

INVESTIGATION OF THE IMPACT OF NETWORKING AMONG TENANTS IN THE SEDA LIMPOPO JEWELLERY INCUBATOR IN SOUTH AFRICA

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ABSTRACT: This study investigates the extent to which tenants in a jewellery incubator in the Limpopo Province of South Africa network. Since 1994 SEDA has set up more than 31 incubation centres in furniture making, construction, chemicals, jewellery, ICT, metal fabrication, agriculture and small scale mining. This study was done through a survey conducted on tenants in the SEDA Limpopo Jewellery Incubator (SLJI). Information was obtained through a structured questionnaire. The study revealed how tenants benefit from networking around exhibitions and collective purchasing of raw material. Through the Incubator institutional mechanisms, the study explains how tenants share expertise, experiences, technology and resources. Unfortunately the tenants do not initiate the own networking programmes. They lose out on benefits associated with collective effort in other areas such as advertisements, lobbying the government for industrial stands, organising an newsletter, hiring of consultants, and organising joint training programmes. Lastly the study identified opportunities that the tenants could collectively exploit in order strengthen and sustain their businesses.

Key words: networking, incubator tenants, survey, structured questionnaire, benefits.

1. INTRODUCTION

In South Africa (SA) an enterprise category is defined by the number of full time employees, the total annual turnover and the total gross asset value [1]. Table 1 depicts the size standards for the quantitative definition of SMMEs in South Africa.

Table 1. Definition of SMMEs in South Africa [1]

Size or Class	Total Full -time equivalent of paid employees	Total Annual turnover (Million Rand)	Total gross asset value (Million Rand)
Medium	200	50	18
Small	50	25	4.5
Very Small	20	10	1.8
Micro	5	5	0.1

The south African Government realised the importance of the SMME sector and its contribution to the country's economy in the late 1970s [2]. Data on small and medium enterprises in South Africa suggest that SMMEs contribute about half of total employment and more than 30% of the total gross domestic product [3]. Brijlal suggests that one out of five units exported from South Africa is produced in the small and medium sector [3]. The sector has the potential to address socio-economic challenges such as unemployment, economic growth and poverty alleviation [4]. The South African government has set as a priority the development of Small, Medium and Micro-Enterprise sector [4]. Since 1994, a number of mechanisms have been implemented to support and develop SMMEs in the country [2] and according to Mbedzi [5] the South African government has at national level introduced the following institutions:

- Small Enterprise Development Agency (SEDA) – formed in 2004 to help SMMEs with business registration, business plan compilation, access to markets and access to finance, access to technology, training, and mentoring.

- Khula Enterprise Finance Limited – formed in 1996 to initiate programs that foster business start-ups and build the capacity of existing ones. It works through partnerships with commercial banks, retail finance institutions and specialist funds.
- South African Micro-Finance Apex Fund (SAMAF) – was established in April 2006. It is a wholesale funding institution that works through financial intermediaries in providing financial and non-financial services to micro and survivalist businesses.
- National Youth Development Agency (NYDA) – was launched in June 2009 through the merger of the Umsobomvu Youth Fund and the National Youth Commission. It enhances the participation of youth in the economy through targeted and integrated programmes.
- National Empowerment Fund
- Land Bank – provides short term and medium term loans to both commercial and small development oriented farmers.
- Mafisa

According to Nieman [6] the government has also introduced the following pieces of legislation that favour the development of SMMEs:

- the National Small Business act of 1996 that opened the way for Department of Trade and Industry to address SMME development in South Africa;
- the Skills Development Act (SDA) of 1998 that provided a framework for training to take place at the workplace;
- the Skills Development Levy Act (SDLA) of 1999 that provided funding for training at workplace; and
- the National Qualifications Framework Act (NQF) of 2008 that provided a national framework for education and training in South Africa.

An integrated Small Business Strategy was introduced in 2005 to promote entrepreneurship, create an enabling environment and enhance the competitiveness and capabilities of existing enterprises [2]. The strategy also allowed the SMMEs to make meaningful contribution to the national economy.

