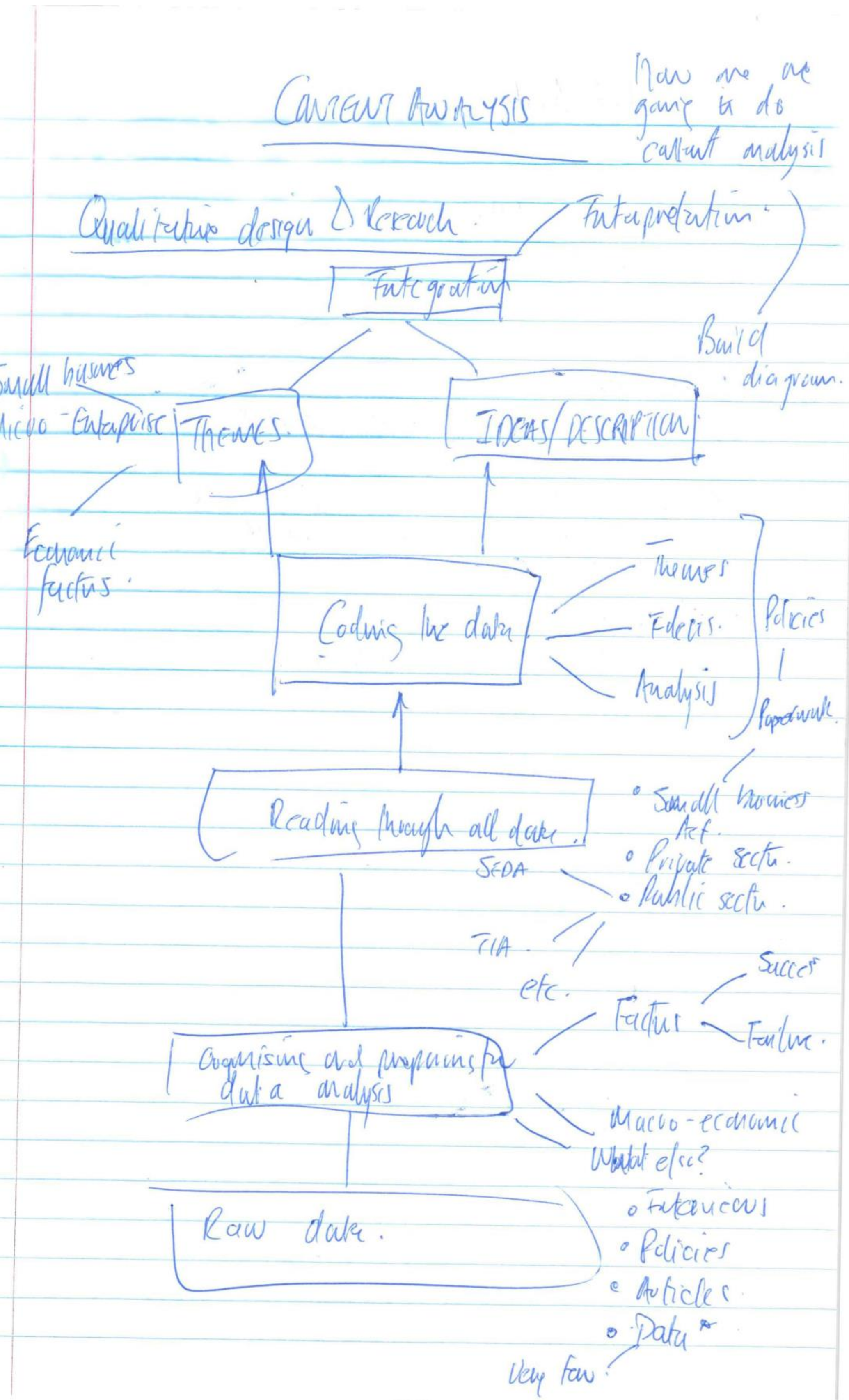
Verification strategies for ensuring reliability of data.

Qualitative.

Are we doing the right thing?

