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BY KERRIN MYRES AND SEAN SMITH

Old-fashioned Rocket Fuel for Small Businesses

Data from the GIBS Entrepreneurship Development Academy suggests – perhaps surprisingly – that a dose of the right kind of classroom-based teaching can provide a substantial lift for SMMEs.



It's common cause that small, micro and medium-sized enterprises (SMMEs) have the potential to provide many of the new jobs and much of the growth the country so desperately needs. They certainly loom large in the National Development Plan. Figures from the Small Business Institute confirm that SMMEs do account for a substantial piece of the economy – up to 98.5% of all businesses in South Africa fall into this category.

But they only account for 28% of all employment – a figure that international research suggests should actually be in the 60%-70% range.¹

In short, then, we have a problem. There's no denying our SMME sector is vibrant and that a spirit of entrepreneurship is very much in the air, but the sector is not providing the jobs it should be – and that we as a society need. One reason for this could be that many of our SMMEs fail to grow and thus do not provide a stream of new employment opportunities.

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After having been in operation for six years, and having helped some 2 093 entrepreneurs, the GIBS Entrepreneurship Development Academy (EDA) can confirm that there is a weak negative correlation between the number of years a business has been in existence and its revenue. In other words, experience in business does not necessarily translate into growth. The problem here is that entrepreneurs, like everybody else, need actively to acquire new skills, and refresh existing ones – skills and experience are not the same things. Experience is an important, but often not sufficient, driver of growth.

The burning question is then how to help SMMEs grow so that they can employ more people, expand into new markets and generally stimulate economic activity. Training is the obvious answer, especially given the calamitous state of our educational system which does not prepare people adequately to run their own businesses.

Back to school

But how best to deliver that training? Most people would probably reason that Internet-based, do-it-in-your-own-time training would be the obvious answer given that the majority of the SMMEs in this country tend to be small or micro in size, with few employees. Such training is more likely to be cost-effective and, crucially, the business would not lose its primary staff member.

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Using the same reasoning, traditional, campus-based business school training would seem to be the least suitable channel for providing the kind of training needed.

Our experience over the past three years has, rather gratifyingly, shown that classroom-based teaching actually yields quite spectacular results.

It's quite true, of course, that entrepreneurs running smaller businesses do have to make some sacrifices to attend campus-based training, even though we try to schedule it at the least disruptive time for each group. But they are prepared to make that sacrifice, which can entail closing their business for the time they are away, because of the benefits they see.

This kind of far-sighted, investment-based approach is consonant with the profile of these entrepreneurs. In our experience, they seldom see themselves as “victims”, unable to get jobs, but rather as people who have a passion for doing something and love what they are doing. They are often very motivated by the fact that they are giving employment to people (often family), and they aspire to make their businesses more formal, to become compliant with law and regulations, including paying tax.

In other words, they are true citizens-in-waiting, and share many of the characteristics of entrepreneurs running larger businesses (to whom EDA also offers courses).

The reason they are prepared to make the sacrifices entailed in attending classes on campus is simply that the benefits are so large.

WHAT SMME ENTREPRENEURS WANT AND NEED

Learn new skills, hone existing skills, in order to grow.

Get help with applying classroom learning to real-world business problems.

Share experiences (and solutions) with other entrepreneurs facing similar problems.

Enlarge their networks by connecting with fellow course attendees, both to work on joint projects and to obtain service providers.

¹ Small Business Institute, The number of formal micro, small & medium businesses in South Africa. Preliminary findings of stage 1 of the *Baseline Study of Small Businesses in South Africa*, available at www.smallbusinessinstitute.co.za/wp-content/uploads/2019/01/SBIbaselineStudyAlertfinal.pdf.

...the biggest benefit that our students see is the creation of new networks.

Our data shows that entrepreneurs that attend one of our courses increase their revenue by 54% on average, and their staff complement by 30% within 12 months of completing the programme.

Think of that in terms of tax and jobs, not to mention the accelerator effort of all the new services the expanded businesses would require.

What's the magic?

Feedback from the entrepreneurs who have attended one of our courses lays bare the reasons for why they have found campus-based teaching so valuable, and why it has yielded such good results. They all tend to emphasise the benefits of interacting with facilitators who have real-life experience of running a business. This highly practical and outcomes-based approach is a very efficient way of imparting both hard and soft skills – learning by trial and error is actually very inefficient.

The mentorship provided is also very valuable because it helps them to apply what they learned in the classroom to their actual business problems.

Almost all see the benefit of acquiring personal mastery, something that the course helps them with, especially given the fact that in an SMME, the proprietor is the business.

But perhaps the biggest benefit that our students see is the creation of new networks. We tend to run courses aimed at specific industries to maximise this benefit, and it's very obvious how, by the end of the second week, the students are already starting to do business with each other.

Making new contacts is part of it, but there is also the incalculable benefit of meeting people who face the same challenges. Entrepreneurship is notoriously lonely, something that is a struggle for most people. Fellow course attendees can be a useful sounding board in the future, and also provide trustworthy advice one can't get from the Internet, where advice is plentiful but of doubtful quality.

The bottom line is that any economy is only as good as its entrepreneurs. We have them in abundance, we just need to unleash them. The data shows that business schools are the place to do it.

THE POWER OF THE NETWORK

Thembanani Jeffrey Marhanele, the CEO of Jeka Energy met with Elmond Khoza, Executive Chairman of Lamo Solar on a GIBS Entrepreneurship Development Academy course for green economy entrepreneurs in 2017. The meeting would change the trajectories of both men's companies.

Marhanele has been active in the industry since 2011 and formed Jeka Energy in 2013. His focus is primarily on developing renewable energy projects focusing on utility, industrial and commercial-scale solar photovoltaic plants. One reason for going on the course was to learn more about the legal side of structuring deals, and also to improve his ability to manage his human capital better.

"You need to be able to understand what your people's main strengths and weaknesses are in order to harness those talents," he says. "If you don't, you'll be stuck with trying to run a spaza shop that will never grow to a wholesale or a distribution warehouse."

Business modelling was another key area in which he wanted to improve his skills. "I wanted to be able to model our business cases and structure deals better for investors," he says. "That's one of the keys to scaling a business."

His strategy has been to outsource professional services work to smaller businesses to help them grow.

"Sitting in the GIBS classes for a year and a half with other industry players, I realised that I could leverage on their skills and expertise to

help scale my business," he says. "I am currently working directly with others from our group."

He also met Elmond Khoza, an electrical engineer, whose company was clearly focused on the technical (engineering, procurement and construction) aspect of renewable energy projects. "Working together just made good business sense," Marhanele says.

Khoza had been active in the industry since 2011 and registered Lamo Solar in 2014. "I realised that the renewables sector was opening up, and I wanted to be in a position to take advantage of it. I was strong technically but needed help on the purely business side of things – especially marketing," he says.

Like Marhanele, he found the campus experience extremely rewarding and, like him, highlights the opportunity to build a network with complementary companies and their owners as a game changer.

Their two companies have experienced significant growth over the past two years. Currently, the pair have a joint project pipeline of over 1MW in Solar PV Rooftop installations. Since 2017, Jeka Energy has grown its turnover tenfold, as has Lamo Solar. The latter's staff complement has shot up from five to 13 permanent employees and crucially, says Khoza, it has narrowed its focus to one market segment.

Both men credit what they learned on the GIBS EDA course and the essential contacts they made for the growth. **GIBS**