In addition to the interventions at national level there are numerous programmes that were introduced through provincial governments, Non-Governmental Organisations and the private sector. The support mechanisms addressed barriers to the SMME survival and growth in four functional areas of business operation, i.e. management, marketing, operations and finance [7].

Between 1994 and 2012 the government set up 31 incubators in furniture making, construction, biotechnology, mining, equipment and tooling, agriculture, motor industry, metal fabrication, ICT, and jewellery. The thrust of the incubator programme was to develop new organisational model that is suited to creating value and wealth in the SMME sector.

One of the fourteen factors suggested by Lee and Osteryoung as important for effective operation of the incubator system is networking of tenants [8]. Hansen et al [9] argue that the new economy is a network economy. Incubators exploit networking by providing fledgling companies with preferential access to potential partners and advisers. The objective of this study was to investigate the extent to which tenants in the SEDA Limpopo Jewellery Incubator (SLJI) compliment government effort in overcoming internal and external challenges through networking. The incubator was officially opened in July 2009 in Polokwane by SEDA [10]. Tenants design, manufacture and sell precious metal and stone jewellery [11]. The incubator is jointly funded by SEDA Technology Programmes (Stp) and the European Union (EU). The incubator creates an enabling environment for jewellers by providing access to gold, platinum, diamond and other raw materials. SMMEs are assisted in accessing markets through participation in local and international exhibitions. In addition SMMEs are assisted with equipment and production facilities including quality control. Figure 1 gives the major support components.

SLJI also offers the basic benefits of internet facilities, office space, company registration, writing business plans and common services, thereby allowing the jewellers' businesses to grow very quickly [11]. The tenants produce and sell their products under the SA FairMade™ brand, a jewellery brand established by Vukani-Ubuntu.

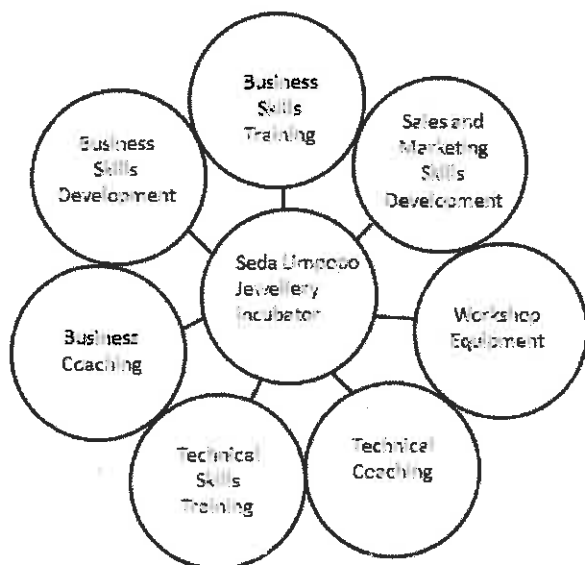


Figure 1. SLJI Business Incubation Support

2. METHODOLOGY

This study was accomplished through a survey. According to Kelly et al [12], surveys are suited to descriptive studies, but can also be used to explore aspects of a situation, or to seek explanation and provide data for testing hypotheses. This study is a descriptive research that gathers information on different forms of networks at a single point in time. The rationale of the study was to identify benefits enjoyed across tenants through networking around advertisements, exhibitions, lobbying the central and local governments for industrial stands, dissemination of information to members, purchasing or raw material, hiring of consultants, and organising joint training programmes. Moreover the study collected information on how tenants shared experiences, technology and resources.

The questionnaire used in the survey was piloted using five tenants. Difficulties identified during the pilot resulted in the realignment of the questionnaire for the main survey.

2.1. Study Population

At the time of the study, the SEDA Limpopo Jewellery Incubator hosted 13 tenants. It was practical and economical to collect data from all the tenants in the population. The researchers delivered the questionnaire to the work places of the respondents, explained the study, and then picked the questionnaires up at a later date.

2.2. Data Collection

The researchers collected primary data on networking in the SLJI using a self administered questionnaire. Floyd and Fowler [13] argue that sensitive information is more frequently and almost certainly more accurately reported in self-administered modes than when interviewers ask the questions. This enabled the researchers to access the respondents' true feelings, attitude and understanding of the subject.

