

An empirical analysis of a private company's corporate social investment in SMME development in South Africa

E. Swanepoel, J.W. Strydom & C. Nieuwenhuizen

ABSTRACT

South Africa has a very high unemployment rate, low economic growth and dismal Total (early-stage) Entrepreneurial Activity (TEA) performance. Both government and private businesses are attempting to address this problem. A private company, the South African Breweries (SAB), as part of their corporate social investment, runs the SAB KickStart Programme to establish and grow entrepreneurial small businesses among young South Africans. The programme applies four interventions: General Enterprising Tendency test; two-week live-in business management training; funding and mentoring; and a national competition for prize money. Taking into consideration the cost of funding and operating the programme, its effectiveness required investigation. The population for the study comprised all the participants of the SAB KickStart Programme, from 2001 to 2006. From an analysis of variance (ANOVA) applied to the turnover and percentage profit figures of respondents, it was deduced that funding and mentoring, after training, add value to the programme. The programme contributes to enterprise sustainability, as 80 per cent of the respondents were still operating their initial businesses, while a further six percent have started another business – hence, a 'failure' rate of only 14 per cent. In conclusion, it can be said that the SAB KickStart Programme adds value, advances entrepreneurship, and can be replicated by other large institutions in South Africa.

Key words: entrepreneurship, SME development, SMME development, corporate social investment, training, funding, mentoring, SAB KickStart Programme, youth development

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Introduction

South Africa has entered the era of industry transformation charters that have to be harmonised with the Department of Trade and Industry's broad-based black economic empowerment (B-BBEE) scorecard and codes of good practice. In these charters, targets are set with regard to ownership, management, skills development, BEE procurement, enterprise development, facilitation of finance for BEE and corporate social investment (CSI). It is possible for companies to spend some of the CSI on entrepreneurial and small and medium enterprise (SME) development. The purpose of this study is to analyse the effectiveness of a highly regarded CSI SME development programme and to use the findings as a benchmark for subsequent comparative studies of similar CSI programmes in South Africa. In 2002, after completing a study on SME training in the Northern Province (which has since been renamed Limpopo Province), Ladzani and Van Vuuren (2002) concluded that SME service providers should benchmark their services against similar successful institutions.

Despite good economic growth in the past, a major concern for South African economists is the lack of job creation, which results in high unemployment, for example, 21.9% in March 2009 (StatsSA 2009). In South Africa, the sector including micro, very small and small businesses comprised 93% of all enterprises (in March 2007), contributed 27–34% of total gross domestic product (GDP) in 2006 (dti 2008) and accounted for 38% of employment (Rogerson, in dti 2008). From these statistics, it is evident that the sustainability and growth of small business are vital topics for research.

The low level of entrepreneurial activity in South Africa is of concern, because entrepreneurs are involved in the establishment and growth of new and existing enterprises of varying sizes, including small businesses. The cross-national data of the Global Entrepreneurship Monitor (GEM) indicate that South Africa's Total (early-stage) Entrepreneurial Activity (TEA) performance, in terms of relative position, has consistently been below the median since 2001 (Herrington, Kew & Kew 2008). The authors found that South Africa's nascent entrepreneurship rate (which relates to setting up a business) of 5.7% is below the GEM average of 6.2% as well as the average of 6.7% for efficiency-driven economies. In terms of new firm activity (which relates to firms up to 3.5 years old), South Africa ranked 38th out of the 43 countries with a new business prevalence rate of only 2.1% (which was below the 4.6% average for all GEM countries and 4.9% average for all efficiency-driven countries). In terms of established business activity (which relates to firms older than 3.5 years), South Africa ranked 41st out of the 43 countries, with an established business rate of 2.3%

(which was below the 7.7% average for all GEM countries and 6.9% for all efficiency-driven countries).

The GEM results seem to indicate that not only does the need exist in South Africa to increase the number of start-up businesses, but also to grow businesses beyond the start-up and new firm stages to the established stage in order to increase their contribution to job creation and economic growth. To remedy this situation, the GEM 2004 report (Orford, Herrington & Wood 2004) recommends, among other things, rethinking support to small enterprises (concentrating on facilitating private sector service provision) and improving the financial and general management capacity of small enterprises to increase start-up survival rates through targeted training and experienced mentoring.