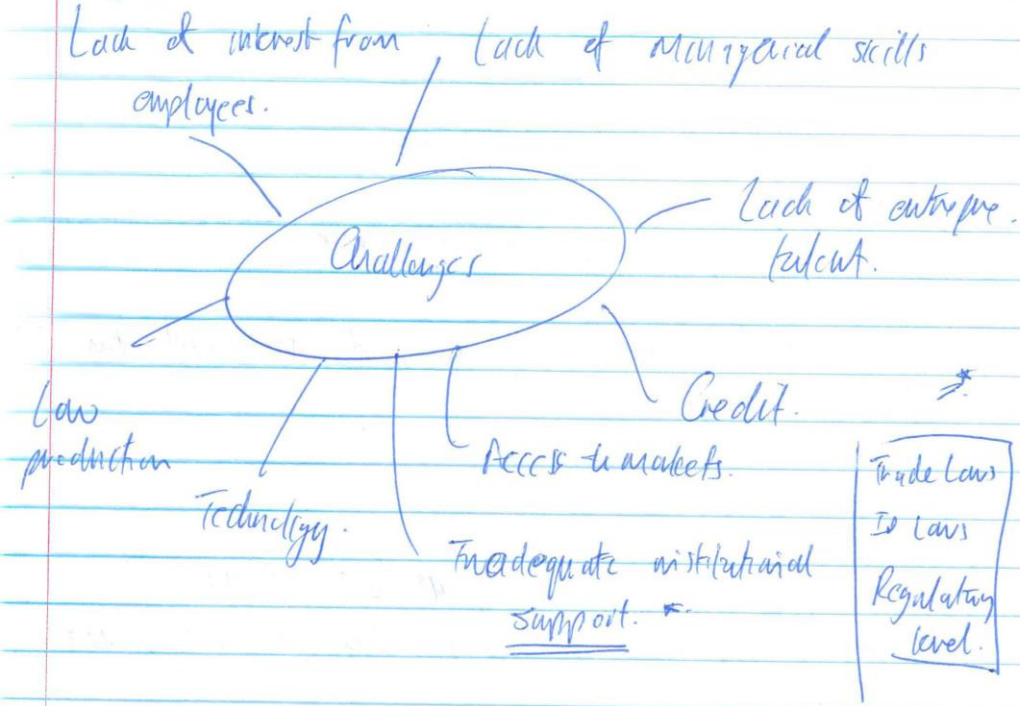
Data verification

Establish a process to determine if ~~a the~~ the data at hand is correct. → how will we verify the qualitative data?


CONTENT ANALYSIS
How are we going to do content analysis
Qualitative design & Research.
Interpretation.
Integration
Build diagram.
Small business
Micro-Enterprise
THEMES.
IDEAS/DESCRIPTION
Economic factors.
Coding the data
Themes
Ideas.
Analysis
Policies
Paperwork.
Reading through all data.
Small business Act.
Private sector.
SEDA
Public sector.
TIA.
etc.
Success
Factors
Failure.
Organising and preparing for data analysis
Macro-economic
What else?
Raw data.
Interviews
Policies
Articles
Data
Very few

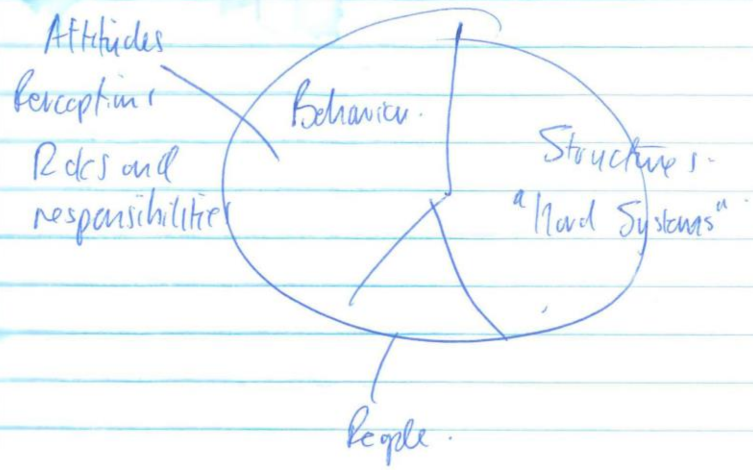
Reference: CHALLENGES OF BUSINESS INCUBATORS

Business Incubators to face challenges.



