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Effective Incubation as One of the key Support Measures in Fostering Growth of SMMEs in South Africa

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2011-11-10
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ABSTRACT

This report explores and highlights the effectiveness of incubation as one of the key factors that can foster growth in the South African SMMEs sector. The SMMEs in South Africa could potentially benefit from the effective and efficient incubation programs run by different stakeholders in the market.

The study reviews the progress and the challenges of the three main stakeholders which are the government, the private sector and the NGOs in providing incubation services to the South African SMMEs sector. A total of 14 responses were gathered from the three major stakeholders to inform the findings of the study. The study discovered quite a number of different aspects that needs to be considered when establishing an incubation program and the different incubation models that could become a framework in designing effective incubation program.

The study revealed that the SMMEs failure rate is still high in South Africa and therefore effective incubation has an important role to play in turning SMMEs into HGSMEs and reduce failure rate in the South African SMME's sector. It is through collaboration of efforts from all the major stakeholders that the process could speed up and bring about the desired results. Incubation is just one of the business development services needed by entrepreneurs but it carries more weight and could undeniably uplift the South African SMMEs sector.

DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfillment of the requirements of the degree of Master of Management (in the field of Public and Development Management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

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Thato Chonela

May 2011

ACKNOWLEDGEMENTS

I wish to express my gratitude to:

- Dikgang Motsepe, my Supervisor for his academic guidance and valuable input into the study.

- The Managers of various incubation centers who agreed to be interviewed and provided valuable information in this study.

- My Wife for her patience and understanding during the course of this research.

- My Parents for continuous encouragement when things were tough.

- My Son Peter for the inspiration.

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List of Abbreviations

ABSA	ABSA Bank
BBBEE	Broad Based Black Economic Empowerment
DTI	Department of Trade and Industry
FNB	First National Bank
GDP	Gross Domestic Product
GEP	Gauteng Enterprise Propeller
HGSMEs	High Growth Small Medium Enterprises
ICT	Information, Communication and Technology
NGOs	Non Governmental Organisations
OECD	Organisation of Economic Cooperation and Development
PPPFA	Preferential Procurement Policy Framework Act
SAMAF	South African Micro Apex Fund
SEDA	Small Enterprise Development Agency
SMEs	Small Medium Enterprises
SMMEs	Small Micro Medium Enterprises

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CHAPTER ONE

1.0 Introduction

1.1 Background of the study

"SMEs are important to almost all economies in the world, but especially to those in developing countries and, within that broad category, especially to those with major employment and income distribution challenges. On what we may call the "static" front, SMEs contribute to output and to the creation of "decent" jobs; on the dynamic front they are a nursery for the larger firms of the future, are the next (and important) step up for expanding micro enterprises, they contribute directly and often significantly to aggregate savings and investment, and they are involved in the development of appropriate technology. In asking ourselves how "important" the SME sector is, we must of course go beyond simply looking at its share of output, employment or any other aggregate variable to the key question - "how much difference does it make to overall economic performance whether the SME sector is large or small, or whether it grows rapidly or slowly?"" (Palma, 2005).

South Africa is not an exception in sharing the belief that the SMMEs sector has the potential to grow the economy and yield positive spinoffs that include creating employment and eradicating poverty. According to Palma (2005) SMMEs are a nursery for the larger firms of the future meaning that if SMMEs are looked after well, they can become big corporations in future, this does not just happen by default but those micro enterprises should be taken care of and closely monitored so as to minimize early stages of enterprise failure, thus incubation. Incubation provides on the spot tailor made treatment of business related problems so as to ensure growth.

There is a growing acknowledgment of the imperative importance and feasibility of SMMEs creating employment, economic growth and reducing poverty both in developed and developing countries. "Countries have become increasingly aware that the entrepreneurial engine contributes to sustainable growth and social cohesion", (Organisation of Economic Cooperation and Development, 2008). This means that governments share the view that establishing own businesses would contribute positively to the country's Gross Domestic Product (GDP) and wealth. The main question is how incubation can be used effectively and efficiently to induce growth and development in the SMMEs sector. According to Lisheng (2007), the success of this sector is highly influenced by the appropriate government policies and programmes, professional business and skills support services, infrastructure development, financial resources, and market access and business networks.

The SMMEs sector constitutes 95% of businesses in South Africa which contribute 40% of GDP. Also SMMEs in this country generated over one million jobs between 1999 and 2002 according to Masholongu (2005). Another country which is similar to South Africa is Australia with SMMEs sector constituting about 95% of Australian companies and generating more employment opportunities (Scaramuzzi (2002). The United States of America has also developed because of its SMMEs sector and is considered to have the largest number of SMMEs in the whole world. This sector really has the potential to uplift countries' economic conditions (Masholongu (2005).

According to the OECD (2008) governments in developing countries are putting efforts in developing and converting their SMMEs economies into what is termed High-Growth Small and Medium-sized Enterprises (HGSMEs). These HGSMEs come up with new products, processes and business model innovations and develop new markets in the economy. Furthermore, the HGSMEs have positive spill-over effects that affect the operations of companies and the communities all over the world (OECD, 2008). Effective incubation has an important role to play in transforming the SMMEs into HGSMEs; the Government, the Private sector and the NGO sector should all engage in it because it has the potential to lower SMMEs failure rate.

The graduation of SMMEs to HGSMEs requires SMMEs to establish network contacts and maintain relationships with big companies, transfer knowledge, enhance the division of creative labour between new firms and large firms (Small Business Notes, 2009). Those services are usually incorporated into any incubation model to ensure growth and sustainability and to do away with SMMEs failure. After graduation, the HGSMEs would be important assets for economies and that will help them to adapt quickly and effectively to the challenges of globalisation. Globalisation challenges include high costs of raw materials and fuel but at the same time also develop a competitive edge from it. Effective incubation can leverage the transformation of SMMEs to HGSMEs and that would reflect positively in the country's economy.

However, there are challenges in converting the SMMEs into the HGSMEs and the main challenge faced by these SMMEs is lack of information in the market. The SMMEs do not have

adequate information on how to access incubation facilities, they are not aware of the institutions offering incubation on their parameters. Also SMMEs have a problem of finance so as to get into incubation programs as some of the incubators do charge for their incubation services. The SMMEs sometimes even if they are aware of the incubation provider, they tend to lack trust on the incubator. There is always a question of whether the consultants can really help to grow the enterprise, some entrepreneurs feel that the business is theirs and they are the ones who started it and know everything that is required to uplift their enterprises. They criticize the incubators for not having the relevant experience in running a successful business as some incubators are also struggling to get their own businesses to prosper. Technology is one of the impediments to accessing the incubation facilities as some incubators are too technologically advanced and their clients cannot cope with the technological changes. On the other hand there are not enough incubators to incorporate all the entrepreneurs in the country. For example, there are only about 20 incubators that are supported by SEDA and each incubator has got on average of 80 SMMEs that they are supporting (SEDA, 2010).

Moreover, while a large and growing number of SMMEs exist, the majority of these enterprises are not functionally integrated into modern production structures or formal businesses. Again, the majority of micro enterprises lack the dynamism to expand beyond that of one-person operations throughout their existence. The dynamic SMMEs may still be growing in terms of profit performance indices; however the enterprise would have jobless growth. This implies that government support agencies and initiatives have been less successful than intended.

It is due to these challenges mentioned above that the failure rate of SMMEs in South Africa is estimated to be between 70% and 80% (Venditto, 2003). There have been quite a number of reviews in policy framework trying to create a conducive environment for a self-sustainable SMME sector (Venditto, 2003**).** The government through the Department of Trade and Industry has developed a number of policies in an attempt to fast drive the SMMEs sector to growth so that it would yield positive results since 1995. All the efforts of the government have been established under the White paper on National Strategy for the Development and Promotion of Small Business in South Africa (Notice No. 213 of 1995, published in Gazette No. 16317 of 28 March 1995). National Small Business Act 1996 and National Small Business Amendment Act 2004 were endorsed as amendments to the original Act of 1995.

The SMMEs find themselves left alone in the dark with no support from any of these major stakeholders therefore they end up shutting down the operations and closing their businesses. This does not mean nothing has been happening in due course but simply means the package of support measures to the development of SMMEs is not appropriate especially in providing incubator facilities. The three major stakeholders in the provision of these services independently account for the failure and point fingers to one another as there is no collaboration amongst them.

It is in this light that the study seeks to explore the effectiveness and efficiency of providing support measures and highlighting the importance of effective incubation as the key support measure in fostering growth of SMMEs in South Africa by examining the contribution of the three major stakeholders that have the responsibility to deliver these support measures. There

are only few studies on incubation and its strengths. Studying incubation and getting a sense of what incubators in South Africa do, their reach, levels of success and challenges is important to study because there is international experience to draw from and the numbers are growing in South Africa.

1.2 Problem Statement

The failure rate in SMMEs is relatively high and this being the case, effective and efficient incubation can be used as a strategy in boosting the SMMEs sector in the country. Effective incubation can also assist convert SMMEs into HGSMEs as the sector has the potential to contribute significantly to the South African economy. The main problem is how to bring about the effective and efficient incubation in support of the SMMEs in South Africa.

1.3 Purpose of the Study

The purpose of this research is to highlight the important role that incubation can play in developing and improving the SMMEs in South Africa. The study explores the possibilities of how best the government, the private sector and the NGOs can bring about the development in the SMMEs sector by providing the best incubator facilities to the enterprises. The study proposes an ideal incubation model that can foster growth of SMMEs in South Africa that incorporates every major stakeholder.

1.4 Research Questions

1.4.1 Primary Question

In order to solve the problem of high failure rate of SMMEs in the economy and highlighting the role of the incubation in fostering growth of SMMEs, the research follows a systematic process of analyzing the different aspects surrounding this issue and explores how different incubators operate. The primary question will seek to determine the incubator support measures to be provided to SMMEs

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1.4.2 Secondary Questions

In seeking to understand the importance of incubation, the research will further explore:

The challenges faced by incubators in providing support to SMMEs;

The opportunity of developing an effective and efficient incubation model that seeks to support the growth of SMMEs.

The study will answer the above three questions through a thorough analysis of the past researches that have been undertaken on the challenges faced by SMMEs that hindered their growth; also some interviews with the officials from the three major stakeholders involved in developing the SMMEs sector will be conducted. The failure rate prevails across all sectors of the economy therefore all the SMMEs operating in different sectors seem to be having some common hardships.

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1.5 Significance of the Study

The study serves as supplementary knowledge to the existing literature on the effectiveness of incubation towards SMMEs development. It also highlights the importance of effective and efficient incubation as the way to go in facilitating conversion of SMMEs into HGSMEs. It is believed that this research would serve as the platform for any business that may like to start-up incubator facilities as it clearly spells out the basic services that an incubator must offer to the SMMEs.

CHAPTER TWO

2.0 Literature review

This section covers debates from different scholars on the effectiveness and efficiency of incubation in developing the SMMEs sector. Among other business development services discussed, the paper clearly explains what business incubation is all about, different models of business incubation, thriving measures for successful incubation and how other countries such as China, United States of America and Brazil incubate.

2.1 SMMEs and Entrepreneurship

It is believed that SMMEs establishment is one of the key vehicles for entrepreneurship but there is a clear distinction between the two concepts in terms of how business is conducted in each. SMMEs are established by business owners to manage their enterprises for the purpose of furthering personal goals and ensuring financial security. After these kinds of businesses are started, they tend to stabilise at a certain point and grow only with inflation as the motive of the owner would have been achieved (Bukula, 2000).

In contrast, entrepreneurship is characterised by individuals who are creative and innovative in nature and who always respond to opportunities in the market in a way that would yield economic benefits. There is an element of high risk taking in entrepreneurship as the entrepreneur is not certain that whatever the effort he is taking would yield positive economic benefit (Dana, 2006).

Both entrepreneurs and SMMEs owners' characteristics are needed to start up the business but for growth of the business, the entrepreneurial skills are needed most. This shows that not every small business owner is an entrepreneur however, entrepreneurs form SMMEs to start up their businesses.

2.2 Support Measures Required by SMMEs

According to Smallbone, Xiao and Xu, (2008) the following requirements are essential for the development and success of SMMEs. The SMMEs sector cannot flourish without these basic principles. These are sometimes referred to as business development services.

2.2.1 Access to Market Information

In order for SMMEs to flourish there must be readily available information regarding trade. The market is a place where buyers and sellers meet. The buyers and sellers should be easily located and specials should be well publicised so that the SMMEs could make informed decisions (Smallbone, Xiao and Xu, 2008).

2.2.2 Mentorship

SMMEs must seek expertise from independent firms that have attained sufficient experience in helping out start-up and growing businesses. Consultancy firms are there to assist SMMEs in providing the specific services tailor-made for the entrepreneur's business (Lalkaka, 2003). They usually offer a wide range of services that include making business plans, marketing strategies, human resource strategies, preparing books of accounts, merchandising and also help out in tax related matters (Ligthelm, 2008). All these services

come at a cost to the entrepreneur unless they are offered by a government agency or a nongovernmental organisation.

2.2.3 Business Skills Development

The entrepreneur needs to be well trained on how to run and manage the business. According to Venditto, (2003) most of the businesses fail within the first five years of operating because the entrepreneurs are not skilled in managing the businesses especially when the business has grown. Some consultants do offer this kind of training to the entrepreneurs at very reasonable cost.

2.2.4 The provision of incubator facilities

The incubator's main objective is to nurture the early stages of entrepreneurial ventures with good growth potential to enhance market success. It lowers early stages of SMMEs failures in the market and increases the chances of growth by providing on the spot treatment of business problems (Herd, 2007). Also the incubator is set to provide a full range of support services under one roof tailor made for specific businesses (Hannon, 2005). The SMMEs will be closely monitored from the time they go through the incubator until they are on their feet and ready to tackle business challenges on their own, this means that the SMMEs will be graduating to the next level of SMMEs development (Almeida, 2005).

2.2.5 Access to Markets

In order for the SMMEs to survive they must be able to find markets for the products and services they produce. The SMMEs must ensure that they find a niche in the market, that is they must provide services or manufacture products that are in high demand and scarce as they will easily sell in the market (Smallbone, Xiao and Xu, 2008). To achieve that,

SMMEs may find themselves having to outsource the raw materials from the foreign countries, thus importing. Exporting simply means that the SMMEs would have sought markets in other countries; they will be selling their products to the international communities simply because in their own country, the market is saturated.