Objectives of the study

The objective was to investigate an existing programme by evaluating the effectiveness of the interventions used by the SAB KickStart Programme to establish and grow entrepreneurial SMMEs. Botha, Nieman and Van Vuuren (2007) pointed out that in the area of entrepreneurship, an aspect that is not researched much is the effectiveness of training interventions, especially considering the cost of such programmes to sponsors and participants alike. Their study proved that their Women Entrepreneurship Programme was effective in training potential, start-up and established women entrepreneurs in South Africa.

To increase the number of start-up businesses and grow businesses beyond the start-up and new firm stages to the established stage, the GEM 2004 report (Orford et al. 2004) recommends, among other things, rethinking support to small enterprises (concentrating on facilitating private sector service provision) and improving the financial and general management capacity of small enterprises to increase start-up survival rates through targeted training and experienced mentoring. The South African Breweries (SAB) has for many years complied with both these suggestions through several of its programmes as part of corporate social investment (CSI) and black economic empowerment (BEE) programmes such as the barley farmer scheme, owner truck driver scheme, distribution operator scheme, customised delivery service scheme, HoneyBEE franchised distribution centres, retail normalisation of taverners and their flagship programme, and the SAB KickStart Youth Entrepreneurship Programme (SAB Ltd 2006).

SAB Ltd is the largest subsidiary of SABMiller plc, the second-biggest brewer by volume in the world, present in over 40 countries in Europe, North and Latin America, Asia and Africa (SABMiller 2008). It is the biggest contributor to the South

African fiscus – contributing R6 billion in tax and excise duty in 2004 (SABMiller 2005). Another reason for evaluating the existing SAB KickStart Programme stems from the fact that SAB intends to emulate the SAB KickStart Programme in other countries in Africa, South America and the rest of the world.

SAB Kickstart Youth Entrepreneurship Programme

There were two fundamental reasons for selecting the SAB Ltd's KickStart Programme. Firstly, the SAB KickStart Programme is recognised by the South African government in its Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (dti 2007) as a benchmark programme for fostering business start-ups. Secondly, SAB is highly regarded by its fellow corporations as the strongest contributor to job creation and entrepreneurial development in a 2007 survey (De Wet 2007). Since the advent of industry transformation charters, companies may look to emulating the SAB KickStart Programme, because SAB has managed to score points by leveraging BEE procurement and CSI funds for optimal developmental impact. SAB, as part of its CSI initiatives, has invested more than R36 million in entrepreneurial BEE SMMEs through the SAB KickStart Programme.

Nature of the SAB KickStart Programme

Since its inception in May 1995, the SAB KickStart Programme has helped launch over 3 000 businesses, many of which have grown into multi-million Rand concerns. In 2001, the SAB KickStart Programme switched from a numbers-driven approach, which focused on poverty alleviation, to a quality-driven and carefully monitored intervention at the SMME level with the aim of inculcating a culture of entrepreneurship and creating sustainable enterprises among previously disadvantaged young adults (blacks, coloureds and Asians – official terminology used in South Africa to describe different races) between the ages of 18 and 35. Fewer participants are selected for training, while greater emphasis is placed on post-training mentorship and assistance. The SAB KickStart Programme takes about 15–18 months for a cycle to be completed.

In April every year, the SAB KickStart Programme launches an awareness campaign, requesting interested nascent and existing entrepreneurs between the ages of 18 and 35 years to apply. Judged by the information on the application form, the business plans and financial statements, the thousands of applicants are whittled down to 40 candidates per SAB region (five regions), who complete the General Enterprising Tendency (GET) test. The applicants with acceptable scores

appear before a regional panel, which selects 20 entrepreneurs per region (100 in total per year) to attend a two-week live-in training session that includes training in entrepreneurship and business skills, such as production management, marketing, financial management, human resources management and the business plan. Training is presented by an independent trainer, and a training manual is handed out to the participants. On completion of the course, the participants are given one month in which to prepare a business plan on a preferred business idea. In each region, they present their business plans to a panel of adjudicators. Based on the results, each region allocates discretionary grants from its R300 000 budget to 'kick-start' five to eight of the most promising potential businesses or existing businesses. The grants could range from R50 000 to R120 000 per business. The grant includes eight months of mentoring. SAB also provides direct support through networking to stimulate business development and helps the small businesses gain public relations exposure. About six months later, each region selects its three top performers. The regional finalists present their businesses to a national adjudicating panel, which chooses the national prize winners. The top winners take a share of R700 000 in prize money, which includes business mentorship for a further six months. At all stages, adjudication is based on business plans, performance data and presentations by the participants.

