

# SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AND ENTREPRENEURSHIP SUPPORT STRATEGY

## 2022/23 TO 2026/27

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## ACRONYMS

COVID-19	Corona Virus
DHET	Department of Higher Education and Training
DTI	Department of Trade and Industry
NGOs	Non-Governmental Organisations
NSDP	National Skills Development Plan
SMMEs	Small, Medium and Micro Enterprises
W&R SETA	Wholesale and Retail Skills and Education Training Authority

## DEFINITIONS AND CONCEPTS

Small Business	A separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy which can be classified as a micro-, a very small, a small or a medium enterprise (source: National Small Business Act 102 of 1996)
Micro enterprises	Micro enterprises employ five employees operate informally. Owners of micro enterprises lacks skills to run a business, are unlicensed and as a result do not comply with legislation. The turnover of these enterprises is R300 000 per annum, and they have the potential to make the transition to a viable formal small business.
Medium-sized enterprises	Medium enterprises are owner-managed, comply with the law and are organised into complex structures of up to 200 employees that perform their duties in fixed business premises. These enterprises are often characterised by the decentralisation of power to an additional management layer.
Survivalists (Informal Traders)	Survivalist enterprises form part of the informal economy and are undertaken by unemployed persons whose primary objective is to survive economically. Survivalists generate income that is less than the minimum income standard or the poverty line.

Very Small Enterprises	Very small enterprises are part of the formal economy and employ fewer than ten employees, except mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees.
Entrepreneurs	Entrepreneurs are defined as the working-age population who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets (SEDA, 2020)
Entrepreneurship	The discovery, evaluation and exploitation of opportunities or the process by which entrepreneurs pursue opportunities without regard to resources currently under control (SEDA, 2020)
Cooperatives	A cooperative is an independent association of persons who join forces to meet their economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise, organised and operated on cooperative principles.

## **1. INTRODUCTION AND BACKGROUND**

The Wholesale and Retail sector is made up of predominantly small, medium and micro enterprises (which employ less than 50 people), accounting for approximately 90% of the Sector. SMME development is a key priority for government with many interventions being implemented to grow the sector; however, the majority of SMMEs in wholesale and retail, especially the informal ones, continue to exist outside the mainstream economy. These enterprises often fail to grow and close down. Failure of SMMEs has been attributed to the shortage and inadequacy of skills that are required to grow businesses to the next level, amongst others (source: W&RSETA).

The W&RSETA has the responsibility to ensure that the skills development gaps are addressed in line with the National Skills Development Plan (NSDP) and other government priorities. In line with the NSDP, SETAs are expected to support the growth and development of SMMEs and cooperatives through various skills development initiatives. In many regions across the globe, SMMEs are the main drivers of job creation, with them often contributing to the identity and social cohesion of local communities. As a predominant form of business and employment, SMMEs are also key role players in the promotion of more inclusive and sustainable growth, economic resilience, and social cohesion. However, the success of entrepreneurial activity is highly dependent on the context within which it occurs. Ecosystem factors such as government policy frameworks and legislation, economic development and performance, education and a host of social dynamics directly influence and uniquely shape entrepreneurial activity and development at a country level (Herrington, 2019). Although estimates vary, it was found that the number of SMMEs in South Africa rose by 3%, from 2.18 million in the first quarter of 2008 to 2.25 million in the second quarter of 2015 (Bureau for Economic Research, 2016). Of the 2.25 million SMMEs, 1.5 million were informal and were concentrated in the trade (wholesale and retail) and accommodation sectors (OECD, 2020).

Currently, the W&R SETA provides Discretionary Grants for SMEs to implement skills programmes, single unit standards and non-credit bearing programmes. Grant vouchers for informal traders and micro enterprises are also provided to enable them to attend the W&RSETA sponsored training under the Informal Traders and Micro Enterprises Development (ITAMED) programme. The W&RSETA also facilitates mentorship and coaching to ensure that these

enterprises grow and become sustainable through partnerships with relevant organisations and well as New Venture Creation (source: W&RSETA).

The SMMEs and entrepreneurship Support Strategy outlines the main focus areas and strategic interventions that are key to the mandate of the W&R SETA as it relates to the provision of skills development and support for SMMEs Informal Traders and Entrepreneurs. The Strategy is therefore a key enabler for proper implementation of SMME's, Informal Traders and entrepreneurship initiatives. The main aim of the Strategy is to create an enabling environment for sustainable and growing SMMEs within the W&R sector. This strategy sets a framework and outlines the principles underlying future support to be provided by the W&R SETA within the resource constraints facing the SETA.

## **2. LEGISLATIVE PROVISIONS**

### **2.1 National Development Plan**

The National Development Plan (NDP) envisions a South Africa where small, medium and micro enterprises (SMMEs) are at the epicentre of economic development, and not at the periphery. The NDP states that *“retail and business services together are the biggest employers in most middle- and high-income economies. In South Africa, the formal retail sector accounts for almost 2 million jobs, and another 3 million jobs exist in informal activities. Business services account for about 20 percent to 30 percent of gross value added and over 1 million jobs”*. One of the policy options of the NDP for the retail sector is to conduct further investigation on opportunities to stimulate sustainable small-scale retail and cooperative buying, with the aim of reducing costs in townships and rural areas, and stimulating related employment. The NDP indicates that SMME development contributes significantly to the country's growth and development as these enterprises are important contributors to job creation and thus contribute to improving the quality of lives for people and communities in the country.

## **2.2 New Growth Path (NGP)**

The New Growth Path calls for the re-industrialisation of the economy and the expansion of the manufacturing sector. It targeted the creation of five million new jobs and the development of 50 000 artisans by 2020, by focusing on skills development and in particular, the development of scarce artisanal and engineering skills.