2.2.6 Access to Finance

Finance is one of the critical issues in the development of SMMEs as the entrepreneurs need resources to start-up their businesses from the ground or simply to grow the already existing business to the next level. In South Africa there are a number of organisations willing to offer finance to the entrepreneurs so as to inject into their own enterprises and those include the government institutions such as Khula, SEDA, SAMAF and Gauteng Enterprise Propeller; private institutions such as Nedbank, ABSA, FNB, Business Partners. Most of the time these institutions also offer SMMEs advice on how best to invest their monies. One of the challenges of getting finance is the red tape and strict rules and regulations regarding the funding of SMMEs.

2.2.7 Technological Support

SMMEs need strong technological support so as to improve their productivity and competitiveness in the market. Because of the international trade and open markets SMMEs are constantly in severe competition. SMMEs need to use the latest technology that suite their specific needs in the production of goods and services and also in delivering the goods and services to the final consumers (Kalis, 2001).

2.2.8 Financial management

Most of the SMMEs go out of the business because they owe the taxman a lot of money. The SMMEs need to seek expertise in keeping their books of accounts so as to keep up to date with the revenue collectors. The government which is the main recipient of tax should also make sure that the tax system does not discourage the SMMEs instead it must favour them (OECD, 2008). The South African Revenue Services incentivise new and emerging SMMEs with some tax relief so as to encourage them to pay taxes in future when their businesses grow.

2.2.9 Business Appraisal

According to Atkins (2008) business appraisal refers to instigation into the law of probabilities in determining the cost of the entrepreneurs' business. The entrepreneur might be forced to evaluate his business when he wants to sell it or when one wants to buy an already existing business. Usually the appraiser would consider the business premises, assets, stock and also the business reputation to estimate the fair value of the business although that value cannot be proven nor guaranteed (Atkins, 2008).

2.3.0 Exhibition services

These are the platforms for the SMMEs to show-case their products and services to the final consumers. These kinds of shows are very useful to SMMEs as they spill positive feedback into the economy. One of the reasons why the market fails is because of lack of knowledge or information of where different enterprises are located and also what different enterprises offer. It is simply a platform of where different suppliers meet to showcase their products.

2.3.1 Human resources services

For SMMEs to flourish in the market, they need to employ skilled and experienced labour, regular training of staff but keeping the training cost to the minimum, reduce staff turnover, not relying on family for labour and social networks to bring on board new staff on the enterprise. According to Temtime and Pansiri (2006), the major concern in SMMEs development in regard to human resources services is not labour shortage but all those reasons outlined above.

2.3.2 Cooperation and networking with other businesses

In order for SMMEs to flourish they need to work together with other enterprises because no business can survive on its own. Good relations with close enterprises can enhance great business deals which can benefit both contracting enterprises, thus networking. Networking is the art of creating and maintaining relationships with other enterprises for the purpose of achieving the organisational goals and objectives (Hallberg 2005).

2.3 What is Incubation?

Incubation refers to maintenance of the small business venture in a controlled environment because of the vulnerability in being exposed to the world (Almeida, 2005). According to Hannon (2003), ""incubation" is used to refer to the business development processes employed to support pre-start, launch and early start and growth phases of a new venture and not specifically the growth of an existing venture *per se*, although it may involve the growth of an existing technology, product or process if this is undertaken through the creation of a new venture." For this study incubation refers to all the business support measures that can be

offered to assist the newly formed business so as to shield it from being exposed to the competitive outside world. However, it does not mean incubation can only be done on the newly formed enterprises but it can also be used on already existing businesses to assist them to grow and become HGSMEs.

Incubation creates a supportive environment in which tailor made services and wide range of development resources are awarded to the newly formed enterprises. It provides subsidized space, ongoing consultation and other relevant assistance to newly formed enterprises to ensure their growth (Kails, 2001; Conkar, 2010). Indeed incubates are given an opportunity to accelerate their development so as to ensure survival in the market after going out of this controlled situation (Hannon 2003).

According to the research by DTI, 80% of the enterprises that start up in incubators are still in business after five years but 33% of the enterprises that did not go through incubation are not alive after the five years. Based on the results from this study, it shows that incubation is imperative to SMMEs development as it ensures their survival in the market (Herd, 2007).

The incubator's main objective is to nurture the early stages of entrepreneurial ventures with good growth potential to enhance market success. It lowers early stages of SMMEs failures in the market and increases the chances of growth by providing on the spot treatment of business problems (Lalkaka, 2003). Incubators provide a range of services to SMMEs under one roof. The SMMEs are closely monitored throughout the incubation process and are assisted with all the emerging problems until they graduate (Almeida, 2005; Hannon, 2005).

2.4 Effective and Efficient Business Incubation

This part looks at the debates from different scholars on how to go about fostering growth in the SMMEs sector. As already mentioned earlier there is no one-size-fits-all for incubates therefore there are quite a number of deliberations on how to provide effective and efficient incubation.

2.4.1 Incubation Steps

Effective incubation requires the following six steps according to Bearse (1993). The first step is conducting market analysis to identify potential tenants and demand for the incubator and the services that it provides. The size of the market will determine if there is an adequate demand for the construction and ongoing operations of the incubator. Moreover, an incubator site should be selected as the second step and it should be eye-catching and display the image for success. The third step is reviewing the design of the facility for convenience factor. This relates to factors such as location of corridors and loading. Tenants should have easy access to loading facilities and those facilities should be designed for easy occupation by a variety of tenants. In addition to that, there has to be a selection of support service offered by the incubator (Bearse, 1993).

The fourth step stipulates what incubators must be prepared to provide for the needs of several types of potential clients. They should also consider how these services will be financed. The fifth step requires the financial plan to be formed with unfailing assumptions as defective estimates will invalidate the effectiveness of the plan and endanger the dependability of the incubator. Also, an incubator financing plan has to be prepared projecting how the incubator will operate for a five to ten years period. The last step is incubator organisation and management which postulates that the goals and objectives of the incubator should be drawn up in the

organisation phase and should be closely related to the goals of the SMMEs and their expectations of the incubator. Then again, incubators should possess knowledge of many areas to best provide the broad types of potential tenants entering the incubator (Bearse, 1993).

2.4.2 Successful Incubation Criteria

Leleux (2001) suggests that there is successful incubation and that entails the specific criteria to be followed by the incubator. First of all the incubators need to be realistic about the financial objectives because before they offer their services to SMMEs, they need to invest a lot of money and time to get their businesses up and running. Secondly, to be a good incubator, one needs to be pragmatic about how many companies they can incubate in order to make it successful. For instance, the incubator should not be involved with more than two or three at any one time. More than that, the incubator is not going to be able to provide the kind of service that SMME's deserve. Lastly incubators need to have entrepreneurial experience as that would enhance credibility on the clients to be served.

2.4.3 Advancing Incubation

Eshun, (2009) claims that in order to promote business incubation three things must be put in practice. SMMEs must promote entrepreneurship, stimulate creativity and facilitate innovation. Entrepreneurs are made and not born and therefore they should be made to engage in creative and innovative activities that may yield productive future outcomes for their enterprises. SMMEs should be involved in the creation of new products, new methods of production, and new sources of supply, new markets and new ways of planning and organising business operations (Eshun, 2009).

Additionally, the basic principle is that every incubator must possess some creativity but the quantity and level may diverge depending on their understanding of the process and the most efficient ways to influence SMMEs fruitfully to create value for their irregular situations. Creativity is one of the compulsory business dynamics indispensable in today's hypercompetitive collective business environment (Dana, 2006). Also, those exposed to or experience fundamental changes in culture in some unusual ways may be good candidates for creativity.

Eshun (2009) adds on the same issue by declaring that creativity flourishes in organisational cultures that encourage and remunerate independent thinking, risk taking, and learning. Such environments are also tolerant of failure, value diversity, reinforce openness in communication and display a high level of trust and respect among organisational participants.

Innovation is also vital in providing the appropriate incubation support measures. "Innovation must be understood not only in terms of conventional problem-solving techniques and improvements but also openness, alertness, and sensitivity to new and emerging opportunities. From this standpoint, every member of the organisation is vital because change at the micro level leads to transformation at the corporate level", (Eshun, 2009).

2.4.4 Key Factors in Incubating

Hackett and Dilts (2004) postulate that there are a number of key factors through which incubators can contribute to (incubates) SMMEs success, and those are: providing dynamic and

practical feedback to incubates; assisting incubates with business planning and encouraging them to build up control systems during the early stages of incubation development.

However, Campbell (1985) suggests four areas where the incubation process can create value and those are: the diagnosis of business needs; the selection and monitored application of business services; the provision of financing, and access to the incubator network. On the other hand, Wiggens and Gibson (2003) show that incubators must do five things well in order to succeed and they point out the establishment of clear metrics for success; provision of entrepreneurial leadership; development and deliverance of value-added services to member companies; development of a rational new-company selection process; and they must ensure that member companies gain access to necessary human and financial resources.

In order to foster growth and development in the SMMEs sector the following must be met; increase access of SMMEs to markets, finance and technical know-how; build up the capability of SMMEs to plan, implement, manage and monitor the new economic order; implement well-designed government programs to ease access of SMMEs to affordable credit; create well-regulated coordinating institutions and selective controls to protect small firms; encourage business linkages and partnerships, which are important to catalyze economic expansion at national, regional and international levels; increase SMMEs networking and alliance to enable them to be more competitive, as globalisation of the world economy continues to intensify; adopt information technology (Kalis, 2001). The internet is rapidly becoming a full-fledged business tool, which could be used to implement business contracts; adopt electronic commerce, which is becoming the fast way of doing business.

2.4.5 Other Thriving Measures for Incubation

Above all these, the success of SMMEs can be realised if there are appropriate and conducive policies and programs regulating the sector, continuous mentoring of entrepreneurs so as to develop professional business people with essential business skills, thus incubation. Also there must be an enabling infrastructure to cater for business development, that is, any of the three major stakeholders should provide the necessary platform where buyers and sellers can meet to trade e.g. Markets (Tulchin and Shortall, 2003). The incubators cannot be standalone solutions, without good infrastructure, incubators cannot operate or sell competitively. Lacking access to capital and start-up activity, growth of businesses will be limited and also exclusive of a trained workforce and experienced managers, incubators are competitively disadvantaged. And most of all without the government and political support to minimize barriers, initiative is stifled.

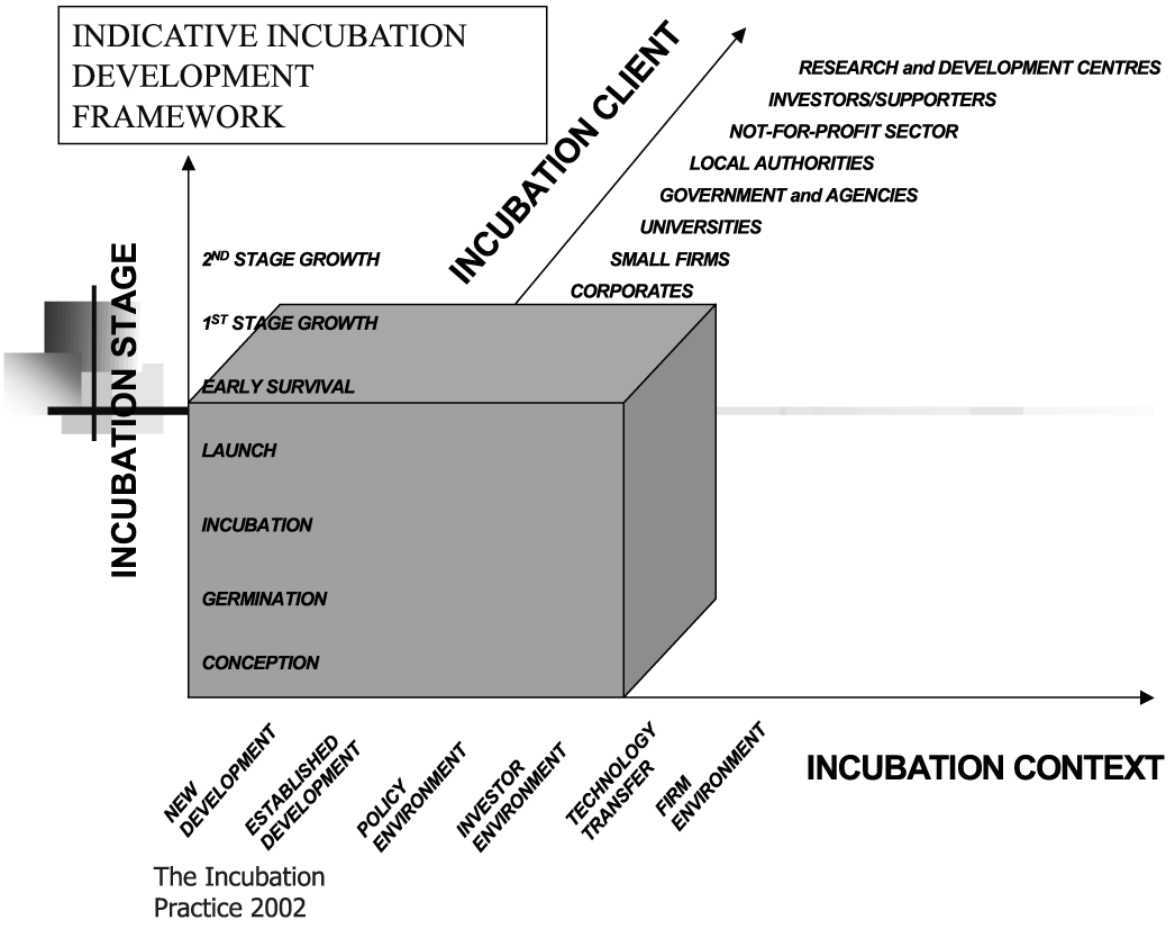
For SMMEs to flourish there should be readily accessible financial resources for qualifying entrepreneurs and the rate of interest on the payment of the loan should be reasonable (Conkar, 2010; Tulchin and Shortall, 2003). The SMMEs must again seek to explore the outside markets if they feel that the local market is saturated, that is, they must focus on exporting their products. In every business deal they must make sure that they build and maintain good relations with their business partners as networking is very essential in business development. All this can be achieved by getting into the incubation programme for a period of time where there is tailor-made assistance and constant consultation from the incubator provider.