Four interventions are used to enhance the effectiveness of the programme, namely a selection process (involving the General Enterprising Tendency test, business plans and presentations to adjudicating panels), two-week in-house training, funding and mentoring, and prize money. Owing to the fact that the continued involvement with the participants through the provision of funding after completion of the training (27 participants received R2.7 million in grants and prizes in 2006) and mentoring (paid for by SAB) is costly and time consuming, as it involves a substantial amount of organisation, administration and monitoring by both the SAB head office and regional offices, the following research question surfaced: Does the performance of those participants who received training, funding and mentoring exceed those who received only training? This question translates into the following hypothesis:

Null hypothesis (H_0): No difference exists between the performance of businesses of SAB KickStart participants who received training, grants and mentoring and those businesses of SAB KickStart participants who received only training.

Alternate hypothesis (H_1): The businesses of SAB KickStart participants who received training, grants and mentoring perform better than the businesses of SAB KickStart participants who received only training.

Testing this hypothesis is of particular relevance in the economic climate of recession, as private enterprises could easily consider cutting back on their corporate social investment and in particular on entrepreneurial development.

Theoretical background

Entrepreneurial ventures versus small businesses

Entrepreneurship is an evolving concept. Recognising this fact, Kuratko and Hodgetts (2004: 30) developed an integrated definition that acknowledges the critical factors needed for this phenomenon, including the cognitive scripts of arrangements, willingness and ability:

Entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks – in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.

Owing to the comprehensive nature of this definition, it is accepted for the purposes of this study. The difference between entrepreneurial ventures and small businesses is explained by Wickham (2004), who claimed that it is the combination and depth of three characteristics, namely innovation, potential for growth and strategic objectives, that add up to distinguish the key characteristic of the entrepreneurial venture, namely that it is a business that makes significant changes to the world.

The entrepreneur as prime mover of economic development

In 1911 Joseph Schumpeter published his work, *Theory of Economic Development*, in which he identified the entrepreneur as the prime mover of economic development through the introduction of new combinations, such as new products, new techniques, new forms of organisation, new markets and new sources of materials (Schumpeter 1934, 1939, 1942, in High 2004). Several studies on the impact of entrepreneurship on economic growth (Brock & Evans 1989 and Carree & Thurik 2000, in Fisher 2004; Carree & Thurik 2003) confirmed that entrepreneurship contributes to economic growth. A “causal relationship between the GDP per capita of a country and the extent and nature of its entrepreneurial activity” was established in 2004 by the Global Entrepreneurship Monitor (GEM) international research team and the findings confirmed by the GEM 2005 Executive Report (Von Broembson, Wood

& Herrington 2005: 15). Research by Van Stel, Carree and Thurik (2004), using the Total Entrepreneurial Activity (TEA) variable from the GEM and the Growth Competitiveness Index, found that entrepreneurial activity affects economic growth. In a World Bank survey, *Voices of the Poor*, of 60 000 poor people interviewed in more than 50 countries, the majority claimed that they had escaped from poverty by starting their own business (World Bank 2006: 1). The World Bank advises that “jobs in the formal economy are a priority for countries in Africa – which have the most obstacles to doing business and are reforming more slowly than anywhere else”.

The relationship between training and entrepreneurial performance

Wickham (2004) developed a model illustrating that successful entrepreneurial performance is the outcome of the integration of industry knowledge, general management skills, personal motivation and people skills. The general management skills include strategy, planning, marketing, financial, project management and time management skills, while the people skills include leadership, motivation, delegation, communication and negotiation skills. Entrepreneurship and SME training facilitate the acquisition of these skills. Researchers such as Kennedy and Drennan (2000) found that the performance of new ventures improves for those entrepreneurs who have higher levels of education, previous entrepreneurial experience and experience in similar businesses. According to Timmons and Spinelli (2004: 64), “successful entrepreneurs possess not only creative and innovative flair, but also solid general management skills, business know-how, and sufficient contacts”.