## **2.3 The National Skills Development Plan (NSDP)**

The National Skills Development Plan (NSDP) was developed to ensure that South Africa's workforce has suitable, high-quality skills that will add value to the economic growth, creation of employment and social development by improving basic and technical skills provided through the education system (DHET, 2019). The NSDP envisions "*an Educated, Skilled and Capable Workforce for South Africa*". The purpose of the NSDP is to ensure that South Africa has adequate, appropriate and high quality skills that contribute towards economic growth, employment creation and social development (source: NSDP, 2019). Outcome 6: of the NSDP focuses on "*skills development support for entrepreneurship and cooperative development*".

# **3. W&RSETA MANDATE, VISION AND MISSION**

## **3.1 Mandate**

The Wholesale and Retail SETA (W&RSETA) is a schedule 3A public entity and derives its mandate from the Skills Development Act No. 97 of 1998 (as amended). The SETA is responsible for supporting skills development in the wholesale and retail sector in South Africa, through the disbursement of grants to facilitate the implementation of learning Programmes and monitoring of education and training (as outlined in the Act), in accompanying regulations and the National Skills Development Plan.

## **3.2 Vision**

To be the leader in skills development in the country.

## **3.3 Mission**

To develop a skilled, capable, competent, and professional workforce to transform the Wholesale and Retail sector.

#### **4. SITUATIONAL ANALYSIS**

The W&R sector in South Africa is made up of many SMMEs in need of support and development. With SMMEs accounting for approximately 90% of the W&R sector, sustainability becomes key. There are different factors that impacts negatively on sustainability of SMME's at different stages of survival. Weak sustainability of SMMEs in South Africa has mostly been blamed on macro-economic factors such as the economic uncertainty, extensive red tape, high costs of credit, high interest rates, high inflation rates, rapid changes in governmental legislation and volatile exchange rates.

Micro-economic factors such as bad pricing strategies, high overhead costs, incompetent human resources, lack of infrastructure, limited access to financing opportunities and poor cash flow management have also been stated as reasons SMMEs fail (Wholesale and Retail Leadership Chair: Cape Peninsula University of Technology Cape Town, 2016). There is a role which the W&R SETA can play in supporting the SMMEs to address the macro and micro economic factors stated above, through skills development and support.

The SMMEs and Entrepreneurship Strategy must appreciate the different events that the country suffered with greater impact on SMMEs, Entrepreneurs and Informal Traders such as the COVID-19 pandemic and the July 2021 riots and looting. Taking into consideration these events will ensure that meaningful solutions to support businesses within the sector are formulated.

##### **4.1 Key achievements for SMMEs Skills Development and Support by the W&R SETA**

The W&RSETA has over the years provided support to SMMEs and co-operatives as a priority and notable achievements have been recorded. As reported in the 2020/21 Annual Report of the W&RSETA, the number of SMMEs that were supported to participate in skills development interventions of the W&RSETA increased from 910 in 2018/19 Financial Year to 2 446 in 2020/21. As part its commitment to Entrepreneurship Development, the SETA provided training to 303 people on Entrepreneurship Development Programmes to enable them to start their own businesses or grow their existing businesses in the 2020/21 financial year. In addition, the number of informal traders and micro enterprises participating in W&RSETA capacitation workshops increased from 988 in 2018/19 to 2426 in 2020/21, showing a significant increase of 59%. The



table below shows the support that has been provided by the W&RSETA to SMMEs, CBOs, NGOs, and NPOs and Entrepreneurs between 2018/19 and 2020/21.

Indicator	2018/19	2019/20	2020/21
Number of Small and Medium Enterprises supported to participate in W&RSETA skills development interventions annually	910	3608	2446
Number of informal traders and micro enterprises participating in W&RSETA capacitation workshops annually	988	1600	2426
Number of people trained on Entrepreneurship Development Programmes to enable them to start their own businesses or grow their existing businesses	-	-	303
Number of cooperatives supported in order to participate in the mainstream economy annually	192	20	20
Number of CBOs, NGOs, and NPOs supported in order to participate in mainstream economy annually	235	93	100