2.6 Models of Incubation

Because of the opportunities in the market and the SMMEs dynamic needs over time, the incubation models are characterized by continual evolution. As already discussed there is no-one-size fits all model or a guaranteed model of incubation but as discussed, the environment will determine how the incubation process shall go about and the necessary services to be provided.

2.6.1 Indicative Incubation Development Framework

According to Hannon, (2003) the following model illustrates who is involved in the incubation processes (incubation client), stages of incubation and what should be covered in the incubation process (incubation context).

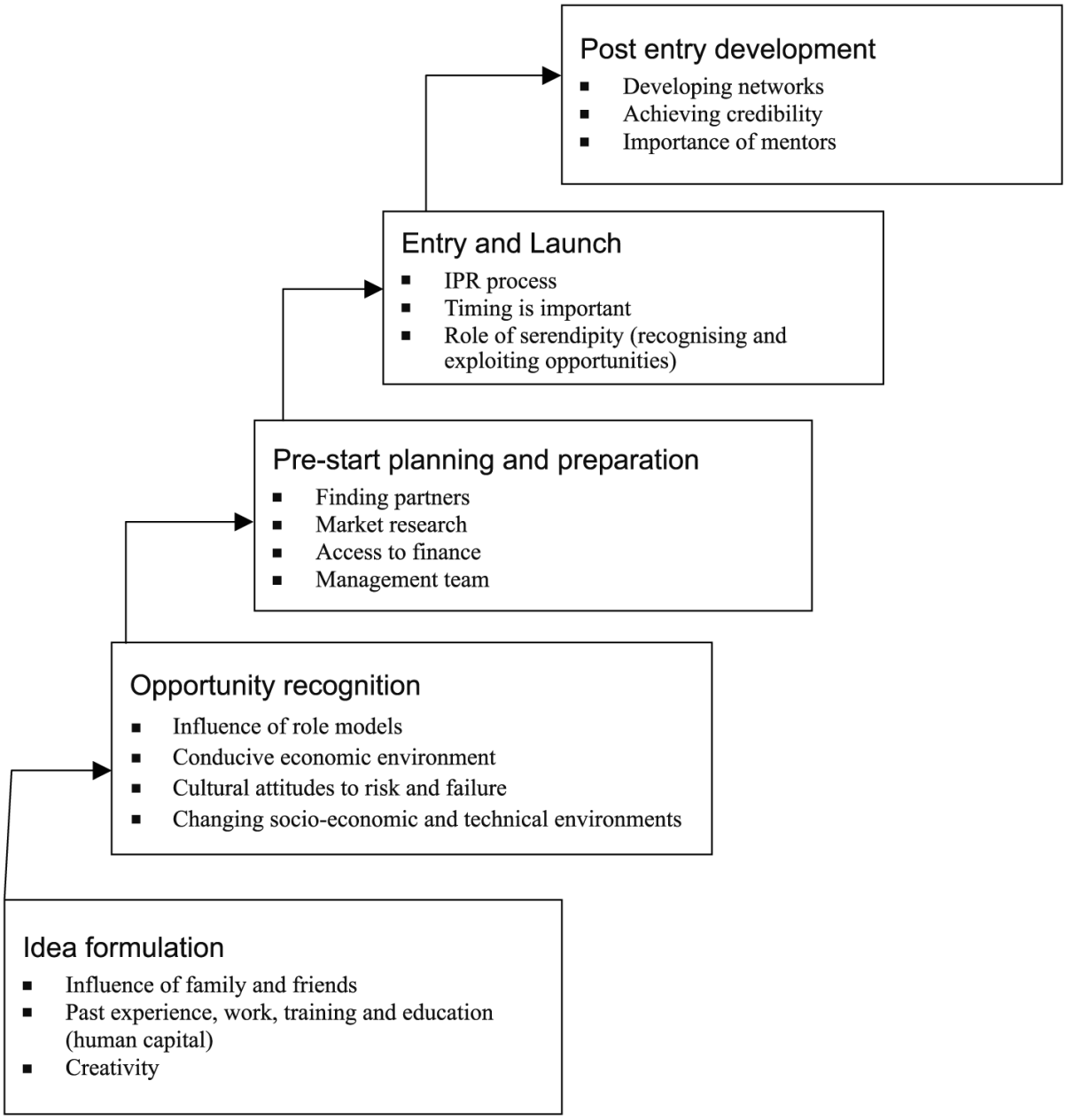


The model indicates a framework development of incubation and the entire incubation process, the incubation assumes the stage of product development from the idea conception to the 2nd stage of product growth which is sometimes regarded as product maturity stage. The model considers the incubation context against the incubation stages development framework. Incubation context looks at whether the business is a new development (Start-up business) or a well established business. The policy environment for start-ups and well established enterprises are too different so an incubator should diagnose the type of business in which the client would be operating. Also the incubator should consider the investor, technology and the business environment of the incubates so as to give the right assistance to incubates while also looking at

the stage of incubation the enterprise is on. The model goes further to indicate the type of organisations that are likely to adapt to this model and those include the NGOs, Universities, Small firms, Government Agencies, Corporate, Local Authorities, Investors and Research and Development Centres. Some of these incubators charge for their incubation services (Corporate and Small firms) but some do offer services for free (NGOs) and some charge a subsidized amount (Government Agencies and Universities).

2.6.2 Carter and Jones Model

The Carter and Jones incubation model focuses on the processes of incubation from a perspective of taking the enterprise from scratch and the different stages that would be covered so as to ensure that the business does not fail and becomes one of the 80% that would still be surviving after five years.



Source: Carter and Jones-Evans (2000)

The model assumes the development of a new business from the early stages of idea formulation where the incubator would assist the entrepreneur in explaining the type of business he really wants to establish (Carter and Jones-Evans, 2000). The incubate business idea is usually influenced by the family or past experiences and the level of creativity. On this stage of

incubation the major role of the incubator would be to harness the incubates' business idea and assist with developing a viable business plan. The model also takes into consideration the current circumstances in which the business would be operating; this is where the incubator would assist the entrepreneur to do the SWOT analysis (Hannon, 2003). The incubator must analyse the strengths, weaknesses, opportunities and threats of the enterprise so as to recognize the niche of the business in the market. The next stage would be to organize the management of the new enterprise and the finance, that is, whether the entrepreneur is going to be a sole proprietor or partner with someone.

The next stage of incubation would be to launch the business but the incubator would assist the entrepreneur to do an 'In Progress Review' to recheck whether everything is in order. The incubator should make sure that the timing is right for the business to be launched. The last stage of the incubation process entails the incubator mentoring and assisting the entrepreneur with making essential business relations with other businesses in the same industry and also to build trust with the customers (Hannon, 2003).

2.6.3 McClesky Model

Last but not least, the McClesky model focuses on how the incubators are found, that is whether they are permanent or not. Some incubators come and go, that is they are not permanent (Business sprints - the SMMEs are invited to a workshop which is short termed). Some incubators are permanent and those are Traditional Incubation and Virtual Incubation (McCluskey, 2001). Business sprints are short term focused and time limited on a goal while

traditional incubation are long term residential programs with coaching, classes and support. On the other hand, Virtual incubation is a non-residential program providing coaching and support.

Business sprints provide funding for a small number of participants to spend three months working on their business idea on the workshop where they fully catered for. In that workshop they engage in discussions that drive the business forward. This includes deliberations among the SMMEs to help business owners learn from others' mistakes and to find access to resources that might not be readily recognizable (McCluskey, 2001). Workshops are examples of outreach programs which can help in the training of SMMEs in various business aspects. Business sprints also provide access to investors and help to make connections for start-ups. They focus on the sprint, and spend less attention to the connection to resources or investors.

Traditional incubation provides office space, coaching, classes and other incubation services. According to McCluskey (2001), one of the key success components at any enterprise is the requirement of having an advisory committee for each business, which is linked to the board. Ongoing efforts to help the companies build a team, write and revise the business plan, cash flow projections, and develop a marketing plan are part of the advisory committee's tasks. Monthly reviews of each company by the board of directors provide a level of feedback and accountability that can help companies expand their strengths and addresses their shortcomings. By providing networking to resources, contacts and funding opportunities, this helps to move companies forward.

Virtual incubation provides all the services to SMMEs as a traditional Incubator, except that they do not have permanent office space. Virtual incubators are typically hosted by a university or a research centre and are characterized by the ability to operate both within and without a building (Scaramuzzi, 2002). These type operates as "incubators without walls", they serve their clients as a virtual facility or resource within the Internet and provide services within an e-learning methodology (Hackett & Dilts, 2004). A virtual incubator model that uses the internet for customized instruction, support, and services can be an effective method for its clients (Folinas, Pastos, Manthou, & Vlachopoulou, 2006). However, for this learning environment to be successful, incubator customers must be computer literate and comfortable with communicating online.

These types of business incubation models can be funded through several mechanisms or a combination of mechanisms; for example, City, County, University or state agencies, Client Rent, Grants, Investor / Privately funded. McCluskey (2001) emphasizes that once funded; companies will take 5 to 7 years to make it to an exit. The typical expectation is that a company has left incubation near the time that they take funding or near the time that they make reasonable positive cash flow on their own. In order to make incubation successful, all these mechanisms cooperate with the goal of fostering growth of SMMEs. The three models of incubation discussed above could be a framework to any type of incubator as they cover all different types of incubators from different perspectives.

2.7 Incubation Systems in Other Countries

Globally the importance of SMMEs is realised by the governments and some governments around the world have improved their SMMEs sector into the HGSMEs and already are reaping the benefits that include reduced poverty and increased economic growth.

2.7.1 China

China is one of the countries where its SMMEs sector seems to be growing at a very high rate which has lead the country to achieve a relative economic growth by providing incubation facilities. There were 534 incubators that are sponsored by the government in 2005 and that cost the Chinese government about RMB 3.48 billion and the number is forecasted to hit 1000 incubators by the end of the current year. Each incubator is expected to have about 50 incubates and provide 500m2 office space on average (Qian, 2006 as cited in Xu, 2010). "The business incubation industry in China is arguably the largest in the developing world and the second largest worldwide, after the USA" (Xu, 2010). Apart from low rent office space and access to venture capital funding, the incubators in China offer their clients infrastructure discounts such as subsidized access to telecommunication networks, use of boardrooms, ongoing tailor-made advice on management issues and mentoring, loan applications, free legal representation, free bookkeeping and accounting assistance.

The number of incubators in China is increasing gradually as the Chinese government realized that incubation is working for them. In Shanghai alone, there were 35 incubators who incubated more than 2000 SMMEs in the year 2006 with a total floor area of 560,000 square metres (Xu, 2010). In China there are different incubators for different industries in the economy, e.g. they

have general technology incubators, university science and technology (S&T) parks, overseas Chinese scholars park, international business incubators, special technology incubators and. small business incubators (Xu, 2010: Scaramuzzi (2002)).

China is chosen for this comparative study because it is a fast growing emerging market with the third and fourth ranking business incubation markets in the world (Legum, 2006). China has experienced wide-ranging transformations in its economic, institutional and financial infrastructures, especially in terms of market development by opening up to global competition. Although China has only promoted the creation of small business through the incubation model since the late 1980's, it is the world's largest emerging market and has had an average growth rate annually of over 10 percent for the last decade (Konana and Doggett, 2005).

2.7.2 Brazil

Like China, Brazil is growing very fast and it has also opened up to global competition. Incubators in Brazil also offer the same incubation services as China but on a moderate level because of the country's financial muscle. Chandra (2009) reveals that Brazilian incubators were generally linked to universities and funded by plural government and non-government sources. There are several government and private programs which were designed to support new incubator creation and the expansion of existing ones. An example of those programs is the National Incubation Support Program.

On the same note, Almeida (2005) as well is aware that the government works in tandem with universities and industry to support business incubation efforts in Brazil. Universities in Brazil

have a strong interest in providing benefits to society and industry has a vested interest in home grown technologies that would benefit them. All three stakeholders, government, universities and industry, view incubators as a tool that has the potential to advance their objectives and promote economic growth in Brazil.

2.7.3 United States of America

The United States has the oldest and biggest incubation system with more than 1000 incubators, which has developed into an incubation network with an excess of incubator models varying from NGOs, public to private incubators (Ameida, 2005). According to (Knopp, 2007) the incubation system is originally from America as the Americans realised the opportunity to utilize old factories and abandoned buildings in economically distressed parts of the old Northeast and Midwest by subdividing them into smaller space for smaller firms. The incubation facilities offered by the American incubators are almost the same as those in China but the only major difference is the scale at which the services are offered, the Americans are far ahead of China. Another difference is that most of incubators from America operate as NGOs while in China the government is responsible for incubation.

The majority of the U.S. incubators that function as non-profit entities are affiliated to the Universities. Business incubators in the United States were funded principally by government grants and university / corporate support along with rental and consulting income. Support from the State economic development agencies as well as capital funds from the State's legislative allocation, and competitive and matching grants from the State were additional sources of incubator support in the United States. Ameida, (2005) emphasizes this theme by pointing out

that State governments truly play a principal role in supporting incubators in the United States with legislative allocations for economic expansion, with local and federal levels playing a supportive role in incubator sponsorship.

3.0 Conclusion

The literature review highlighted the importance of business incubation in uplifting the SMMEs sector into the HGSMEs. It has clearly laid down the positive spinoffs of these HGSMEs which include benefits such as reduced unemployment, high economic growth and poverty eradication. It also covered in detail how effective and efficient business incubation could be developed, the key aspects in the ideal incubation program, steps to be followed in designing the effective incubation program and other thriving measures that could ensure that effective incubation models were explored. Business incubation is the key to developing the SMMEs as it does not only facilitate the start-ups but also ensure growth in already existing SMMEs. When an already existing entrepreneur realizes that the business is not performing optimally, that the business is somehow stagnant and is not growing, he could seek assistance from the incubators, they would mentor the entrepreneur all the way until the business is on another level.

Business incubation is just one of the business development services that are sought by the entrepreneurs but it carries more weight as it encompasses all other services in it. The review also took into consideration how other successful countries unfolded their incubation programs and where their required support was coming from. It became vivid that it is not only the government that is the main player in providing this service to ensure success but also the other two sectors should assume an active role (the private sector and the NGOs). The main reason for

that is because the three sectors complement each other and also they could learn a lot from each other.