Case for business incubators

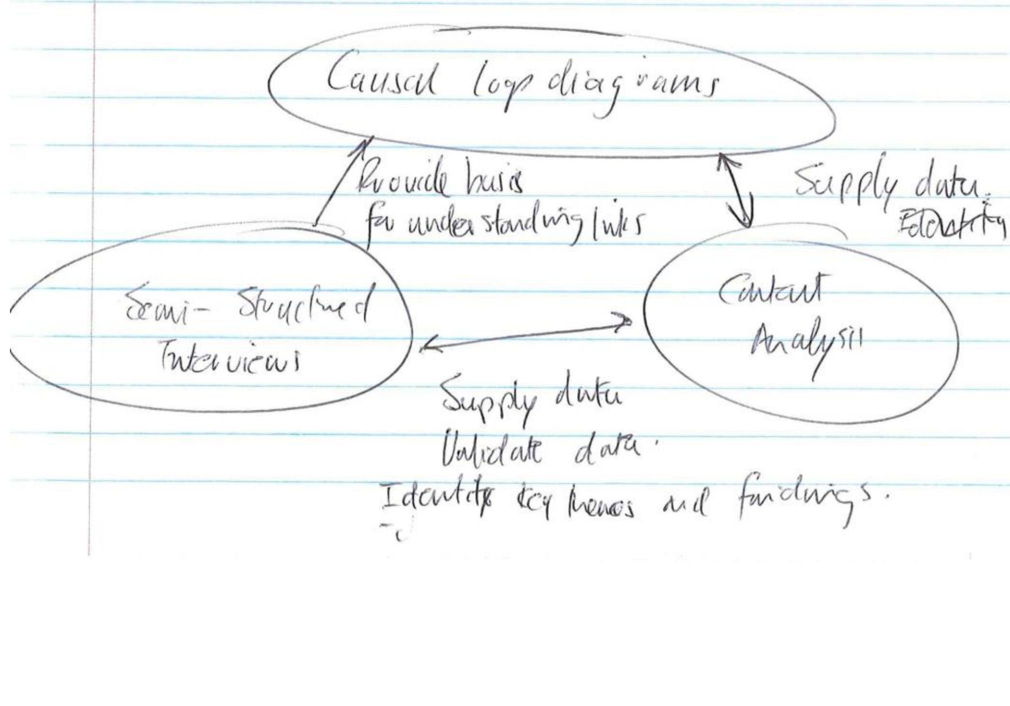
- Improve quality of life. Socio-Economic goals. } Many are not tailored to tackle needs and problems.
- ..



Writing Qualitative Research Proposal :

Semi - Structured Interviews

↳



GENERIC STRUCTURE

(A) INTRODUCTION.
- History,
- Background on the business
- What is it that the business
- What sector does it does compete in?
- 2 Challenges

What is the approximate value/turnover of your business.

(B) OPERATING MODEL
- 1. Motivation to use this operating model.
- ~~Key success factors to use the~~
- how does your operating model change with changing times. In other words, how does it adapt to external changes in the environment that you operate in?

- where to play?
- how to win?
- What are the processes

(C) Profile of key business
- Management skills/ tools
- Level of experience

Skills

Perception ☆

(D) ~~KEY~~ SUCCESS
- What are the key success factors for business
- What are the key internal factors for success?

" What are the key external policies for success?

What leads to business failures?

E) FAILURES

What are the internal issues that lead to business failures?