Source: W&RSETA 2020/21 Annual Report

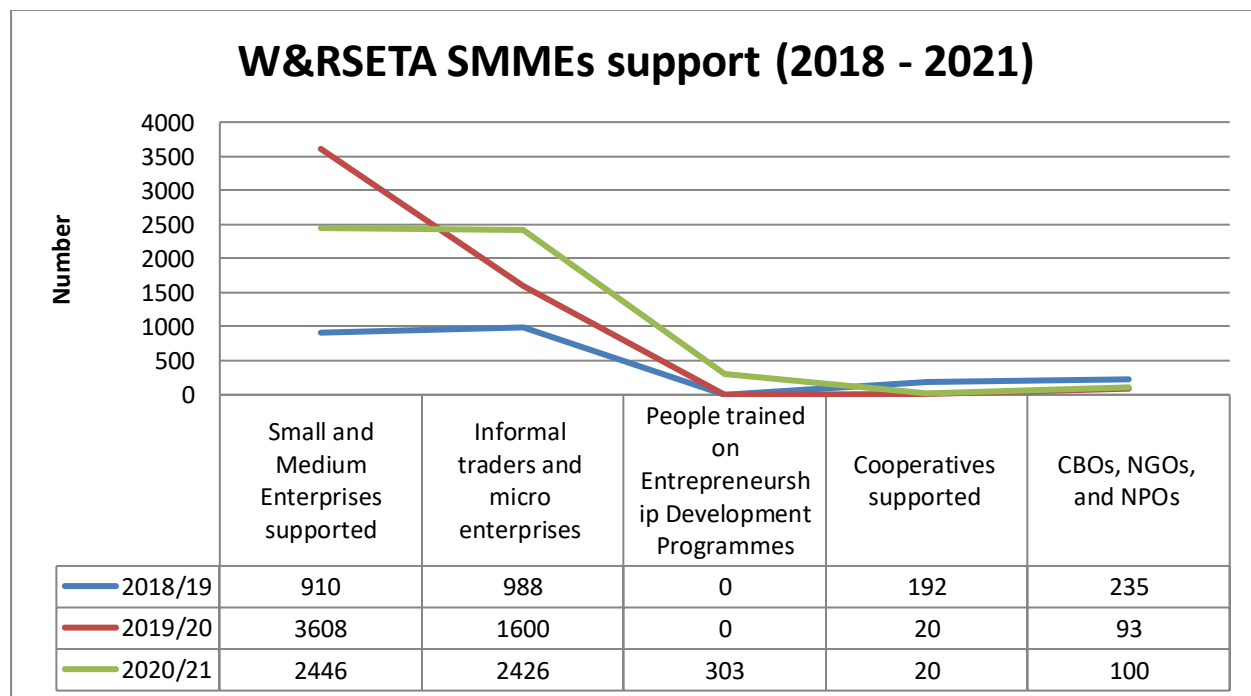


Figure 1: Key achievements for SMMEs Skills Development and Support by the W&R SETA

#### **4.2 Major challenges experienced by the W&RSETA in implementing SMMEs Skills Development and Support programmes**

The W&RSETA provides support to SMME's, levy paying and exempt, in different forms and it is crucial that the impact of the support is tracked. Currently, there is no clear impact analysis that provides a picture on how the SMME's support yields successful and sustainable SMMEs. As part of support provided to informal traders, the SETA provides Skills Development Vouchers, which assist Informal Traders with support to grow their businesses. At this stage, there is no monitoring mechanism that tracks if the Informal Traders uses the vouchers for the purpose that they are intended for, and also to avoid Informal Traders who benefit from the voucher system in different provinces. This requires an establishment of a monitoring and evaluation mechanism that will ensure that there is evaluation of the business improvement resulting from the W&RSETA's support, as well as assessing the impact of the voucher system.

#### **4.3 The impact of COVID-19 on SMMEs business sustainability**

The advent of the global pandemic, COVID-19 which paced in South Africa from March 2020 has affected many businesses, big and small. The W&R sector suffered a great loss due to COVID-19 which has been a cause for concern, and brought with it uncertainties and changes in skills demand and supply. The COVID-19 pandemic affected all sectors of the economy and has rapidly transformed the way in which businesses are conducted. The implications of COVID-19 include slowing down of business activity, decline in revenue, increased demand for e-commerce, and higher health and safety risk of customers, employers, employees and partners. This therefore requires prioritisation of reskilling and retraining to minimise job losses. The strategic priority skills areas therefore include Safety, Health, Environmental and Quality (SHEQ), Food Safety, Product knowledge, Skills programmes for unemployed youth and supporting vulnerable sub-sectors of the economy including SMMEs, informal traders, cooperatives, NGOs and youth (source: W&R SETA Strategic Plan, 2020/25).

In addressing the aftermath of COVID-19 pandemic lockdown and the on-going impact, an Economic Reconstructive and Recovery Plan was put into place focusing on different sectors of the economy. The SETA is required to contribute in implementing the ERRP skills strategy identifies the skills implications and outlines the ways in which the post school education and training system, together with other key role- players, will ensure that skills that are required to

implement the ERRP are available. The implementation of the SMME and Entrepreneurship Strategy will take into consideration the priorities set in the ERRP skills strategy.

#### **4.4 Economic Reconstruction and Recovery Plan Skills strategy**

The government has developed an economic reconstruction and recovery plan (ERRP) as part of its response to the devastating impact of COVID -19 global health pandemic on the economy and its effects on deepening current levels of unemployment, poverty and inequality. The skills strategy was developed in response to the ERRP with the aim to identify the skills implications of the ERRP. The skills strategy also outlines the ways in which the post school education and training system, together with other key role players, will ensure that skills that are required to implement the plan are available (DHET, 2021). The skills strategy entails ten (10) interventions as follows:

- Intervention 1: expand the provisioning of short skills programmes (both accredited and non-accredited) to respond to skills gaps identified in the skills strategy.
- Intervention 2: enable the provisioning of short skills programmes (both accredited and non-accredited) that responds to skills gaps identified in the skills strategy.
- Intervention 3: expand the provisioning of workplace-based learning (WBL) programmes to respond to occupational shortages and skills gaps identified in the skills strategy.
- Intervention 4: increase enrolments in qualification-based programmes that respond to occupational shortages identified in the skills strategy.
- Intervention 5: review and revise education and training programmes to respond to occupational shortages and skills gaps identified in the skills strategy.
- Intervention 6: update the draft Critical Skills List and associated regulatory mechanisms.
- Intervention 7: strengthen entrepreneurship development programmes.
- Intervention 8: embed skills planning into economic planning processes and vice versa.
- Intervention 9: facilitate the use of the National Pathway Management Network (PMN) in the PSET system.
- Intervention 10: strengthen the post school education and training (PSET) system.

The SMMEs and Entrepreneurship Strategy is in support of intervention 7 which aims to strengthen entrepreneurship development programmes. Interventions 1 and 2 provides for expand and enabling the provisioning of short skills programmes (both accredited and non-accredited) to respond to skills gaps identified in the skills strategy, which also aligns with the focus areas of the SMMEs and Entrepreneurship Strategy.