Factors that may inhibit potential entrepreneurs from pursuing entrepreneurship include a lack of training for entrepreneurs, the risks posed by the business environment, a lack of suitable human resources and legal restrictions on business activity (Wickham 2004). However, to eliminate these inhibitors, entrepreneurs can access a range of support initiatives, such as funding, mentoring, networking, incubation space, start-up training, development training, third-level facilities (institutions), and third-level expertise (De Faoite, Henry, Johnston & Van der Sijde 2004).

Funding and entrepreneurial performance

One of the inhibitors to becoming an entrepreneur is an inability to secure start-up capital and the high cost of start-up capital (Wickham 2004). Audretsch (interviewed by Landström 2005: 230) suggested that “having financial support – not necessarily

venture capital, because most small businesses don't use venture capital – but to have the kind of institutions that provide loans to small business seems to be very important”.

Value-added by the suppliers of capital

‘Classic’ venture capitalists providing seed, start-up and early growth finance often deal with talented but inexperienced teams (Bygrave & Timmons 1992 and Reynolds et al. 2002, in Maula, Autio & Murray 2005). Being able to impart critical knowledge and experience in addition to finance may be instrumental in the survival and success of the portfolio firm (Gorman & Sahlman 1989; Hellman & Puri 2002; MacMillan et al. 1989; Sapienza 1992; Sapienza et al. 1994; Sapienza et al. 1996, in Maula et al. 2005). MacMillan et al. (1989, in Maula et al. 2005: 104) reported that activities that attracted the highest degree of venture capitalist involvement are: “serving as a sounding board to the entrepreneur team, helping the firm obtain alternative further sources of equity financing, interfacing with the investor group, monitoring financial performance, monitoring operating performance, and helping their portfolio firms attract alternative sources of debt financing”. Gorman and Sahlman (1989, in Maula et al. 2005: 104) found similar results: “help with the obtaining of additional financing, strategic planning, management recruitment, operational planning, introduction to potential customers and suppliers, and resolving compensation issues”. In their research comparing value added by independent venture capitalists with corporate venture capitalists, Maula et al. (2005) found that independent venture capitalists seem to be better at satisfying the needs of entrepreneurs when assisting with arranging finance, recruiting key employees, advising on competition and developing the organisational resources of the growing enterprise. Corporate venture capitalists seem to be more effective in attracting new domestic and foreign customers and helping start-ups develop their technologies.

From the discussion, it would seem that in order to ensure success, the provider of finance should be involved in a range of additional activities that border on mentoring.

Mentoring and entrepreneurial performance

Collin's (1979, in Sullivan 2000: 169) defines mentoring as “a protected relationship in which learning and experimentation can occur, potential skills can be developed, and in which results can be measured in terms of competencies gained, rather than curricular territory covered”. It implies a long-term relationship between the mentor and the protégé(e), allowing time for experimentation and reflection, as well as for

collaboration and advice (Graham & O'Neil 1997, in Bisk 2002). Research that used previous or existing entrepreneurs to support and advise new start-up entrepreneurs has proved that mentors provide added-value interventions that are likely to bring long-term benefits to entrepreneurs (Sullivan 2000). Hisrich and Peters (2002: 74) are of the opinion that "a mentor-protégé relationship is an excellent avenue of securing needed professional advice, as well as providing an additional source of moral support". Research that established the importance of the trainer-motivator, whose qualifications and experience were found to be vital to the success of the Indian Entrepreneurial Development Programme (Awasthi & Sebastian 1996, in Watson 2004), corroborates this statement. In a British study, Kent, Dennis and Tanton (2003) found that a one-year mentoring programme enabled SME retailers to reach their objectives – maximising sales, adapting to change and developing new ideas.

Methodology

This case study research design incorporated positivistic and phenomenological research paradigms. Both the qualitative and quantitative approaches to research were utilised (Leedy & Ormrod 2005: 94–95). The study started off as exploratory research followed by descriptive research, progressing to analytical/explanatory and predictive research (Hussey & Hussey 1997: 13).

The population for this study consisted of all the entrepreneurs selected to participate in the SAB KickStart Programme from 2001 to 2006. (In order to include the 2006 intake, who completed their programme in 2007, the survey was undertaken at the end of 2007.) The database provided by SAB consisted of 502 names. Owing to the limited size of the population, a sample was not drawn; instead, a serious and prolonged attempt was made to contact every person in the population of SAB KickStart participants, and 442 were traced. A total of 143 questionnaires was eventually returned, which represented 28.5% of the population of 502.