The literature review evidently created the basis of how effective and efficient incubation should be brought into place by discussing the necessary support measures that should be incorporated in an incubation program, different models of incubation, and key success factors in an incubation program. The review enabled the study to lay down all the aspects that need to be considered when formulating the effective incubation program and also addressing the main research questions and finally answering the research problems. The review is firm and positive that effective incubation can really transform the SMMEs into the HGSMEs and reduce SMMEs failure in the economy.

CHAPTER THREE

3.0 Research Methodology

This section explains clearly how the research would be conducted, that is, how the data would be collected, who will be interviewed and why. It goes further and states how the data would be presented and analysed.

In exploring the effectiveness and efficiency of incubation towards the development of SMMEs the study adapted a qualitative research where a phenomenon would be discussed in detail. The intention of the study was to get information from the key providers of this service on the market which are the Government, the Private Sector and the NGOs. Qualitative research enables an in-depth description of a particular phenomenon and numerous interpretations of idealism (Schulze, 2003).

The research focuses on the following main categories:

- The type of incubation services different incubators offer.
- The success rate of incubators in providing their services to the clients.
- The problems that incubators come across in delivering the services to their clients.
- How to enhance better incubation.

The interview included questions like how many SMMEs are currently undergoing the incubation program, do they receive the same treatment, are they on the same stage of incubation, how many have graduated in the past three years, and lastly what must be done to improve incubation. There were both closed and open-ended questions in the interview.

According to Strauss and Corbin (1994), as cited in Hyde (2000), when conducting a qualitative research the investigator commences the study with an open mind to the possibilities of the data and the perspectives of the subjects under investigation. The theory was not allowed to colour the data. The research clearly fits description of qualitative research as the literature gives incubation thumbs up but the research is still done by going into the field and conducting interviews on this matter so as to gain deeper understanding and identify underlying concepts. Also a number of common problems were identified which incubators come across in delivering their services. The incubators provided details of their thoughts on how they could be assisted so as to provide the best services to their clients.

3.1 Sampling

All the organizations that are involved in the development of SMMEs in South Africa formed the population for the research. A sample was selected as the population was too large and the number of elements in the population was unknown. The researcher decided to use non-probability sampling method. In non-probability sampling the elements in the population do not have an equal chance of being selected to represent the population (Fridah, 2010). Convenience sampling method was used. Convenience Sampling is one of non-probability sampling method where the - elements are selected that would represent the population based on how expedient those elements are to the research (Fridah, 2010).

The questionnaire was sent to those organizations that are currently involved in SMMEs development and have incubation as one of their core services. The internet was used to find these organisations. This approach is appropriate for the study because there are many

organizations which are involved in SMMEs development especially incubation and internet is the best source of information about the organizations available for the research. The information was received from the following 14 organisations within Johannesburg and Mpumalanga and Eastern Cape.

No:	Organisation	Brief description of organization
1	Zenzele Technology Demonstration Centre	SZTDC is an NGO that provides technical, business development and research support to Small Scale Mining Related Enterprises.
2	Softstart Business & Technology Incubator	It is a Virtual Incubator that supports high tech entrepreneurs starting and growing their businesses.
3	Seda NMB ICT Incubator	The SNMBICTI is an Incubator that contributes to the process of creating successful small enterprises. It offers its clients office space, business mentoring and coaching services, clustering & networking opportunities and facilitating skills development.
4	Soshanguve Manufacturing Technology Demonstration Centre (SMTDC)	SMTDC learning how to operate and maintain different manufacturing machines, writing business plans and basic business management and entrepreneurial skills.
5	Mpumalanga Stainless Initiative	The manufacturing incubator aims to create an environment where emerging enterprises are able to be established and are able to utilise equipment which will enable them to manufacture quality products without having to invest in the equipment themselves.
6	Ikusasa International (Pty) Ltd	Ikusasa International offers continuous mentoring and essential training to the emerging entrepreneurs and growing businesses.
7	Seda Platinum Incubator	Its primary aim is to facilitate skills transfer to, and ensure upliftment of historically disadvantaged South Africans through their involvement in Platinum beneficiation activities, mainly jewellery manufacturing.
8	Vukani-Ubuntu	It supports community based projects implementation and management, skills transfer and capacity building and conducive business platform for the emerging jewellery businesses.
9	Mapfura Makhura Incubator	Its aim is to create the pathway for the integration of the small scale resource poor farmers in the Limpopo Province with biodiesel production value chain.
10	Seda Sugar Cane Incubator	Its objective is to produce sustainable agricultural SMMEs and land distribution. They facilitate SMMEs with acquisition of land and loans, and offer continuous mentoring in production technology and production systems.

11	Randfontein Local Municipality	Through its Local and Economic Development Unit, the municipality aims to create an enabling environment for business for the emerging entrepreneurs in the Westrand.
12	Gauteng Enterprise Propellor	It aims to provide non financial, financial and coordinate stakeholders for the benefit of SMMEs in Gauteng.
13	Business Opportunity Centre	Its links Big Businesses with Small Businesses and nurture disadvantaged entrepreneurs to grow and provides a one-stop support service culminating in a sustainable relationship.
14	SEDA	Its missions is to develop, support and promote SMMEs throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

Questionnaires were forwarded to twenty companies that are dealing with facilitating SMMEs growth in South Africa. Six responses were received by email as those companies were outside Johannesburg. The interviews were conducted with eight officials from whom the researcher could easily meet with them as they were located around Johannesburg. The researcher got fourteen responses in total. A detailed list of all those 14 organisations that comprise the names of people interviewed their contact numbers, emails and addresses is attached on this report as appendix (b).

Those responses were from the organisations that are currently dealing with incubation as their core service. These organisations also fall into the three main stakeholders in providing incubation services which are the government, the private sector and the NGO sector. The contribution from these organisations is of the utmost importance as they deal with SMMEs directly and have the relevant experience and expertise to uplift the SMMEs sector. The input of these organisations is of great value to the research as it clearly addresses the research questions and contribute to the body of knowledge towards the effectiveness of incubation in developing

SMMEs. Exploring the key support measures in bringing about effective incubation and the challenges that incubators come across in providing incubation services would enable the development of an effective and efficient incubation framework model in the research.

3.2 Data Collection

This part clearly shows how the data was collected to inform the study. The two types of data were collected to inform the findings of the study and those are Primary and Secondary Data. Primary Data refers to data collected directly from first-hand experience. The sources of primary data are interviews, focus groups and surveys. Secondary data refers to data collected by someone other than the user, published data or data collected in the past. Sources of secondary data include books, journal articles and internet (Merriam, 2002). The two methods of collecting data are equally important in conducting a research report.

Interviews and the questionnaires were used to gather first-hand data from the incubator organisations listed in appendix (b) as the primary data. The information was collected from the people that are currently engaged in developing SMMEs more especially those that are offering incubation services.

Secondary data was also used mostly in gathering the relevant literature on the effectiveness of incubation and its potentiality to foster growth in the SMMEs sector. Books, journal articles and the internet were used to gather literature and gain more understanding on the effectiveness of incubation. Journal articles were mostly used in this study as they discuss current ideologies on the core subject of the research, an example is the article of OECD published in 2008 on

HGSMEs, the Smallbone, Xiao and Xu published in 2008 which is about the general business development services on which business incubation is one of them. Also the other one was from Conkar, T. published in 2010 which explores appropriate incubation support mechanisms for success.

Good use was made of the Internet in searching for all the organisations that were engaged in facilitating growth to SMMEs in South Africa. Emails were then sent to the twenty organisations that are around South Africa. The email to each organisation clearly indicated who the researcher is, the topic of the research and the role of the respondent on the study. The emailed questionnaires were followed up by contacting the officials from these organisations telephonically. Responses were received from nine NGOs, three Government institutions and two Private firms. The interviews conducted with the different officials from the three major stakeholders (Government, NGOs and Private organisations) informed the research by obtaining the views on the progress made, goals achieved and problems encountered while delivering the incubation services to the SMMEs and the type of incubation facilities offered. The interviews lasted on average for thirty minutes during which time notes were taken.

3.3 Validity and reliability

More than one method of collecting data was used, as clearly stated above hence those different methods complemented each other, thus triangulation. According to Netjad (2009) triangulation assures completeness of findings and confirms findings in a qualitative study. Both Interview and Questionnaire methods of collecting primary data were used. Thorough training on how to conduct interviews had been received prior to conducting the interviews by the researcher and

also tools were used that assisted in getting the gist of the respondents' answers such as field notes therefore the data collected is valid and reliable. Also to ensure validity the research was consistent in asking questions during all the interviews with the respondents. The questions were asked in the same sequence as they appeared in the questionnaire and the same wording was used and that eliminated the degree of bias in conducting interviews.

Again to ensure validity of the information gathered from the interviews, 14 officials from different positions in their respective organisations were interviewed, this means that on some organisations the technical personnel (the person who works directly with incubates) were interviewed and sometimes the director of the organisation was interviewed, thus triangulation. Secondary data was used to gather relevant literature. Different articles and books on effective incubation were read for cross referencing with the primary data to ensure further validity of the study.

3.4 Limitations of the study

Limited responses were used to inform the study. Ideally the study was supposed to at least include one incubator from every Province in South Africa so as to have a holistic view of the effectiveness and efficiency of incubation in South Africa. Only 14 responses were used for this study from three provinces. Since there are a number of studies conducted on the effectiveness of incubation towards the development and growth of SMMEs there was an attempt to incorporate most of the ideas suggested therein and to make a critical analysis but not everything could be covered. Ideally the view of the incubator's clients is more favourable to have been incorporated in this research.

3.5 Presentation of Data

Data presentation refers to compiling information together in a systematic way so that it can be easily read and interpreted. In this paper different tools of presenting data were used and those include different charts e.g. pie charts, column charts, bar charts and tables.

3.6 Data Analysis

This is the stage where the collected data was processed and put together properly so as to develop a meaning from it. Data analysis is a process of examining and transforming information gathered to highlight useful information, reach conclusions and support decision making (Seidel, 1998).

The collected data was analysed in such that useful information was extracted from it but making sure that the data was not manipulated to push certain conclusions. According to Seidel (1998) it is very easy to manipulate to push certain agendas but the best way is to think critically when undergoing this process. Data analysis is the process of bringing together the information collected in a meaningful or understandable manner. It is also a process of noticing, collocating and thinking about things and it involves the researcher sorting and searching for types, classes, sequences, processes, and patterns (Merriam, 2002; Seidel, 1998).

Good use of the tables, charts and measures of central tendency was applied to recapitulate all the responses from the respondents. All the responses for each question were recorded in a table, put together and presented on the different charts appropriate for each question. In analyzing the open-ended questions, similar responses were put together in a table for each question so as

to discover those patterns and processes that would assist in presenting data. From there similar patterns began to emerge and that made the analysis easy and simple.

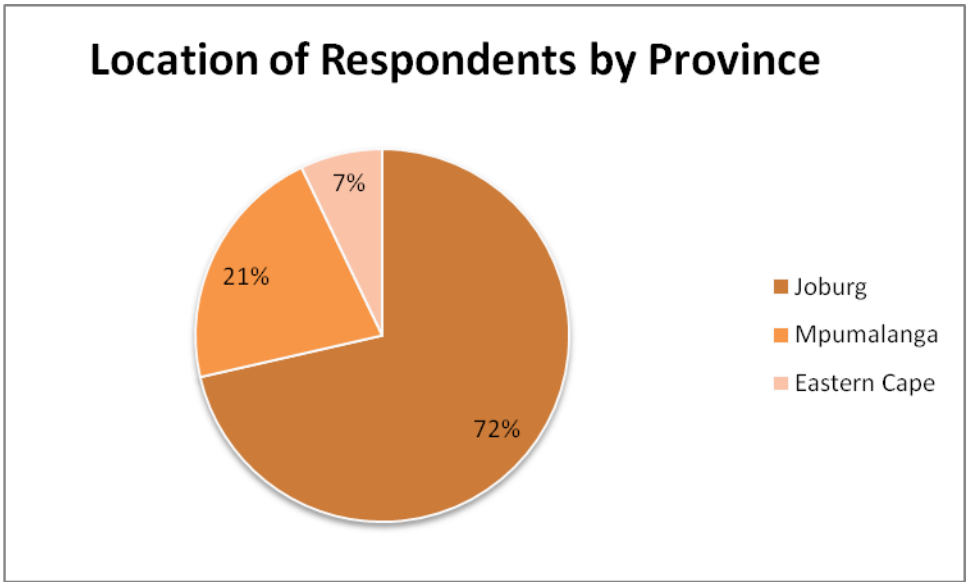
CHAPTER FOUR

4.0 Findings

This section presents the responses collected from the 14 organisations that participated in the development of SMMEs in South Africa. These 14 organisations are located around South Africa in three provinces namely Gauteng, Mpumalanga and Eastern Cape. All these organisations are directly involved in the development of SMMEs in South Africa and provide the relevant services.

4.1 Location of Respondents

Figure 1

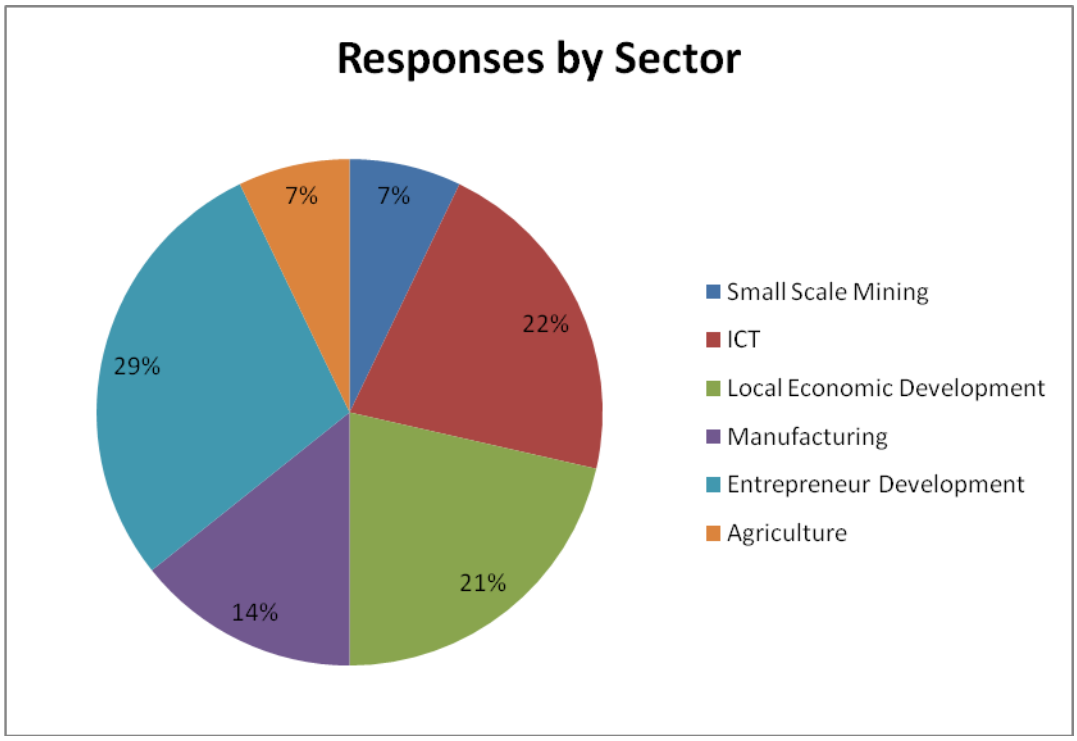


72% of the organisations that were interviewed are from Johannesburg. The research was based in Johannesburg for convenience. Information was collected through the use of a questionnaire to gather the responses of the 28% of the organisations that were not in the Gauteng Province.