#### **4.5 Economic barriers to sustainability of SMMEs**

A study conducted on the funding opportunities for SMME's in South Africa highlighted that although there may be ample funding opportunities available to businesses, there seem to be a gap in knowledge on how these opportunities can be accessed (Wholesale and Retail Leadership Chair: Cape Peninsula University of Technology Cape Town, 2016). Business compliance issues also presents barriers as SMME's sometimes do not meet compliance requirements necessary to access available financial opportunities, which is often due to skills shortage. This is where the role played by the W&RSETA in supporting skills development for these businesses becomes important.

One of the challenges identified is that banks impose requirements before granting credit to businesses which include track record, tax compliance and financial statements amongst others in order to ensure responsible lending. Start-up owners usually do not have knowledge of how these requirements can be met, therefore they fail to meet the means test and the basic requirements imposed by the banks. Although there are governmental support agencies which plays an important role in financing small retailers, gaps still exist.

#### **4.6 The impact of the July 2021 unrest and looting**

As South Africa was still suffering the economic impact of the COVID-19 pandemic and finding ways to adapt, businesses suffered significant losses caused by the looting that started in the Kwazulu Natal Province and moved to Gauteng, which is the economic hub of the country. This socio-political unrest resulted in extensive damage to the economy and businesses, while threatening the lives and livelihoods of the people who were already reeling under the effects of Covid-19 (Vhumbunu, 2021). By disrupting businesses through looting and arson and damaging business premises and properties, the unrests resulted in substantial financial and infrastructural losses.

Reports indicated that a total of 3 000 stores were looted, and 1 199 retail stores were damaged during the unrest, including large outlets and businesses. In addition, a total of 161 malls were damaged countrywide, while 161 liquor outlets and distributors, 11 warehouses, and eight factories were damaged. The overall impact recorded was an estimated 40 000 businesses and 50 000 informal traders, with 150 000 jobs put at risk, mostly due to business closures and the possibilities of delayed re-stocking and re-opening of affected businesses (Vhumbunu, 2021).

The above sets back SMMEs growth and sustainability, and it may take time for them to fully recover. The impact of the losses is double folded as the W&RSETA has the potential to lose out on revenue from the payment of skills levies by affected businesses that falls within the W&R sector. As businesses lose revenue, they are unable to contribute the required skills levy.

#### **4.7 The role of technology (Embracing the 4th industrial revolution)**

The way in which businesses are conducted is fast evolving with technology playing a big role in business development within the W&R industry. The Fourth Industrial Revolution (4IR) is considered a game changer in the current business environment, and the ability to position accordingly is considered critical for business survival and sustainability. Critical to successful technology adoption in developing contexts is an understanding of the organisational readiness to adopt technology, as well as of the appropriate rate and path of technology adoption. Different studies have been conducted on the role of technology in developing businesses in retail. A study on the Changing Face of the South African Retail Industry through Social Media Marketing, Changes, Growth Opportunities, Challenges and Impacts on Retail (W&RSETA, 2021) highlighted the following findings which are significant for the SMMEs and Entrepreneurship strategy:

- Technology is changing the Face of Retail in South Africa: Technological innovations are transforming the way business is conducted and how retail operators respond to consumers' main need for convenience. Digitisation is creating new expectations among consumers, which entails the ability of retailers to provide meaningful and immersive shopping experiences. Resultantly, consumers are more interested in an omnichannel shopping experience, which combines online and in-store aspects; with 60% of the surveyed consumers indicating that they use a combination of online and in-store shopping methods.

- South African consumers are still interested in traditional forms of retail: Despite the rise in digital shopping channels, South African consumers continue to rely on brick-and-mortar retailers. Over a third of the surveyed consumers shop in-store, as compared to about 8% who solely shop online. Moreover, around 76% of South African consumers visit a shopping mall at least once a week, while the surveyed consumers who shop online do so less frequently, either on a monthly (54.7%) or annual basis (29.6%). Only 13% shop online weekly.
- The use of Artificial Intelligence (AI), Augmented Reality (AR)/Virtual Reality (VR) and the Internet of Things (IoT) is not yet Widespread among Retailers in South Africa: While certain retailers have been remodelling their digital or physical stores to include aspects of technology (e.g. AI, the IoT, AR and VR), the deployment of these innovative approaches has been limited and, generally, unavailable to customers across South Africa - Only 10% of the surveyed consumers have used AR and VR to assist with their shopping, compared to an overwhelming 80% who have not. Moreover, consumers are, generally, not ready for this scale of technological innovation, and do not think AR/VR would be factors that will attract them to a store.
- Consumers want Value Differentiations, they want Omnichannel Shopping Experiences: The growth of online shopping is not detached from consumers' appraisal of their satisfaction with in-store experiences. Male consumers use both online and in-store channels more frequently than females and are 1.4 times more likely to use online shopping. Females prefer to shop in-store to circumvent the difficulties associated with returns and exchanges of unwanted or unfitting items purchased online. Younger consumers also prefer online shopping compared to older individuals, but would visit a brick-and-mortar store for experiential reasons, i.e. to match their online experience with the touch and feel aspect of in-store shopping or to interact with store assistants.
- Different Categories of Consumers Choose Instore or Online Retail Channels for Varied Reasons: 65% of the surveyed shoppers continue to use in-store shopping, because they believe it is more personalised. Over half of those who shop online do so because they feel this method is more convenient (52.6%). Both reasons suggest that shopping is no longer just an activity but an experience, one that consumers wish to be immersive, enjoyable and comfortable.