Since a sample from the population was not drawn, the question whether the sample is representative of the population is not relevant. The possibility of respondent bias, however, was a concern, and the question arose whether only a certain type of person had responded to the questionnaire. The distribution of the respondents was compared with the only available attributes of the SAB KickStart population distribution, and it was found that by year, by SAB region and by gender, the two distributions are similar. A sufficient percentage of grant winners were among the respondents (45%) in comparison to the SAB KickStart population (37%).

The participants in the SAB KickStart Programme are spread throughout all nine provinces in South Africa, mostly in the major cities but also in rural areas. A

paper-and-pencil questionnaire was e-mailed, faxed or posted to the participants. The questionnaire was only available in English, a fairly commonly used language in South Africa, which has 11 official languages. Participants were assured of anonymity and confidentiality. Demographic information about the respondents, performance information about their businesses and experiences, and perceptions regarding the four interventions that constitute the SAB KickStart Programme were obtained. However, in this article only two of these interventions will be addressed, namely 'training' and 'funding and mentoring'. Some of the questions required the respondent to select an appropriate option from a range of options on a four-point Likert scale, which results in the Likert scaling being a bipolar scaling method, measuring either a positive or negative response to a statement. The chi-squared test is a common statistical procedure used after this transformation (Keller & Warrack 2000). Both descriptive and inferential statistics are utilised in the study of the effectiveness of the SAB KickStart Programme.

With regard to the variable of 'receiving training, funding and mentoring', a static group comparison was used to show that "change occurs following, but only following, a particular treatment" (Leedy & Ormrod 2005: 236). In the study, all respondents had received training, but only a selected number had received funding and mentoring. The pre-experimental design of this variable is illustrated in Table 1.

Table 1: Pre-experimental design: static group comparison

Group	Time →		
	Baseline treatment (training)	Funding (regional grant) and mentoring	Additional funding (national prize) and mentoring
Group 1	Trained T_{xa}		
Group 2	Trained T_{xa}	Funded and mentored T_{xb}	
Group 3	Trained T_{xa}	Funded and mentored T_{xb}	Funded and mentored T_{xc}

Although the original intention was to compare the three groups, this was not possible because the number of respondents in group 3 was too small. Groups 2 and 3 were collapsed into a single group of respondents who had been trained, funded and mentored. A limitation of the pre-experimental design is that it fails to determine the pre-treatment equivalence of the groups.

In the study, all the respondents had received training, but only the participants who received funding also received mentoring by design. With 79 respondents who received only training and 64 respondents who, in addition to training, received

funding and mentoring, it was possible to test for statistically significant differences between these two groups, using the General Linear Model approach to analysis of variance. The two independent variables are 'trained only', compared with 'trained, funded and mentored', with performance being the dependent variable.

Results

Demographic profile of SAB KickStart participants

The contribution of the SAB KickStart Programme is better appreciated if one looks at the demographics of the participants. Demographically, the characteristics of the respondents reflected the SAB KickStart population with regard to the following attributes. Respondents were from each of the six start years (2001 to 2006), with 51% from the two latter years owing to the greater accuracy of the contact details. Each of the five SAB regions was represented. The gender distribution was exactly the same as the population distribution – 70% male and 30% female. It should be noted that the gender distribution of the South African population is about 49% male and 51% female (Stats SA 2007).

The majority of the respondents (75%) were between the ages of 26 and 35 years, while 15% were between 18 and 25 years. This is in line with the programme policy of assisting youth between the ages of 18 to 35. It also addresses the fact that, according to the GEM data, a larger number of younger entrepreneurs are entering the market, taking into account the fact that South Africa has a relatively young population, with 43% below 20 years of age, and a further 19% between the ages of 20 and 29 (Maas & Herrington 2006).

With regard to race distribution, the respondents were predominantly black (88%, with 11% coloured and 1% Asian). Concerning education level, only 8% of the respondents had a degree, and a further 60% claim to have a certificate or diploma (discipline and quality unknown). Half of the respondents had no business management qualifications or training, and a further 27% had very limited training (workshop or short course) prior to participating in the SAB KickStart Programme.