4.2 Responses Classification by Sector

The respondents were from different sectors in the economy as illustrated in Figure 2 below. No specific sector of SMMEs industry but SMMEs in general were examined. The majority of the organizations were from the organizations that deal specifically with entrepreneur development (29%), followed by those that were in the Information Technology (22%) then (21%) from the Local Economic Development. The rest of the organizations were from the spacialised SMMEs developers and those included Small Scale Mining (7%) and Agriculture (7%).

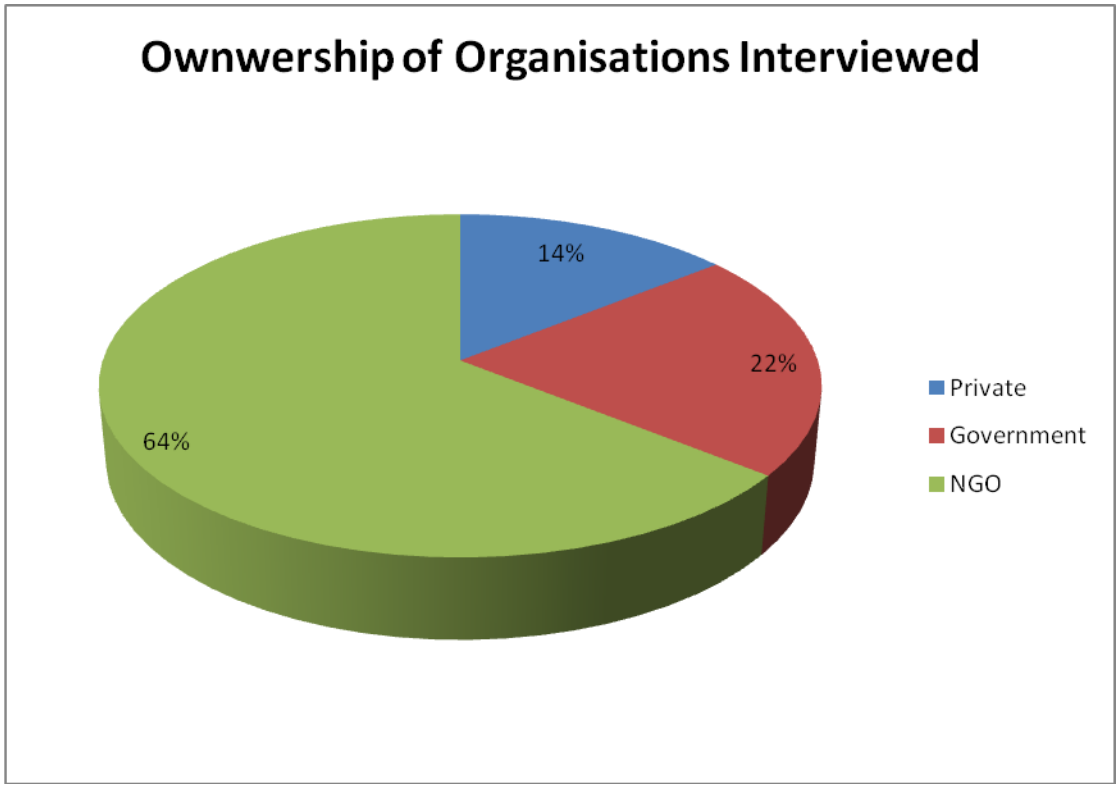
Figure 2



4.3 Ownership of Organisations

64% of the organisations that participated in the research were the Non Governmental Organisations (NGOs) while 22% were Government Parastatals and 14% were Private Firms. These three types of organisations are the major role players involved in the development of SMMEs in South Africa.

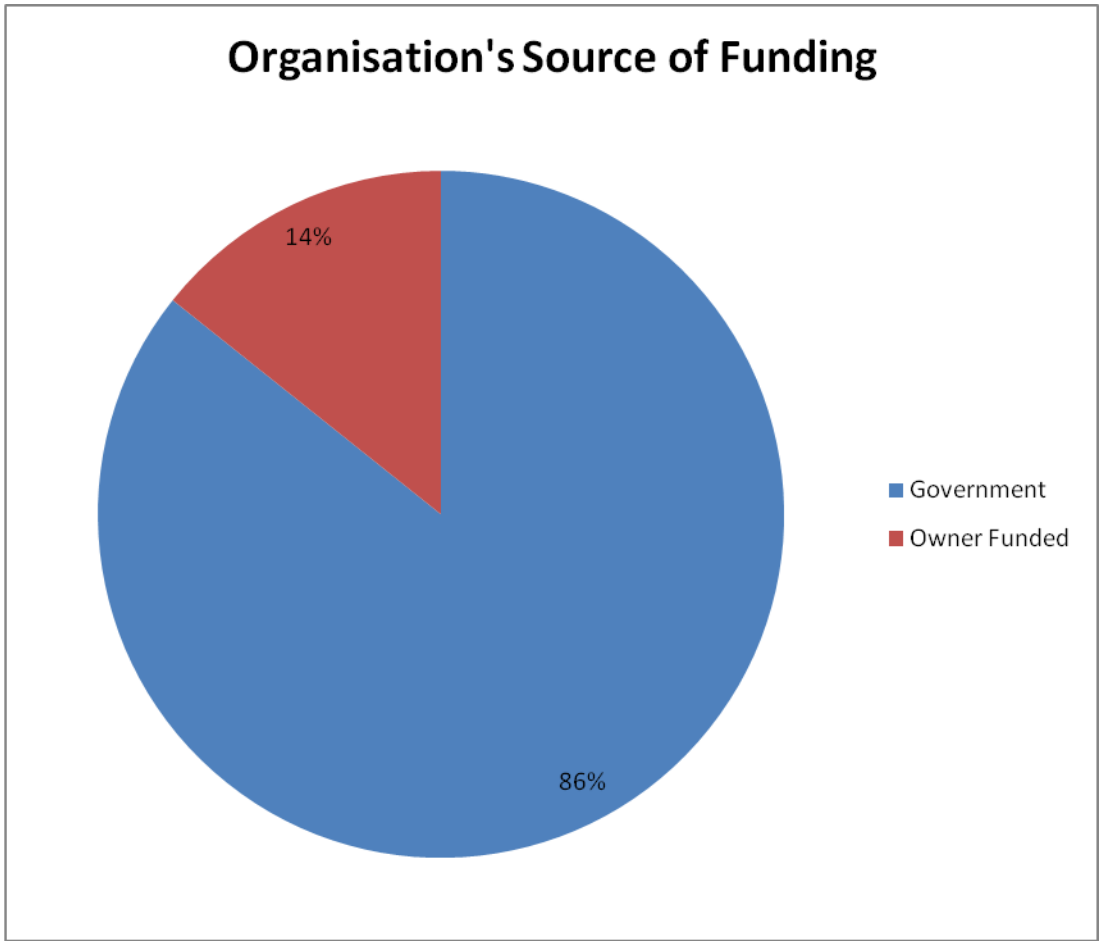
Figure 3



4.4 Source of Funding

86% of the organisations that participated in the research were funded by the government. This indicates that all the NGOs that participated in this research were getting money from the government while 14% were independent organisations that were profit oriented.

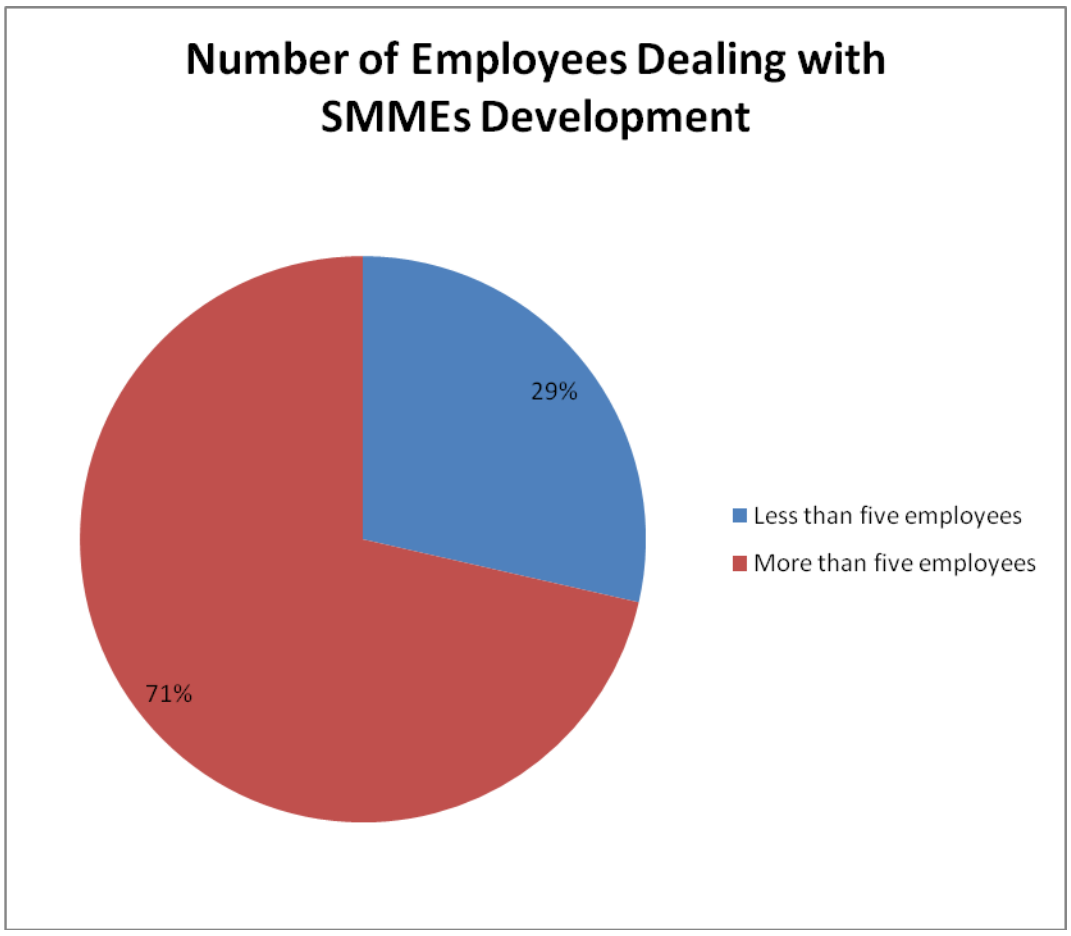
Figure 4



4.5 Number of Employees per Organisation

Most of the organisations that were interviewed had more than five employees dealing with providing services that were directed towards development of SMMEs development and providing incubation facilities.

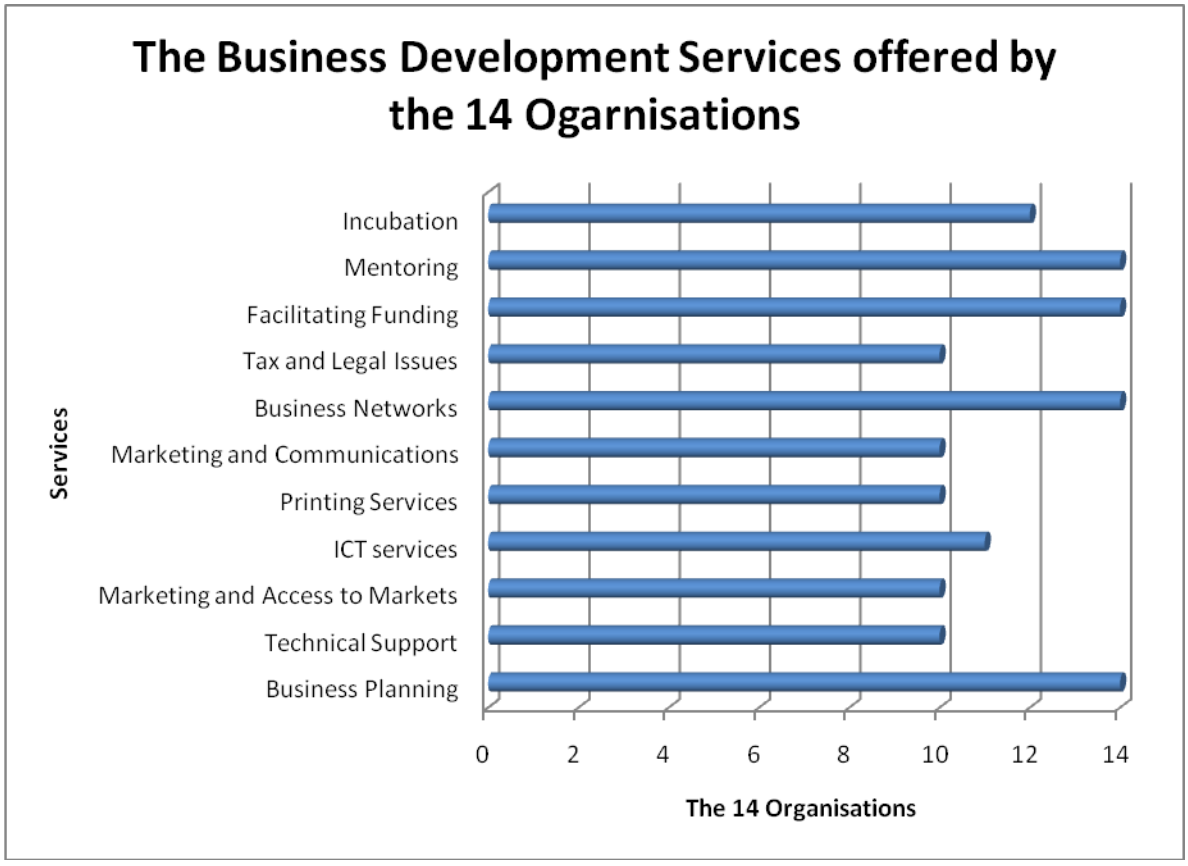
Figure 5



4.6 General Business Development Services Offered

The general business development services include but are not limited to the following services; Business Planning, Technical training, Marketing and access to Markets, ICT services, Printing services (Invoices and quotations), Marketing and Communication services (business cards, brochures and catalogues), Business networks, Business Registration, Tax and Legal Issues, Facilitating funding and Mentoring. All these services are normally included in the incubation services package.