- **Social Media Marketing is More Effective than Traditional Marketing:** Digital marketing is being used more commonly than ever. Approximately 70% of the surveyed consumers were regularly exposed to digital marketing, mostly through Facebook. 74% of the surveyed consumers and 72.7% of retail experts maintain that digital marketing is more effective than traditional marketing channels, particularly marketing that is done through YouTube and podcasts. Social media marketing also influences consumers' shopping decisions, particular among young millennials.
- **The use of digitally mined Consumer Data is a Game-changer for Digital Marketing:** An overwhelming majority of retail experts believe that the most important trend that will potentially become a game-changer for digital marketing in the retail space is the ability of retailers to use digitally mined consumer data to enhance customer experience and increase the personalisation of products.
- **South Africa is Making Positive Progress in the Adoption of Cashless Transaction Applications:** The use of Quick Response (QR) linked payment apps is a rising trend across South Africa. Consumers are increasingly using mobile banking applications as their preferred cashless service. 77.3% of the surveyed consumers use mobile banking apps, 55.4% use tap-and-go services. Other QR-enabled payment options, such as Masterpass, scan and pay, SnapScan and Zapper are also growing in prominence.
- **Consumers have Mixed Feelings about the Effectiveness of Current E-commerce Services:** Most consumers believe that current e-commerce services successfully cater to all their digital needs (47.8%). However, close to a third (29.2%) of the surveyed consumers were unsure about whether this method of transaction was effective, and about a quarter (23%) were convinced that e-commerce was not effective at all, which resulted in their reservation toward online shopping and overall negative feelings of safety when shopping online.
- **Cyber Fears Threaten the Move Toward a Cashless Society:** While online risks are a growing concern for shoppers, awareness and education around cyber-security is limited in South Africa - around 40% of the surveyed consumers were unaware and indifferent about their online safety. There is a significant negative relationship between cyber awareness and the use of cashless services; such that the more aware consumers are about the risks involved in online shopping, the less likely they are to engage in frequent online shopping or in the use of cashless services.

- Crime/Cybercrime in South Africa is a Significant Factor that is pushing the Move towards Cashless Retailing: There is an association between the role that both consumers and retailers anticipate - a move towards cashless retailing will play in reducing crime in the country. Crime or cybercrime is the biggest factor that consumers and retailers think is pushing South Africa's move toward cashless retailing. The use of cashless services contributes to general feelings of online safety among consumers - 48.6% of the surveyed consumers who use cashless services indicated feeling safer, and 36.5% indicated they felt unsafe when shopping online.
- EFT Fraud is the most Prevalent Form of Cybercrime in South Africa: While Electronic Funds Transfer (EFT) is one of the primary methods of choice for low-value payments in South Africa, EFT fraud continues to grow in sophistication and prevalence – 61.3% of the surveyed consumers have been victims of EFT fraud.
- The Shared Economy is having a Positive Impact of South Africa's Economy: Consumers and retailers alike are increasingly acknowledging the value and impact of the shared economy – 71.3% of the surveyed consumers and 90.9% of the sampled retail experts believe that shared economy businesses like Airbnb and Uber are having a positive impact of South Africa's economy. Over two thirds of surveyed consumers and more than 75% of the surveyed experts, in tandem with the interviewed professionals, indicated that traditional businesses could benefit from such innovative models, and that it was especially important and essential for them to explore ways of expanding into the shared economy. It is, however, not clear how to isolate the benefits of a shared economy in the retail industry; specifically, which is an area that should be investigated further.

#### **4.8 SMMEs Geographical Areas**

SMMEs in South Africa don't encounter unvarying challenges; they tend to be location specific. Business support services in rural South Africa are weak and mainly focused on cooperatives. Most government SMME support policies are developed from an urban-based perspective and may be inadequate for the needs of rural small business owners. Solutions to SMME constraints should be cognisant of regional and local-level differences. Rural SMMEs require interventions that will increase the demand for goods and service and enhance their capacity to take advantage of emerging opportunities.



#### 4.9 The implications for SMMEs and Entrepreneurship Skills Planning in the sector:

Taking into consideration the factors that impact on growth and sustainability of SMMEs and Informal Traders as discussed in this situational analysis, the W&R SETA should take into consideration the following when conducting skills planning for the sector:

- **Small enterprise development:** SMMEs should build a sustainable business model given that the gestation period for success in the retail sector is long. Sustainable product pricing, offering products that imply longevity, expanding operations in a calibrated but determined manner.
- **Informal Traders / Hawkers:** Hawkers are a vulnerable group, since many are women with little family support. A major characteristic of hawkers is their mobility since they traverse on foot.
- **Casualisation:** The entire retail sector is characterized by high casualization – the “permanent temporary worker”. Most workers employed by unorganised businesses do not receive healthcare, educational and minimum wages.
- **New Training Model:** A new training model is required to upgrade the skills of SMMEs, since they cannot leave the business for skills training. Training for SMMEs should include e-training; toolkits; on-the-job training; digitization of training; industry clusters; mentoring and coaching. An SMME Strategy for skills development is needed. The SETA can also ensure partnerships between SMMEs and Training Providers.
- **Township Based Businesses and Smaller Retailers:** National supermarkets are saturating townships and peri-urban areas causing a strain on small retailers. There is therefore a need for smaller businesses to partner with the larger retailers and form part of these supply chains. This will raise the need for skills relating to business management, compliance training and quality assurance.

There are many requirements that larger retailers have for their suppliers and business owners will need training in this space. There have been calls for informal businesses to become formal so they can better compete with the big chains but there are a series of barriers facing them.