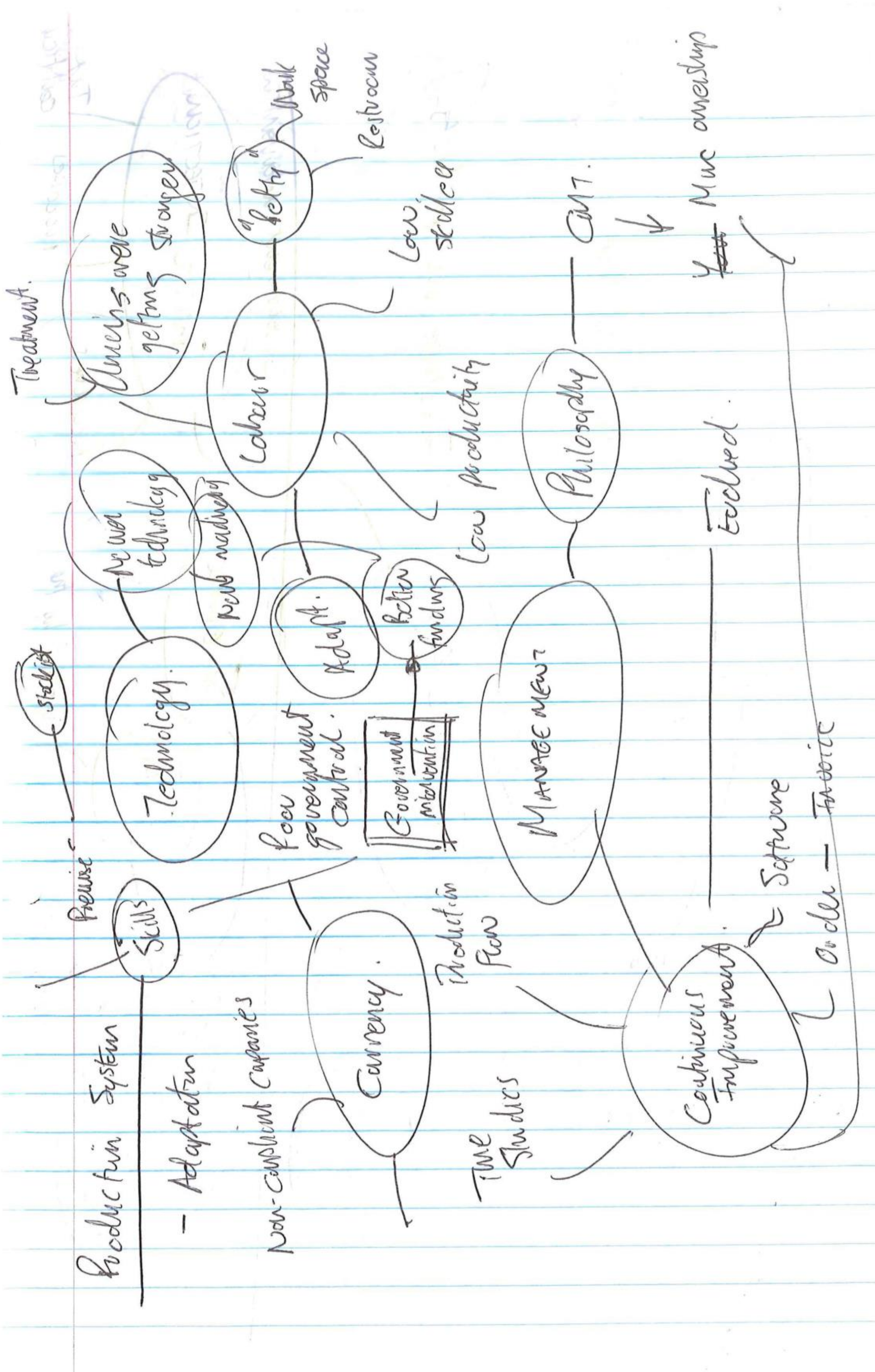
a

What are the external factors that lead to business failures?

F) Relationship between business incubator and businesses.

- How would you describe the relationship between yourself and the other counterpart (business incubator of business and business if micro-enterprise)

- ~~How would What would you do for the business~~ how would you prefer the business incubator to be more successful in your ~~development?~~ business development?


Production System
- Adaptation
Non-compliant companies
Skills
Premise
Stockist
Technology.
Newer technology
New machinery
Unions were getting stronger
Treatment.
Labour
"Petty"
Work space
Restroom
Low, skilled
Low productivity
Poor government control.
Government intervention
Better funding
Adapt.
Currency.
Time Studies
Production Flow
MANAGEMENT
Philosophy
CMT.
~~You~~ More ownership
Continuous Improvement.
Evolved.
Software
Order — Invoice