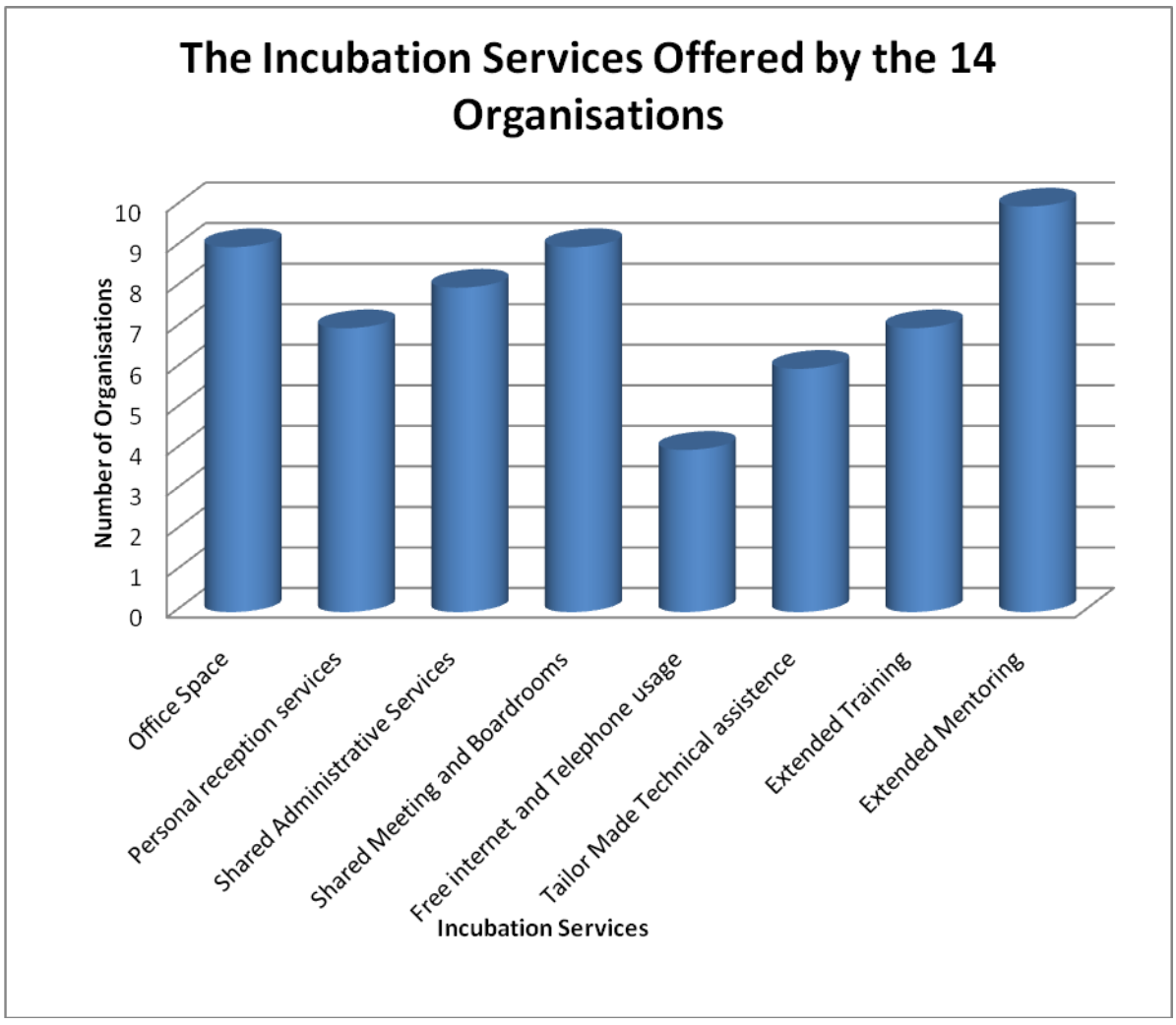
Figure 6



4.7 Business Incubation Services Offered

According to the responses to the question on what type of the incubation facilities each organisation offer the following were noted. These are the main services that distinguish general business development services and the incubation services.

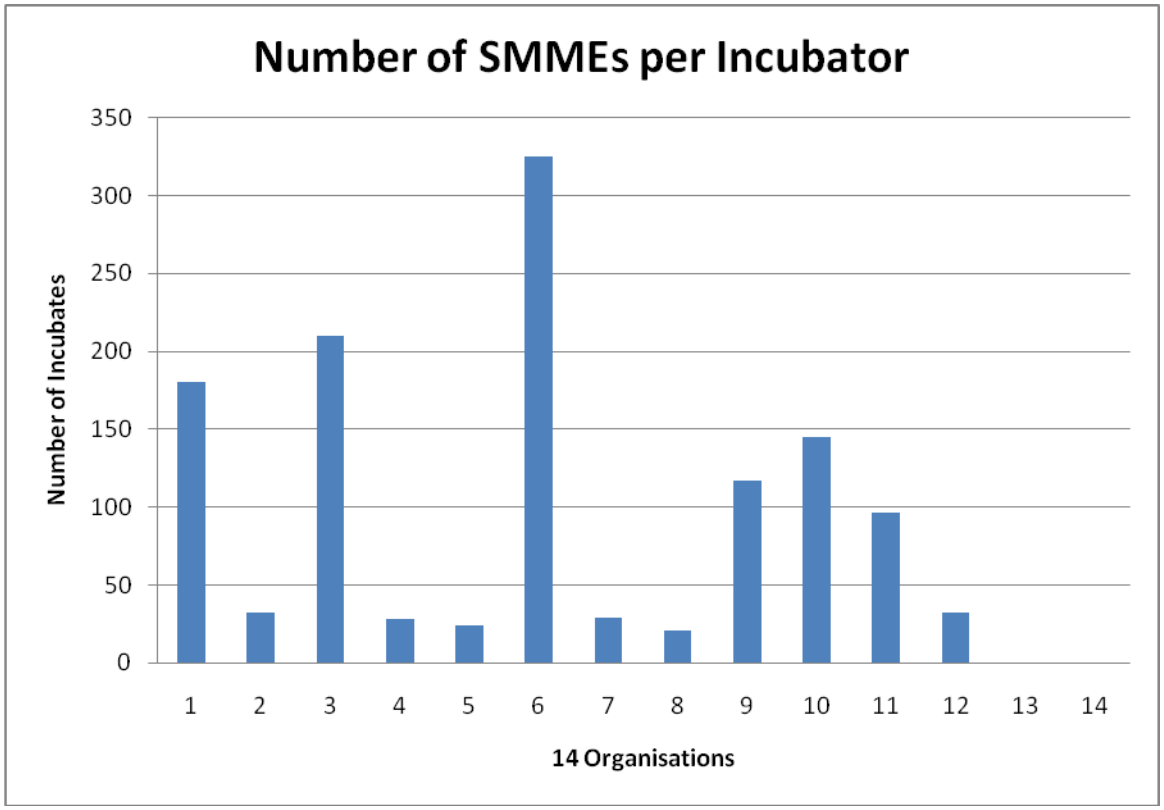
Figure 7



4.8 Number of SMMEs per Incubator

According to the people interviewed, the average number of SMMEs serviced by the each incubator is 90 enterprises though there were two outliers with more than 200 incubates amongst the 14 organisations. In total 1239 SMMEs from 14 incubators were under the incubation program.

Figure 8

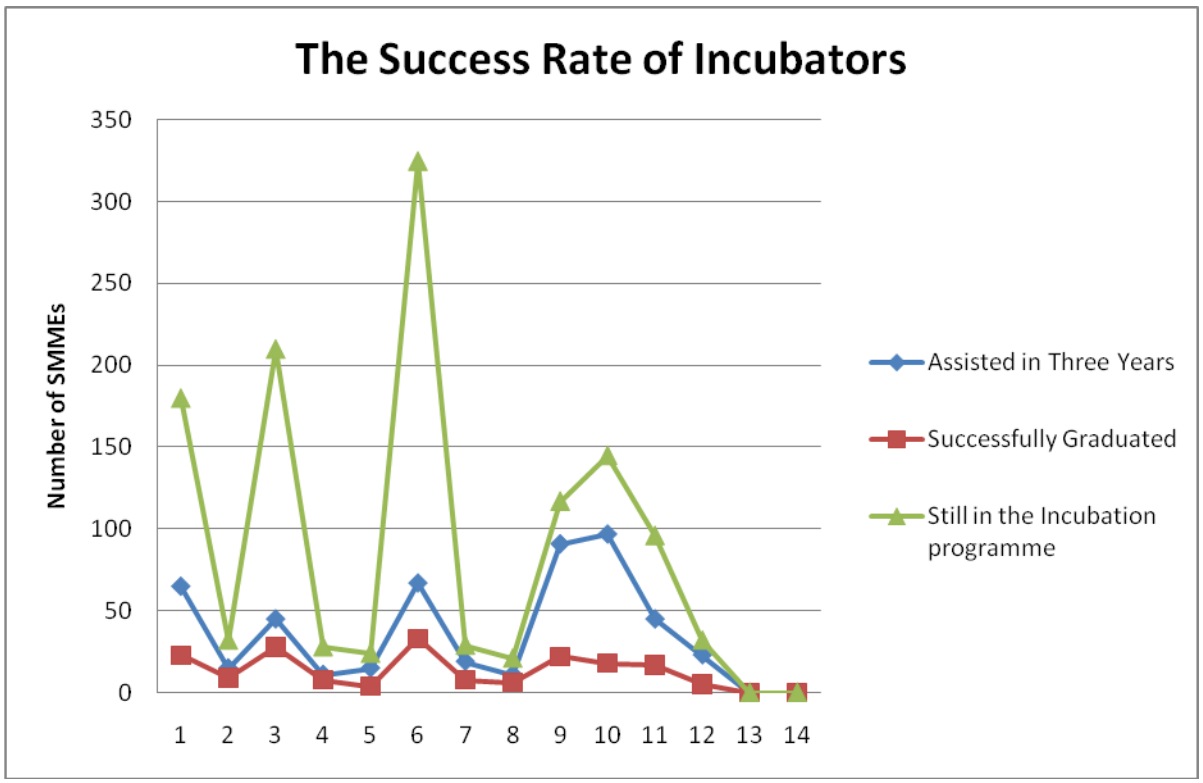


Of the 14 organisations that were interviewed, all of them believe that the SMMEs are aware of their incubation services they offer.

4.9 The Success Rate of Incubation

The success rate for each incubator can be measured by the number of incubates that graduate and survive after being into the incubation facility. The research found out that majority of the organisations were still in the incubation program. In most of the cases the incubation period was said to be three years. All the incubators had less than 50 incubates each that had successfully graduated and are now on their own in the three year period. Successful graduation means after the incubation program the ex-incubate is now on his own in terms of financing the business and its daily operations, his or her business generates enough profit and can sustain the pressures exerted in the economy.

Figure 9



Most incubators currently had on average 90 incubators each but there were two incubators that had more than 200 incubates on their incubation program. It was found that in those two incubators 70% of their incubates were on the early stages of business establishment, that is, their businesses were still on paper.

> "We assist companies in different stages of incubation and some clients are in pre-incubation which means that they are still doing research on the viability of their concept and might not open a business for a very long time", said one respondent.

The main responsibility of the incubator on those SMMEs was to nature the entrepreneurs to come up with a sound and enticing business plan and introduce them in the world of business, also to give them exposure on the available opportunities on the market.

The criteria of choosing the entrepreneurs from the two incubators that had over 200 incubates in their incubation program was found to be a bit easier than other incubators. So long as the entrepreneur has a desire to start up a business even if he does not have a business idea in mind, the entrepreneur would be put in the program. The work of the incubator at that stage is to facilitate by arranging business workshops and in-house training for the entrepreneurs so that they may see the right direction.

Those two organisations with minimal entry-level criteria were NGO incubator. It is only NGOs that can afford to take on board the entrepreneurs with little knowledge and without money into

their incubation program because the NGO incubators are not in it for profit but to offer a service to the people who need it. The incubation program was found to be very affordable even for the survivalist SMMEs. The NGO incubators play very significant role as they tend to create a platform for entrepreneurs with a passion to excel in business despite them having financial difficulties.

It was also discovered that there about 504 SMMEs in the past three years from the 14 organisations that were included in the study. Out of the SMMEs assisted in the past three years 181 SMMEs had successfully graduated from the incubation program and that sums up to 36% of the total SMMEs assisted. 50% of those incubates assisted in the three year period were still in the incubation program of the 14 organisations but are in their final year of incubation and are expected to graduate by the end of the year 2010. The 10% of the incubates assisted in the past three years quit before the end of the three incubation program and most of these entrepreneurs were promising but while in the incubation program they opted for employment and left everything, they just decided to quit. The 4% of the incubates did not graduate successfully after completing the three year incubation. This implies that those incubates failed to run their enterprises successfully after being put through incubation and their businesses failed.

The 1239 incubates who are classified under ‘still in the incubation program’ are hardly a year old in the incubation program. It was found that almost all of them joined the incubation program mid 2009 from respective incubator provider. Also it was discovered that most of these incubates were in the preliminary stages of establishing their businesses as 40% of the SMMEs

were still working on their business plans and attending courses on business development skills provided by the incubators.