- **Food Security:** The occupational needs in the sector include tellers, packagers, cleaners, securities, sales managers, buyers, merchandisers, sales assistants, bakers, butchers, etc. The skills gap needs include financial management, product knowledge, marketing and sales, communication, merchandising negotiation, technical, conflict management,

buying, pricing, time management, customer relations, ICT, life skills and coaching. The occupational needs include Coach/ Mentor, SMME specialist, and Finance/ Business Management.

## 5. INTENDED IMPACT AND OUTCOMES OF THE STRATEGY

### 5.1 Impact

The impact of the SMMEs and Entrepreneurship Strategy is in line with the W&RSETA's impact as identified in the 2020/25 Strategic Plan as “A well-skilled workforce contributing towards a transformed, agile and thriving wholesale and retail sector”. The SMMEs and Entrepreneurship Strategy therefore aims to ensure capable and sustainable SMMEs and Entrepreneurs within the W&R sector through skills development.

### 5.2 Outcomes

The SMMEs and Entrepreneurship strategy is founded on the Outcomes of the NSDP and the W&RSETA identified in the Strategic Plan 2020/25 as follows:

NSDP Outcomes	W&RSETA Outcomes
<p><b>Outcome 6:</b> Skills development support for entrepreneurship and cooperative development</p>	<p><b>Outcome 6:</b> Growth focused skills development and entrepreneurship development support for emerging entrepreneurs, cooperative sector and small, medium and informal business enterprises to enhance their participation in the mainstream economy</p>

## **6. SMME'S AND ENTREPRENEURSHIP STRATEGY VALUE PROPOSITION**

SMME's and Entrepreneurship support programmes cannot work in isolation, and in order to realise the impact, there must be alignment with other programmes and strategies of the W&RSETA. This includes alignment with career guidance programmes, bursaries processes as well as Disabilities and Historically Disadvantaged Individuals (HDI) programmes.

**Entrepreneurial development for impact** - The need for entrepreneurial development is significant and the field is populated by multiple role players, ranging from locally impactful players to random offerings with limited impact. It is proposed that, within available budgets, the W&RSETA targets specific subsectors and/ or geographic areas, and defines clear performance parameters for the development programme. The overall long-term objectives of job creation and similar will emerge from the development of sustainable enterprises. The full outcomes chain, from input through output, outcome, and impact needs to be visible and defined for each targeted development initiative, with a goal of developing sustainable enterprises (source: Impact Advantage & W&RSETA, 2022)

### **6.1. SMMEs and Entrepreneurship Development through Career Guidance**

Career development support encompasses a number of activities which provide support to individuals in achieving successful and fulfilling careers. Career development activities are crucial in achieving the balance between personal objectives linked to living a happy, secure and accomplished life and growth oriented objectives linked to talent management, productivity and innovation. Research on career guidance conducted by the W&RSETA highlighted that entrepreneurs with a longer period of exposure to entrepreneur education tend to be more successful entrepreneurs or tend to earn higher salaries if in employment. The W&RSETA should consider, including a dedicated entrepreneurship module into their support materials for the wholesale and retail school curriculum subject.

Of importance is the ability for career guidance to empower vulnerable individuals to conduct livelihood planning, be entrepreneurial and develop sustainable businesses. In implementing its Integrated Career Guidance Strategy, the W&RSETA should put into place career guidance initiatives for SMMEs and those who would want to venture into businesses. Career guidance can include a wide range of activities, such as skills assessments, advice, and information, mentoring,

counselling and networking amongst others. Those in the informal economy and rural areas are usually unaware of the possibilities they may have to access opportunities, and this is where career guidance can play a role. A study conducted by the International Labour Organisation on “*developing national career development support systems*” (2021) has suggested that career development support can provide the following benefits in relation to SMMEs and Entrepreneurship:

- Supporting individuals in their efforts to train, retrain and develop new businesses in a scenario of uncertainty, but filled with new opportunities;
- Supporting transitions of thousands of individuals in the informal economy into formal work, by acquiring professional qualifications and entrepreneurship skills; and
- Empowering women across the world to seize professional opportunities created by new occupations, combating gender stereotypes and helping forge the values of a new generation.

## **6.2 SMMEs and Entrepreneurship Development through unemployed Bursaries Programme**

The SETA provides bursaries for employed and unemployment beneficiaries for qualifications that aligns with the W&R sector. It would be important for the SETA to consider in future, including bursaries for unemployed youth or those who are in the informal economy who wants to obtain formal qualifications that can enable them to venture into wholesale and retail entrepreneurship.

## **6.3 Mainstreaming of SMMEs owned by People with Disabilities and Rural Based SMMEs**

People with Disabilities are the least represented across the South African workforce, despite the commitment by companies to comply with the Employment Equity Act 55 of 1998 (EEA). The EEA serves 2 key purposes, one of which is ‘implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupation categories and levels in the workforce’ (Department of Labour, 2004).

A challenge with the transformation interventions set for People with Disabilities, and other individuals in marginalised groups, is that although the interventions are targeted, the impact imparted does not always translate as well in employment as it does in academics and training. There is still a highly visible margin in the representation of Persons with Disabilities and able-bodied people.<sup>1</sup>

The SMME and Entrepreneurship Strategy must demonstrate how mainstreaming of people with disabilities will be ensured in all B&P projects. The implementation plan of the strategy must be inclusive of targets/ allocations per participating institutions or partnerships institution. The B&P Strategy will furthermore make provision for Special Disability Bursary projects as per need.