To reduce non-response, tenants that failed to return the questionnaire in time were contacted by the researchers in person.

3. FINDINGS

According to Mbewana networking partners share experiences of both successes and failures such that incubators can learn [14]. Mbewana also suggest that networking is important in opening up and widening market opportunities for incubatees and graduates [14]. This study had the following findings:

1. In SLJI, the management sponsors local and international exhibitions. When participating in the exhibitions, the tenants naturally learn from each other's success and failures.
2. The tenants' work places are located within the same building. This setup allows the tenants to share tools and equipment, knowledge and expertise on improving product quality. They do not charge each other on the service rendered. This relationship is informal and is based on mutual understanding.
3. By working in the same locality, the tenants enjoy the benefits of informal discussions without a need to make appointments.
4. Helping incubates access the markets is one of South African incubators' biggest challenges [15]. SLJI is not an exception. To overcome this challenge, SLJI assists tenants participate in local and international exhibitions. Moreover their products sell under one brand name, FairMade™. This arrangement compels the tenants to

help each other produce quality products. Poor supply from one member damages the reputation of the whole incubator.

5. The incubator does bulk purchasing of gold, diamond, platinum and other raw materials used in making jewellery. This arrangement enables the tenants to benefit from cost reductions and discounts associated with bulk purchasing.
6. There is over reliance on government in solving the tenants' operational problems. They do not initiate programmes on their own.

4. CONCLUSIONS

The enterprises in the Seda Limpopo jewellery Incubator's portfolio are related to one another by size, needs, industry and by technology. The portfolio does not have any stars, i.e. top companies in the market. They are all start-ups that are still going through the incubation programme. The tenants have survived largely through the incubator's support in business management, financial management, marketing management, jewellery technical skills training. The incubator avails furnaces, soldering equipment, casting facilities, cutting and polishing equipment to help with production. Communication is enabled through the provision of telephone and internet facilities. Moreover the incubator has organised mechanisms to facilitate cooperation among the tenants. On their own, the tenants have done very little to improve their competitive advantage.

5. RECOMMENDATIONS

To compliment the efforts of Seda Limpopo Jewellery Incubator, the study recommends that the tenants do the following:

1. To improve on the visibility of their products, the tenants should collectively organise a newsletter, a website and showrooms or trade outlets in strategic cities in the country.
2. The incubation period is currently three years. The tenants could collectively lobby the local, provincial and central government for business premises after the incubation period. An industrial park would be a better arrangement. There is great potential of building their reputation if they work in the same locality.
3. There is over reliance on government, NGOs and the private sector assistance. If the tenants are turn their business into meaningful enterprises they should eventually stop looking beyond themselves for survival and growth.
4. They should recognise that networking enables the tenants to jointly call a meeting and receive full attention from busy people.
5. As noticed by Mathibe and Van Zyl [2], most of the business support programmes rendered to the SLJI tenants is supply-driven. Strong collaboration within the tenant network would better inform the service providers on pressing needs.
6. As pointed out by Ceglie and Dini [16], through networking the SMMEs can influence policy making at national level. This is one opportunity that the tenants at Seda Limpopo Jewellery Incubator are missing.
7. There is also an opportunity for the tenants to collectively establish vertical networks with large scale manufacturers.

6. LIMITATIONS OF THE STUDY AND AREAS FOR FUTURE RESEARCH

The study focused on one of the thirty one incubators supported by SEDA. It looked broadly at the support that they get from government, NGOs, and other stake holders. It also looked at the institutional mechanisms that Seda Limpopo Jewellery Incubator put in place in order to foster networking among the tenants.

Moreover, the government is spending on average between R4 million and R6 million to set up a Seda incubator and R3.5 million a year to run one [17]. The expenditure will be even more if the government attains its target of 250 incubators by the year 2015 [15]. Despite this support the challenge still remains. Tenants do not want to fully embrace the concept of networking. There is need to conduct a full study on factors stopping the tenants from embracing the concept. There is potential to reduce over reliance on government support if the tenants take ownership of their internal problems and challenges.

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