It was also noted that almost every incubator has the top 20 incubates which are established, that is those that seem to see the light. Special attention is put on those and they are assisted by all means. Most of them have office space provided by the incubator and continuous mentoring. These incubates would be graduating and they need all the assistance that they can get from the incubator and also the incubator is keeping a close eye on them.

5.0 Problems faced by the Incubators

When asked about the problems that they come across in assisting SMMEs the following were noted:

- Funding: Sometimes the entrepreneurs cannot afford to pay for the incubating services and also funding to start-up the business is a major problem.
- Entrepreneur Honesty: Non-disclosure on the part of the entrepreneur could highlight early warnings of distress is another major problem that was experienced in assisting SMMEs. If full information is disclosed, then the incubator is able to provide early appropriate intervention for the particular entrepreneur.
- Entrepreneur Laziness: Other problems are posed by the entrepreneurs themselves for having a hand-out mentality, this means that the entrepreneur wants the incubator to do everything for his business and cannot take initiatives by accepting even minor responsibilities. Also lack of commitment on the side of the enterprise owner is a huge problem, some incubates do not even attend meetings that are scheduled with them.

> "I believe the level of skills (both technical and business administration) also has got to do with their unprofessionalism". Their work is sometimes not up to standard although they have been trained to produce quality products, but sometimes they tend to buy cheap materials and their customers stop placing orders with them.

- Competition: The other reason for incubates to close is fierce competition in the industry and when times are tough, entrepreneurs opt for employment rather than for owning a business. The 10% of the incubates that opted for employment had shut down their operations last year (2009) because of the economic down turn.

- Capacity: The other challenge that the incubators come across is managing different incubators at different stages successfully. The study revealed that some incubators did not have enough skilled labour to manage and provide incubation services to the entrepreneurs.

5.1 Policies Governing Incubation Centres

The majority of the employees that that took part in the research believed that the policies of their organisations were favourable to them as they took part in formulating them. The policies were not imposed on them. The policies create a platform that fosters an atmosphere of learning and development which is the core function of their respective organisations. 80% of the incubator service providers acknowledge that the support they are getting from the government is moderate and also it leads them to facilitate growth in the SMMEs sector. The policies provided

are suitable and leaves room to customize towards the government's mandate to provide effective incubation and foster growth in the SMMEs sector.

5.2 Enhancing Effective and Efficient Incubation Programs

It was noticed that the incubator providers have different views on how to enhance effective and efficient incubation programs. Some other incubators believe that the government should invest more in NGOs as they ascertain they have better skills and more understanding on developing the SMMEs as they have divisions that specialize in providing incubator service and also they have the relevant experience in dealing with incubation. If the government, which is the main source of funding for many NGOs would increase their funding, the NGOs would also be able to increase the number of incubates they serve per incubation period.

Most of the incubators that are directly funded and supported by the government suggest that the government should use them to give funding to SMMEs as they trained them from scratch and they know each entrepreneur's strength and passion about doing business. The NGO incubators believe that they are the perfect link to dish out money to the SMMEs because they are the one who equipped them with business skills.

> "It is so demotivating to see a good entrepreneur with passion coupled with right business skills struggling to get finance to start up their businesses at the end of the incubation program", reckoned one of the respondents.

Other incubators think that specialization can bring about good results to incubation providers and the incubates themselves.

5.3 Improving Support Measure to SMMEs

There were different ideas suggested for improving and enhancing better support to the SMMEs in South Africa. Some incubators feel that the sector is not growing as expected because of the difficulty for the entrepreneurs in getting funding. They believe that there is too much red tape and it is not easy for their clients to get funding from the government institutions such as SAMAF, GEP and Khula. Also to get the loans from the South African Banks is not easy for startup entrepreneurs as the banks do always want surety. Incubators that are currently supported by the government are still embarking on the government that funding for incubates must come through them as they deal direct with the entrepreneurs.

Entrepreneurship should be incorporated in the high school's education curriculum so that young learners would grow up knowing that getting a high paying job is not the only way to live a successful life but one can establish one's business and use all the skills acquired from higher learning institutions and the incubator programs straight away from school and venture into business. Business ethics should also be part of the curriculum as it will ensure some professionalism on emerging entrepreneurs and that would enable them to establish and run successful businesses. When this is achieved emerging entrepreneurs will no more rely on the incubator for everything.

Some incubators believe that SMMEs should be exposed to the real market from the start of the program so as to ensure their future survival, which means incubators would be providing the SMMEs with all the services from the entrepreneur's enterprise but not from the incubation hub. When the SMMEs graduate and moves out of the incubation hub, there is high possibility of success because everything would remain the same and it would be clear as to whether the enterprise can stand on its own or not. Already the incubates would be pre-exposed to the challenges of competition at their respective location or town.

CHAPTER FIVE

5.0 Data Analysis

This section presents a detailed discussion of the findings of this study about the effectiveness of incubation in SMMEs development in South Africa. The gathered information will be broken down into pieces so as to make sense and meaning out of it and also will address the research problem and the research questions. The data will also be checked against the gathered literature and would lead the study to the conclusion and lastly to recommendations. The analysis is divided into three sections in accordance with the research questions posed in the report.

5.1 Key Support Measures for Effective Incubation

The paper identified the common business development services that most organizations utilized in the development of SMMEs and those are as follows: Business Planning, Technical Training, Access to Markets, ICT services, Printing services, Marketing and Communications, Business Networks, Tax and Legal Issues, Facilitating Funding and Mentoring. Also Smallbone, Xiao and Xu (2008) agree that the same services are vital in an incubation program. These services are provided by the three role players, but at different levels and according to the SMMEs' needs. Every organisation that is involved with developing SMMEs offers these services. Incubation is just one of these business development services that have the potential to speed up the development of the sector.

Research also identified useful common incubation services that the incubators offer and these are Office Space, Personal Reception Services, Shared administrative services, Shared Meeting

places and Boardrooms, Free Internet and Telephone usage, Tailor-made Technical Assistance and Extended Training. Conkor (2010) shares a similar view that the same services are fundamental for SMMEs survival in the early stages of business and for growth purposes. These services are enjoyed by the incubates and would protect them until they graduate and are ready to face the market pressures in the economy. Usually starts-ups and other struggling SMMEs cannot afford these services so it is very useful for them to get into an incubation program so that they can enjoy these services.

In addition, these incubation services are very important to the entrepreneurs that want to grow their businesses as the entrepreneurs pay a minimal cost if the incubator is supported by the government or is an NGO. The entrepreneur pays when those services are provided by a private company and the charges escalate as the incubation program unfolds. The escalating charges assist the enterprise owner to face a reality check as soon as the entrepreneur would be taking care of all the costs (Vucic, 2006).

It was found that the duration of incubation programmes for different incubators is three years as 90% of the interviewed organisation's programs lasted for that period. According Vucic (2006), the appropriate incubation model should be three years and in the first year of the incubation programme all the incubation services are free to the incubate, but in the second year the incubate should pay 50% of the incubation costs, and the last year should be 70% of the services. Some clients exceed their stay in the incubation program and the incubators do not force them to move out so long as they are not ready when the incubator is a NGO but if the incubator is a

private business the incubate can last for as long as the entrepreneur can afford to be in the program.

The general business development services are available throughout the existence of the services provider. The incubation services ensure the success of the enterprise and most incubators believe that the real businessmen are made not born. All the organisations that were offering incubation tend to also offer business development services as incubation is just one of the business development services to SMMEs.

The incubation services tend to be indeed very useful to the SMMEs, more especially on the start-ups as they would not be paying for the office space, the telephone and internet access. Telephone and Internet access are very crucial when starting up a business as it promotes easy communication with the enterprise's customers, suppliers and other stakeholders. According to Hannon (2005), office/business space is one of the expensive costs borne by the emerging enterprise but getting into an incubation program shields the enterprise until it can generate enough cash to sustain itself on the market. Also a personal reception service is of utmost importance because it would appear as if the business has got someone to take messages in case the entrepreneur is not in the office. Most of the time when the business is just starting the entrepreneur cannot afford to hire a receptionist but can only afford to have the technical staff that contribute to generating profit for the business.

The entrepreneur can also use the incubators meeting rooms and boardrooms if need arises. To have these services for free or by paying a subsidized amount really puts the entrepreneur's

business into another level of professionalism and gives him a competitive edge. Extended mentoring ensures that any problem the entrepreneur comes across; there is always someone to assist and give expert opinion on that particular type of problem. Normally start-ups cannot afford to arrange for those kind of services on the early stages of their businesses therefore incubation is the indeed the key for ensuring business success.

5.2 Challenges Faced by Incubators

Among 504 SMMEs that were put through an incubation program by each of the 14 organizations, 36% of the enterprises have already successfully graduated and 50% are graduating at the end of 2010. Only 10% of the enterprises quit the program before the three years and just 4% were not successful in doing business even after graduating from the various incubation programs offered by the 14 organizations. This implies that there is sufficient proof that incubation does really help because 36% of the overall enterprises that were incubated in the past three years have already graduated and are doing well. There are currently 1239 enterprises in the programs that are still in the early stages of incubation and in three years time 36% of those SMMEs would have graduated successfully, this implies effective incubation is certainly working.

All the incubators that are getting financial support and those that are not (privately owned and the NGOs) share the same view that if the government would intensify its support to them, the results would be positive as there is sufficient proof that their efforts contribute significantly to the growth of SMMEs and to sustainability in the economy. Again, most of the incubators believe that collaboration of all the stakeholders would speed up the rate of success as each

incubator would be specializing in what the organization knows best. However, the challenge that still prevails is how all the stakeholders can work together and provide incubation services to SMMEs.

With regards to in the findings section, the three main stakeholders involved in the development of the SMMEs sector in South Africa are the government, the private sector and the NGOs. The three role players informed this study as data was gathered from them. The extent to which each sector participates cannot really be compared amongst the three but the government is always expected to take the lead because if growth in the sector is realized, then it would reflect positively on the overall economic growth, unemployment reduction and poverty alleviation and those are the macroeconomic goals of the South African government. Effective incubation is therefore considered to be the key in unleashing the full potential of the SMME sector.

According to the number of officials from the organizations interviewed, most of the interviewees were from the NGOs, this does not mean NGOs have taken a major lead in developing the sector but simply implies that officials from NGOs were more available and cooperative in participating in the research. However, the Private Sector remains the largest in contributing towards the development of the SMMEs sector according to (Wiggens and Gibson, 2003). At the same time this could mean that NGOs are easily accessible when it comes to the provision of incubation services as there was no difficulty in finding them. The NGOs' aim is not profit and usually they charge a minimal amount to entrepreneurs for subscription to their services so they always look for numbers and are ready to give information to anyone. 64% of

the people that participated in the research were from the NGOs, 22% were from government and 14% were from the private sector.

Another interesting aspect revealed by the research is what sounds like a contradiction to what had just been said above, that is 86% of the organizations interviewed were funded by the government. It was discovered that 80% of the organizations interviewed were supported financially by SEDA. SEDA has about 20 incubators in its incubation programs that it supports. Those 20 incubators also offer incubation services to the SMMEs but not the financial support and they only facilitate growth and connect the entrepreneur to additional funding. Those incubators only offer non-financial support to their customers and incubation is their core service. All those 20 incubators that are supported by SEDA are NGOs. These NGOs are not working for the government but they work with the government through SEDA to offer incubation services to the SMMEs.

The 14% of the incubators that were interviewed are self-funded and are in it for profit. These incubators charge for their services. They have a good reputation and always have clients although they charge because of the professional incubation program they provide. Most of their clients are those that are already established and want to take their businesses to another level, that is, to grow their businesses.

The government of South Africa did not just leave the market to correct the imbalances that existed in the economy. In the case of market failing there is always a need for the government to intervene (Duff and Fryer, 2005). In this case the government intervention is realized by

funding the NGOs to equip and assist the entrepreneurs to start up and grow their businesses into the HGSMES. The government through the DTI and SEDA is funding the NGOs to offer incubation facilities to the SMMEs. This means the government regards business development services to some extent as public goods and is willing to make sure that every entrepreneur who wishes to be part of the incubation program should do so without any complexities.

The 26% of the participants in the research were government institutions that are directly run by the government and those are; the Gauteng Enterprise Propeller, the Randfontein Local Municipality and SEDA who is the main stakeholder. The three institutions were included in the study for checking whether the government does deal directly with SMMEs and whether it offers incubation services through its spheres. Some fascinating detections were made with regards to the two institutions (the GEP and the Randfontein Local Municipality).

The research revealed that the (GEP) does not offer incubation facilities per se but assists the entrepreneurs in whichever way it could. It was noted that although the GEP does not have an incubation program, it offers all the business development services that are illustrated in Figure 6 and above that, it offers continuous mentoring and some of the incubation services listed in Figure 7, such as tailor-made technical assistance and extended training as it usually holds workshops. The workshops are meant to equip the SMMEs with business skills. There is a thin line among the services that GEP is offering and the incubation services that are illustrated in Figure 7. The only major difference is that GEP does not offer office space for its clients. The other important revelation was that GEP also offers funding to the SMMEs it supports.

On the other hand the Randfontein Local Municipality has got the SMMEs Development office that assists SMMEs with business development services and gives them office space but does not have an incubation program. What the municipality is doing through its Local and Economic Development is almost similar to what incubation is all about and what is lacking is the tailor-made continuous technical assistance. The distinctive factor between what the Municipality is carrying out is the type of SMMEs it supports; mostly it supports the survivalist SMMEs. It facilitates growth on those survivalist entrepreneurs who trade on the streets in town and provide them with a covered market space. The Municipality also issues trading licenses for the survivalist enterprises. This shows that the government is working towards providing incubation facilities on its own through the Local Municipalities.

In conclusion the common challenges that incubators usually come across in offering their services were identified and those include funding, entrepreneur integrity and over reliance on the incubator, fierce competition in the market and the capacity of the incubator to provide the incubation.

The other factor that still remains a huge challenge whether the entrepreneur was on the incubation program or not is funding. Most incubators do not finance SMMEs but simply equip them with all the business fundamentals. Also the entrepreneur's integrity and over-reliance on the incubator become a problem to the incubator as some do not always tell the truth and withhold important information about the business. Fierce competition may also exert pressure on the SMMEs and force them to shut down operations. It happens that competition could be among the start-ups themselves but normally it is from outside, as the incubator can try to

minimize it when two star-up businesses from one incubator are competing. In that case the incubator might encourage and persuade them to merge their enterprises.