## **7. PRIORITIES OF THE SMME'S AND ENTREPRENEURSHIP STRATEGY**

The strategy identified five priority areas as follows:

- **Priority 1:** Continuously support SMMEs to improve current skills development and training interventions provided by W&RSETA
- **Priority 2:** Improve coordination and collaboration between the W&RSETA, Government agencies and other SETAs
- **Priority 3:** Focus the W&R SETA's SMMEs and cooperative programme on rural based enterprises
- **Priority 4:** Improve access to the W&R SETA's SMME and cooperative support information
- **Priority 5:** Provide Career Guidance and pathing support for SMMEs

In implementing the above priorities, the model below is recommended for holistic entrepreneurial development.

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<sup>1</sup> Extract from the W&R SETA 2020 – 2025 Strategic Plan

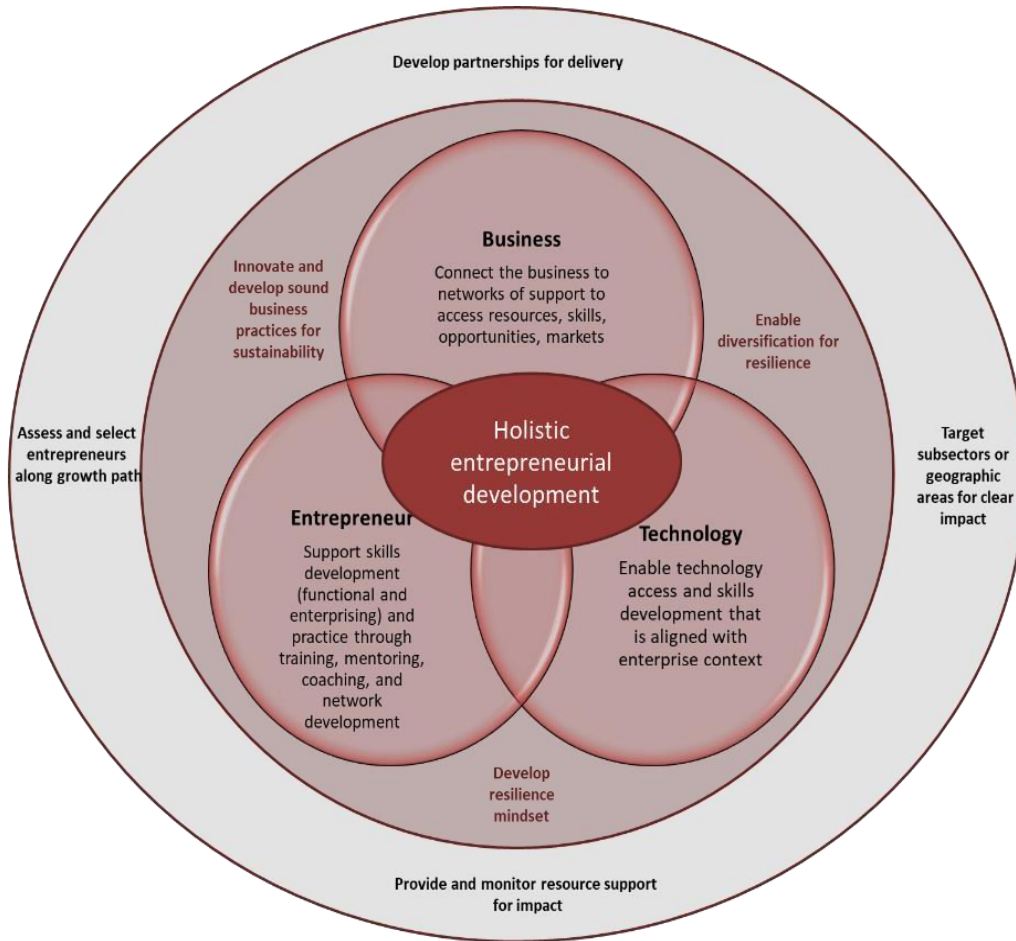


Figure 2: holistic entrepreneurial development model  
 Source: Impact Advantage and W&RSETA (2022)

## 8. STRATEGIC INTERVENTIONS AND INITIATIVES

	PRIORITY	STRATEGIC FOCUS	PROGRAM/INITIATIVE (2022 – 2027)
1	<b>Priority 1:</b> Continuously support SMMEs to improve current skills development and training interventions provided by W&RSETA	1.1 To encourage and support SMMEs and Entrepreneurs training initiatives  1.2 To improve the level of participation in skills and training interventions within the W&R Sector  1.3 To improve cooperative and small enterprise access to skills development and training information  1.4 To facilitate the development of Skills development programmes for entrepreneurs to assist them with skills that will enable them to access required financial assistance (e.g. such as technical knowledge, managerial skills, planning skills, market research skills and proposal writing skills)	1.1.1 Facilitate skills development initiatives for cooperatives and SMMEs by creating networking opportunities for Co-Operatives and SMMEs  1.2.1 Determine SMMEs participation levels for skills and training interventions conducted through W&RSETA 1.2.2 Determine future initiatives needed in the sector and new offerings to be established  1.3.1 Determine the level of awareness of skills development for entrepreneurs 1.3.2 Develop web-based information and booklets to assist SMMEs and cooperatives with information on available skills development interventions, including information on compliance, opportunities and grants. 1.3.3 Conduct media campaigns to raise awareness on the W&R SETA support programmes for SMMEs 1.3.4 Provide small business owners information on seminars and micro-courses 1.3.5 Provide information on Micro-skilling and Micro-credentialing opportunities  1.4.1 Conduct skills audit / gaps in order to determine skills that are lacking that will need to be focused on. 1.4.2 Conduct research to identify essential business skills required by entrepreneurs 1.4.3 Direct skills development and training on essential business skills required by SMMEs and cooperatives (including training in financial management, the theory of co-operatives, marketing, product specific technical issues, and qualifications in business management)