Respondents had to indicate on an ordinal scale the level of managerial experience they had at the time of starting their business (ranging from none to supervisor, middle manager or senior manager). The largest percentage of the respondents (43%) had no managerial experience at all, while 26% had been supervisors, 21% had been middle managers, and only 10% had management experience at senior management level.

To determine the extent to which the respondents had had previous experience in a similar business (for example, manufacturing or selling a similar product, or delivering a similar service) when they started their business, the respondents could select one of four options on a Likert scale. Almost a quarter (24%) of the respondents had no prior experience, 28% had some experience, 26% had 'quite a bit', while only 22% had 'a lot' of experience in a similar business.

The respondents were split into two groups according to the status of the business: 57% of the respondents had start-up businesses, while 43% had existing businesses when they commenced with the SAB KickStart Programme.

The respondents were split into two groups according to the type of SAB KickStart support: 45% of the respondents had received funding (including mentoring) after their training, while 55% had received only training.

Regarding ownership of the business and the changed nature of the business, 80% of the respondents still owned the business they had when they started with the SAB KickStart Programme. This figure could be skewed by the fact that 51% of the respondents were from start years 2005 and 2006. The nature of the businesses had changed in the case of 77% of the respondents in that the product range and/or service type had been diversified.

According to South Africa's classification of enterprises in the National Small Business Amendment Act (Act No. 29 of 2004), the SAB KickStart Programme assists predominantly micro (5 employees), very small (20 employees) and small enterprises (50 employees).

Hypothesis testing

In two separate analyses, an analysis of variance (ANOVA) was conducted on the turnover and profit percentage figures of respondents to establish whether the type of KickStart support rendered to respondents ('trained only' = 0; or 'trained, funded and mentored' = 1) had a significant effect on turnover and profits. The General Linear Model (GLM) approach to analysis of variance was used to this end. The SAB KickStart data proved to be unbalanced with respect to the support categories, and the GLM approach to analysis of variance makes provision for unbalanced data.

Although the effect of SAB KickStart support was of primary concern in these analyses, it was argued that the effect of support on both turnover and profit could be estimated more accurately if, true to the principles of analysis of variance, the effect of other probable influential variables measured in the study were taken into consideration as well. Data for the present study were collected over a period of time, and the effect of years had to be considered as well. (Data for each of the 143

respondents were collected over a maximum period of six years; thus the profit and turnover datasets made provision for a maximum of $6 \times 143 = 858$ possible profit and turnover data values for the 143 respondents.)

Initial analyses of variance of the profit and turnover datasets indicated that the effect of years had to be accommodated differently for the two datasets. The effect of years (in addition to KickStart support) proved to be significant in the case of the profit percentage data and was accommodated in the final profit analysis (presented in Table 2) by entering the years-effect into the ANOVA model along with the KickStart support-effect. In this way, the variation in the data due to years and due to support could be estimated separately, resulting in a more accurate estimate of the effect of KickStart support. In contrast, initial analysis of the turnover data indicated that the effect of years did not significantly affect turnover figures. This situation was accommodated in the final analysis (presented in Table 4) by adding the effect of years to the error term of the model. The analysis results are discussed in more detail in the subsequent paragraphs.

Final analysis of variance on the profit percentage dataset

Once the general significance of the ANOVA model on the profit percentage data had been verified (Table 2; a significance level of 1% is associated with the general F-statistic of 3.04), the significance of the effect of KickStart support and years could be investigated. From Table 2, it can be deduced that support-effect is significant at the 5% level of significance (and years at the 1% level). The null hypotheses of no significant effect of support (and years) could thus be rejected in favour of the alternative hypotheses of significance. It can thus be deduced that, in addition to years affecting profit figures, the type of support rendered affected profit figures significantly. Table 2 illustrates these deductions.

A Bonferroni Multiple Comparisons of means test was conducted on the profit mean values according to support categories. The test indicated how profit figures were affected by the support-effect. Means that differ significantly from one another are indicated in Table 3. The table indicates that the mean profit for respondents who had received training, funding and mentoring was significantly greater than for those who received only training. (A similar test could be conducted to demonstrate years-effect but is not of relevance in the present context.)