Also capacity can be a problem for the incubators especially when their incubates intake increases. This can affect the quality of incubation services offered by the incubator, the intake needs to be managed well so as to avoid this problem. Private firms are more tempted to flood their incubation centres because it brings more money for the company. Although there are challenges to effective and efficient incubation, most of those challenges are controllable and can be easily avoided if the incubation program is managed well.

5.3 The Effective Incubation Model

It goes without question that incubation is absolutely the right move to go about developing the SMME sector in South Africa as it guarantees results and do away with failure yet there was 3% failure for various reasons. What matters now is the rate of success of incubation; it just takes too long for one organization to go through the incubation. Also the incubators cannot take everyone in their incubation programmes because of capacity restrictions. On the other hand the government, through SEDA, only supports 20 incubators that on average have about 80 to 90 incubates in their incubation program. It is true that some organizations had more than 200 incubates in their programs but the stage of incubation on which they are still raises a concern as majority were only busy with their business plans. If the government is going to carry on at this rate it means it is going to take a very long time to move SMMEs to significant HGSMEs from incubation programs.

The effective incubation model must comprise all those incubation services discussed in this paper which should be set as the framework for every organization that is involved in offering incubation programmes. The government should take charge and create a platform for all the major stakeholders to meet and discuss the best possible ways to offer successful incubation programmes. Also the government should consider stepping up its efforts in supporting organizations that are involved in providing the incubation programmes. Land is one of the expensive resources and the incubators need to create a hub for the emerging and growing SMMEs, if the government would give out land for free or for a subsidized price to the potential incubators, this would create positive rewards for the SMME sector.

CHAPTER SIX

6.0 Conclusion

The research has highlighted the importance of business incubation in fostering growth on the SMMEs sector in South Africa. The literature fully supports the use of effective incubation as the key to the development of this sector. Also the information collected from the interviews and questionnaires reveals that every stakeholder believes that through incubation a lot could be achieved. However there are still some concerns that should be addressed to ensure effective incubation but the literature review states clearly what steps to follow and different incubation models to ensure effective incubation. Incubation is carrying high hopes for the SMMEs sector and therefore it deserves to be allowed a chance to develop and the government should intensify its support in this regard.

There is no doubt that effective and efficient incubation is the key to developing the SMMEs and converting them into HGSMEs in South Africa. One of the government major goals is to correct the imbalances that exist among South African citizens and there are a number of policies established to address this issue. The policies include the Broad Based Black Economic Empowerment (BBBEE), the Preferential Procurement Policy Framework Act (PPPFA). Effective incubation could be of great assistance to the government in implementing and enforcing the above-mentioned policies as they complement each other. If the budget on incubation can be increased by SEDA, it would benefit more black South Africans that were previously disadvantaged and enable them to be put through the incubation programme and to obtain the necessary business skills, to serve the market professionally and to positively contribute to their own country's GDP.

Those policies are meant to correct the imbalances among South African citizens as in the past apartheid regime, the blacks who are the majority in the country, were not allowed to actively engage in business. For that reason the black community is still left behind in running successful businesses, as they do not have the technical knowhow and the relevant experience although the post apartheid regime policies favour them. Therefore effective and efficient incubation is the key to black empowerment and liberation here in South Africa.

There is a need for pre-incubation facilities so that qualified incubators can put more focus on the potential HGSMEs and leave out the pre-start-up SMMEs to small specialty incubators. In this research it was found out that in those incubators with more than 200 incubates in their program, the majority of the incubates were in the preliminary stages of starting their businesses. It is ideal to have special incubators like those who start up an entrepreneur from scratch, i.e. those who nurture the entrepreneur's business ideas into a viable business plan. By so doing, the incubators would also gain more experience in dealing with nurturing business ideas into a feasible business plan. After completing a business plan then an entrepreneur would graduate and then apply to get into a particular incubation programme that would assist to actually start the business. This would increase the rate of success and conversion of SMMEs into HGSMEs.

There is also a need for specialization in all the sectors in the economy so that the particular incubator would only concentrate on facilitating growth in the SMMEs where they have the required expertise and relevant experience in their explicit operations. Effective and efficient

incubation is supposed to assist and give out the assistance that is tailor-made to suite the problems of a particular enterprise.

The government intervention in facilitating growth in the SMMEs sector is highlighted by the number of NGOs it supports financially. In this research 9 incubators that were interviewed are NGOs and their centres are easily contactable. Another positive aspect about NGOs is that they charge minimal amounts to entrepreneurs for subscriptions and some do not charge at all, but they offer all the incubation services a client may need. They are really helpful in uplifting the SMMEs sector into HGSMEs because they are not in it for profit but simply to provide the incubation services. Their performance is measured by the number of SMMEs they assist, not by the profit they make, and this is motivational to them. Many of the employees from these incubation centres have a passion for their work and are so motivated to assist the SMMEs and therefore it seems that the government is moving in the right direction in assisting efforts to uplift this sector.

There is also a need for standardization of the incubation program. It was noticed that in all the 14 organizations that participated in the research, none of them had a similar way of going about incubating although some were providing similar incubation services. Some incubators are very successful because of the way they carry out their incubation program, the technical staff that do the actual work, the premises and the equipment they use to do their work. Other incubators were found to be using unskilled technical labour that does not really know how to go about nurturing emerging and growing SMMEs and in most cases the only person who has the skills is the Centre Manager or the Director of the centre who is always very busy. If this happens

because of lack of funds from the government, then there is a need for the government to dish out the same support to the incubators it supports, and to prescribe the framework of necessary incubation services that every incubator must have.

It was also established in the research that except the NGOs who seem to be doing good work, there are also other players in facilitating the growth in the sector. Those are the government own initiatives carried out by the government directly through its different departments. There are three spheres of government that are said to be distinctive, inter-related and interdependent (The Constitution of South Africa, 1996). These spheres are autonomous and should not be seen as hierarchical as they operate according to the constitution and the laws and policies made by Parliament. The three Spheres of government are the National government, Provincial government and the Local government (The Constitution of South Africa, 1996).

In relating those three spheres it was discovered that incubation is done in each sphere but there is no collaboration of efforts in this regard. The National government through the DTI with its coalition SEDA have got the incubation program for the 20 incubates that have already been mentioned. The Gauteng Provincial Government through the Department of Economic Development with its coalition GEP, also have a sort of programme assisting SMMEs as they did not have the office space. The GEP offers continuous mentoring to its entrepreneurs and all the business development services illustrated in figure 7. Also the GEP mandate is to disseminate information to entrepreneurs on where to get all business services in the Gauteng Province. It was also noted that the GEP office did not have any clue of the incubation providers in the

province. This shows that there is no collaboration among the two, that is, the SEDA and GEP and that impedes growth and development of the SMME sector.

Included in the study is the interview with the Randfontein Local Municipality – Local and Economic Development. Some of the Municipality services to the SMMEs are creating an enabling environment to trade, facilitating SMMEs services program, referring SMMEs to agencies that assist with finance, promoting business linkages, facilitating workshops for business skills, leasing property for small business and issuing licenses to SMMEs. Most of these services are also included in the incubation services except issuing licenses as it is only the government that can provide that service. The office also did not have information about the incubation providers and that clearly shows that there is no collaboration of efforts on the Municipality and the other institutions from other spheres of government and other incubation centres. An ideal situation would be where the government shares information to all its spheres and also there should be collaboration of efforts and also incubation should be done in every sphere.

The study found out that sometimes the incubates rely too much on the incubator in that they end up forgetting that the business belongs to them and not to the incubator. It was noted that this was the case with some incubators and the problem was that the incubates did not understand incubation process from the inception. Some incubates do not understand incubation yet they are in a programme.

There are basic services that every incubator must have and those include offering office or workshop space for the incubates. This does not only assist the SMMEs in paying rent for operating a business but also brings the incubator and the SMMEs together as there should be continuous mentoring, which requires the two parties to regularly meet and discuss business issues. The other important service in the incubation program is ongoing mentoring which has been explained. This does not mean other services are not necessary by simply implies that those two ensure frequent meetings with the service provider and that contribute to SMMEs survival and growth.

There is substantial evidence that effective and efficient incubation is really a key to the development and growth of the SMME sector, however, strict measures should be taken to make the program work and to deal with the negative factors such as when the incubate tends not to trust the incubator's capability to turn things around for ones business especially when it is not a new business. Also it is a fact that some incubators do not have the required skills to mentor the SMMEs and to assist them regarding business issues because of staff shortages on the incubator's side. Non-disclosure on the side of the incubate is one reason that could hinder progress on the enterprise to get growing according to plan. If all these reasons could be avoided then effective and efficient incubation would guarantee 100% success rate on all the SMMEs in the incubation programme.

CHAPTER SEVEN

7.0 Recommendations

1. It is clear that effective incubation has the potential to upgrade the SMMEs into HGSMEs. Therefore the government should intensify its effort in supporting all the main providers of this service in terms of funding, whether Private or NGOs. The government could double the amount of incubators it supports. Also that would assist the incubators to hire more staff and hopefully double their intake into the respective incubation programme.

2. Those 20 incubators that are supported by SEDA do not offer financial support to the SMMEs. It is motivating for incubators to assist an enterprise from the scratch and see it becoming successful in the market but sometimes SMMEs fail to get finance after graduating from the program and end up frustrated. The paper supports the idea that those organizations that are already assisted by the government should also offer funding as one of their service in an incubation programme. The incubators can easily determine the potential and risk in funding the enterprises as they are the ones that would have developed the SMMEs.

3. There must be strong collaboration among all the providers of incubation services as that would enhance better support to SMMEs. Incubators in the same Province must work together, that is divide the incubation stages amongst themselves and work as a team, this would also enhance their performance in delivering the incubation services.

4. Entrepreneurship should begin in High schools so that it can be filtered onto the entire nation. The graduates from higher learning should not rely on getting high salaries but on having their own enterprises. Incubators should consider the students qualifications as proof of potentiality to succeed in establishing successful businesses.

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Appendix

(a) Questionnaire

Thank you for agreeing to participate in this research. The purpose for this research is to investigate the best support measures that can foster growth in the South African SMMEs sector putting a major focus on the effectiveness and efficiency of incubation in the sector. All information gathered on this questionnaire will be treated confidentially and used for the study only and your name and that of your organisation will not be mentioned in the report.

Name of Organisation	
Name of Respondent	
Position of Respondent	
Address of Business	
Ownership(Private/Gov/NGO)	
Contact Number	
Email Address	
Industry	
No. of Employees	
Main Source of Funding	

1. What type of services do you offer to SMMEs? List

1.	9.
2.	10.
3.	11.
4.	12.
5.	13.
6.	14.
7	15.
8	16.

2. Does your company offer incubation services?

Yes	No

2.1 What type of incubation facilities does you organisation offer?

List in sequence

1.	9.
2.	10.
3.	11.
4.	12.
5.	13.
6.	14.
7	15.
8	16.

2.2 Do you think SMMEs are aware of the incubation services you offer? | Yes | No |

2 .3 How many clients are in your incubation programme currently? | |

2.4 If more than one, do you think they receive the same treatment from your organisation? | Yes | No |

2.5 Are those clients on the same stage on your incubation programme? | Yes | No |

2.6 How many SMMEs have you assisted in the past three years? | |

2.7 How may SMMEs have graduated and are still in business? | |

2.8 If the figures are not the same for the two previous questions, why do you think it is like that?

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3.0 What problems do you come across in assisting SMMEs on your incubation programme?

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3.1 How do find the policies governing your organisation in terms of delivering its mandate in providing incubation services?

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3.2 What do you think should be done to enhance more effective and efficient incubation?

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3.3 What do you think must be done to improve and enhance better support to the SMMEs in South Africa?

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(b) Contact Persons, Addresses, Names & Numbers of Organisations Interviewed

No	Organisation	Contact	Tel/cell No.	e-Mail	Type of Org	Address
1	Technology Demonstration Centre	Ashok Chotoo	011 709 4674	ashokc@zenzeletech.co.za	NGO	200 Malibongwe Drive, Randburg
2	Softstart BTI	Lalane Janse Van Rensburg	011 695 4800	lalane@sbti.co.za	NGO	220 2nd Street Randjiespark, Extension 13, Halfway house Midrand
3	Seda NMB ICT Incubator	Quinton Pick	041 481 0675	qpick@snmbicti.co.za	NGO	Port Elizabeth
4	Soshanguve Manufacturing Technology Demonstration Centre (SMTDC)	Richardt Kok	087 808 9015	kokr@smtdc.co.za/info@smtdc.co.za	NGO	2 College Road Soshanguve
5	Mpumalanga Stainless Initiative	Sydney Chauke	013 246 1528	sales@mpstainless.co.za	NGO	57 Zuld Street, Middleburg
6	Ikusasa International (Pty) Ltd	Stan Close	011 728 7295	stanclose@entrepreneursa.co.za	Private	P.O.Box 1906, Houghton 2041
7	Seda Platinum Incubator	Beverley Boekhoud	014 597 0736	beve@spi.org.za	NGO	Postnet Suite No. 4907, Private Bag X82323, Rustenburg, 0300
8	Vukani-Ubuntu	Marius van der Westhuizen	012 326 3170	admin@vukani.org	NGO	314 Church Street, 2nd Floor Sammy Marks Square, Pretoria
9	Mapfura Makhura Incubator	Charles Siphungu	013 268 9324	charless@biodieselmmi.org.za	NGO	Tompi Seleka Agric College, Marbelhall, 0450
10	Seda Sugar Cane Incubator	James Vos	083 305 4815	jamesv@agriwiz.co.za	Private	40 Air Street Malelane
11	Randfontein Local Municipality	Mxolisi Zwane	011 411 0249	mxolisi.zwane@randfontein.org.za	Gov	Corner Pollock & Sutherland Street, Randfontein

12	Gauteng Enterprise Propellor	Sani Molefe	011 414 1753	smolefe@gep.co.za	Gov	352 Ralerata Street, Mohlakeng, Randfontein
13	Business Opportunities	Teboho Pitso	011 839 2750	boc@absamail.co.za	NGO	22 Solomon Street, Braamfontein
14	SEDA	Olivia	012 441 1370	omanell@seda.org.za	Gov	77 Meintjies street, DTI Campus, Sunnyside, Pretoria