Table 2: Analysis of variance results on profit percentage data with effect of KickStart support and years entered into the ANOVA model

Source	Degrees of freedom (df)	Sum of squares	Mean sum of squares	F value	Probability (F-statistic > F-critical)
Model	6	7965.1942	1327.5324	3.04	0.0067**
Support	1	1685.2120	1685.2120	3.85	0.0505*
Year	5	6588.1221	1317.6244	3.01	0.0113**
Error	312	12642.8999	437.2208		
Corrected total	318	144278.0940			
Significance level * : 5% level of significance ** : 1% level of significance *** : 0.1% level of significance			319 of the possible 6*143 = 858 profit data values over the six-year period were available/ reported for the profit dataset.		

Table 3: Mean profit percentage values according to KickStart support levels, with Bonferroni Multiple Comparisons of means test results indicated

Bonferroni grouping	Mean	N	Support level
A	23.0860	163	1
B	18.9290	156	0
Means with different letters (either a or b) next to them differ significantly.			

Final analysis of variance on the turnover dataset

Once the general significance on the ANOVA model of the turnover data had been verified (Table 4, a significance level of 0.1% is associated with the general F-statistic of 10.78), the significance of the effect of the support-effect could be investigated. From Table 4 it can be deduced that support-effect is significant at the 0.1% level of significance. The null hypothesis of no significant effect of support could thus be rejected in favour of the alternative hypothesis of significance. It can thus be deduced that the type of support rendered affected turnover figures significantly. Table 4 reports on these deductions.

A Bonferroni Multiple Comparisons of means test was conducted on the turnover mean values calculated according to support categories. The test gives an indication of how turnover figures are affected by the support-effect. Means that differ significantly from one another are shown in Table 5 and indicate that the mean

turnover for respondents who had received training, funding and mentoring were significantly greater than for those who received only training.

Table 4: Analysis of variance results on turnover data with the effect of KickStart support entered into the ANOVA model (and effect of years added to the error term)

Source	Degrees of freedom (df)	Sum of squares	Mean sum of squares	F value	Probability (F-statistic > F-critical)
Model	1	8.1812E12	8.1812E12	10.78	0.0011***
Support	1	8.1812E12	8.1812E12	10.78	0.0011***
Error	353	2.6783E14	7.5873E11		
Corrected total	354	2.7601E14			
Significance level * : 5% level of significance ** : 1% level of significance *** : 0.1% level of significance			355 of a possible 6*143 = 858 data values over the six-year period were available/reported for the profit dataset.		

Table 5: Mean profit percentage values according to KickStart support levels, with Bonferroni Multiple Comparisons of means test results indicated

Bonferroni grouping	Mean	N	Support level
A	464 533	190	1
B	160 162	165	0
Means with different letters (either a or b) next to them differ significantly.			

Discussion

It was not possible to separate the effect of funding from the effect of mentoring, as no group received only funding or only mentoring after training. To understand the value of the funding and mentoring in context, the following contributing factors should be appreciated:

- *The role of funding.* Although the amount of money received by a respondent was not large, it did make a significant difference in the growth of these businesses. The regional grants received by the respondents ranged from as little as R7 000 to R100 000, while the prize money ranged from R10 000 to R180 000. A mitigating factor is the fact that the size of the businesses of these respondents ranged from

micro to very small or small. For a small business, the money was sufficient to make a difference, and even more so when it was a start-up business.

- *The availability of funding for micro and small enterprises.* South African studies by Statistics South Africa (StatsSA 2005) on micro enterprises and by Orford, Wood, Fischer, Herrington and Segal (2003) on start-up businesses found that the primary source of funds used, or expected to be used, by the owners of such businesses is from own savings and income. A second source of financing is from personal networks, which include family and friends, and lastly from institutions or venture capitalists. Researching the financing of micro-entrepreneurs by South African banks, Schoembee (2000) identified four possible reasons why these banks are hesitant: high-risk of micro-entrepreneurs defaulting; high costs of screening applicants without sufficient collateral; low returns on transacting with these entrepreneurs; and socioeconomic, language and cultural barriers. The SAB KickStart Programme incurs the costs of carefully screening the applicants, and collateral is not required. SAB donates the funding, and this eliminates concerns about defaulting or low returns. By providing mentoring, socioeconomic, language and cultural barriers are overcome.
- *The role of mentoring to supplement training.* A comparison of the content of the SAB KickStart training manual with internationally acceptable training requirements for SME owners/entrepreneurs reveals that it covers most of the standard topics. However, the content needs to expand on financial management and some of the critical business management skills and people skills, as well as to include sections on the management of rapid growth and development of the new venture beyond start-up, the formation of strategic alliances, and legislation critical to South African businesses. It is possible for mentors to fill these training gaps, as and when required, as each mentor mentors about five participants.
- *The role of mentoring to support unqualified and inexperienced participants.* The overall satisfaction of the respondents with their mentors was high, but this should be mitigated by the fact that they had few or no business management qualifications, managerial experience or previous experience in a similar business. In such a scenario, any assistance would be of value. Based on research among entrepreneurs by Bisk (2002: 264), the type of mentoring provided by the SAB KickStart Programme can be classified as formal mentoring – SAB KickStart selects the mentors and allocates them to participants (this is more an allocation than a match). More than 80% of the respondents seemed to be satisfied with the assistance received from mentors with regard to writing monthly reports, financial management and business planning, while about 70% were satisfied with the marketing assistance from mentors. Of the respondents with start-up businesses,

about 44% were dissatisfied with the assistance received from mentors in the areas of human resources management, operations management and networking.

- *Adaptation of product/service line.* A German study examined the impact of knowledge types on the transition from unemployment to entrepreneurship. Dencker, Gruber and Shah (2006: 48) found that “prior knowledge of industry/product, and the adaptation of product line following market entry increases the likelihood of success”. In the case of the participants, only 48% had some or a lot of experience in a similar business, but 77% of the respondents diversified the product range and/or service type after market entry. This may have contributed to their success.

Practical implications

The value of the study lies therein that it contributes to the body of knowledge on SMME development in a developing economy by offering guidelines for academia with regard to the value contributed by multiple interventions in entrepreneurship development programmes and the training needs of entrepreneurial SMMEs in a developing economy. It provides practical insights for managers responsible for corporate venture capital investment through corporate social investment in young entrepreneurial firms into the structuring and management of entrepreneurship development programmes.

The practical implications of the study lie in contributing to efforts to initiate and support entrepreneurial action and the successful exploitation of promising opportunities by identifying and describing appropriate interventions and structures to help investors, corporate social investment departments, consultants, educators, non-profit organisations, government departments and other professionals understand the benefits – and limitations – of a youth entrepreneurship development programme.

Limitations and future research

A limitation of the study is that the interventions, funding and mentoring could not be separated, because only those SAB KickStart participants who received funding were entitled to mentoring. The use of turnover or profit figures to measure success among small businesses in a developing country poses problems due to the incompleteness of the data. A few respondents were not able to provide turnover figures because of the business being a start-up, while some others claimed not to possess such data. Nevertheless, enough data were collected for the statistical analysis.

Future research should focus on determining the effect of mentoring on business growth. If mentoring could be made available to the SAB KickStart participants who did not receive funding, it would be possible to test whether funding contributed more than mentoring to the success of the businesses. If the mentoring period could be extended to two years for a group of participants, it would be possible to measure whether prolonged mentoring contributes more to business growth. Research should also be conducted to determine the mentoring and networking needs of entrepreneurial SMMEs in a developing economy.

A comparative study comparing the success of South African SAB KickStart participants with those in Colombia where the SAB KickStart Programme was launched in 2006 should be attempted. A major difference between these two countries is that Colombia had the second highest TEA percentage in the 2006 GEM survey, while South Africa ranked 30th (Maas & Herrington 2006).

Conclusion

With regard to training for new business creation, Storey (in Henry, Hill & Leitch 2004: 250) notes that despite the “claims of the administrators of intervention and its effectiveness, the academic community has been slow to investigate this matter”. This study has taken up this challenge and investigated the effectiveness of the interventions used by a programme, the SAB KickStart Programme, which has as its objective the development of young entrepreneurs to start or grow their businesses in South Africa, a developing economy.

The findings of the research suggest that in the complex process of conceiving, launching and running new ventures, entrepreneurial SMMEs in a developing economy not only need training in entrepreneurship and business management, but also need funding and mentoring, preferably over an extended period, to support them in their efforts to convert their dreams, ideas and visions into functioning, profitable companies that create jobs and to boost the growth potential of the venture and its sustainability.

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