Skills Development for Economic Growth

	PRIORITY	STRATEGIC FOCUS	PROGRAM/INITIATIVE (2022 – 2027)
		1.5 Promote innovation and technology transfer in SMMEs and cooperatives	1.5.1 Introduce technology and innovation sharing platforms for SMMEs and cooperatives as part of training interventions
2	<b>Priority 2:</b> Improve coordination and collaboration between the W&RSETA, Government agencies and other SETAs	2.1 To align skills development support to government growth and sustainability support programmes and improve coordination with government and other support agencies carrying out skills development initiatives	2.1.1 Ensure alignment of skills development initiatives to government growth and sustainability support programme 2.1.2 Provide Training funding for Start-ups and New Ventures where other partners are providing start-up capital and mentorship as well as ongoing support (i.e. Franchising and Business Development initiatives by larger corporations). 2.1.3 Partner with Development Agencies on the support of SMMEs and Entrepreneurs (including NYDA, SEFA, SEDA, GEP, etc)
3	<b>Priority 3:</b> Focus the W&R SETA's SMMEs and cooperative programme on rural based enterprises	3.1 Promote cooperatives as an effective vehicle that contributes to the development of rural and semi-urban areas of the economy, as well as improve primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities	3.1.1 Educate women and youth entrepreneurs on Cooperatives 3.1.2 Educate rural entrepreneurs on cooperatives 3.1.3 Establishment and operationalisation of an SMME advisory function within the W&RSETA to address the issues of compliance including proposal preparation. 3.1.4 Support SMMEs owned by People with Disabilities
4	<b>Priority 4:</b> Improve access to the W&RSETA's SMME and cooperative support information	4.1 Ensure that information relating to support provided to SMME's and Cooperatives by the W&RSETA and partners is available for easy access	4.1.1 Provide Skills Training Vouchers (An overhaul of the vouchers system will be developed) 4.1.2 Conduct skills training for the informal sector 4.1.3 Implement support programmes for Support for Rural Communities 4.1.4 Implement support programmes for Cooperatives 4.1.5 Expose small business owners to new product and retail opportunities. 4.1.6 Create networking opportunities for corporates and SMMEs



**Skills Development for Economic Growth**

	<b>PRIORITY</b>	<b>STRATEGIC FOCUS</b>	<b>PROGRAM/INITIATIVE (2022 – 2027)</b>
5	<b>Priority 5:</b> Provide Career Guidance and pathing support for SMMEs	5.1 Ensure that effective career guidance support is provided to SMMEs	5.1.1 Develop a Career Pathing for businesses to help their employees do career planning. 5.1.2 Set up a small business incubator to guide start-ups through their initiation period 5.1.3 Provide mentors and coaches to small and emerging businesses.

## 9. RESOURCES (STRATEGIC ENABLERS)

The strategy implementation is enabled by the relevant resources. Such resources may include finances, human capacity as it relates to skills and competencies necessary for implementation as well as Information Technology.

Funding of initiatives relating SMMEs and Entrepreneurship support will be done through the DG funding windows in line with the SMMEs and Entrepreneurship support policies. The opening of the windows will be determined by funding availability and the discretion of the Board for identified special projects that support the national imperatives. In addition, partnership opportunities will be sought where different role players will come together to implement initiatives that contributes to one common goal.

## 10. RISK MANAGEMENT

The Risk Management section of the strategy outlines what could go wrong with regards to the implementation of the strategy and how the identified risks can be mitigated in order to ensure minimum or no impact to the achievement of the targets set in the strategy.

	<b>Risk</b>	<b>Root causes</b>	<b>Risk Impact</b>	<b>Risk Mitigation strategies</b>
1	Misalignment of skills planning and stakeholder alignment	Lack of understanding of skills need for SMMEs and Entrepreneurs	Provision of irrelevant support to SMMEs and Entrepreneurs	<ul style="list-style-type: none"> <li>• Conduct economic research to determine the needs of the sector (incl. Implementation of the transformation Agenda (high-level skills, SMMEs, Rural development, unemployed youth, women and people with disabilities)</li> <li>• Stakeholder engagement Plan (Improved stakeholder communication and consultation)</li> <li>• Conduct satisfaction surveys and ensure adherence to service delivery standards</li> </ul>

	<b>Risk</b>	<b>Root causes</b>	<b>Risk Impact</b>	<b>Risk Mitigation strategies</b>
2	Poor participation of SMMEs and Entrepreneurs in W&RSETA programmes	<ul style="list-style-type: none"> <li>Limited knowledge of the W&amp;RSETA support programmes</li> <li>Lack of interest by SMMEs and Entrepreneurs</li> </ul>	Lack of Impact of W&RSETA's Programmes	<ul style="list-style-type: none"> <li>Ensure effective communication and easy access to information relation to the W&amp;RSETA's programmes</li> <li>Communicate the benefits of the W&amp;RSETA's programmes</li> </ul>
3	Double dipping on support programmes by SMMEs and Entrepreneurs	<ul style="list-style-type: none"> <li>Lack of and Monitoring, Evaluation and Verification procedure.</li> <li>Lack of central database for beneficiaries of the W&amp;RSETA</li> </ul>	<ul style="list-style-type: none"> <li>Double dipping leading to loss of resources and creation of "serial beneficiaries"</li> <li>Duplication of efforts by different agencies</li> </ul>	<ul style="list-style-type: none"> <li>Establish a Monitoring, Evaluation and Verification system and procedure.</li> <li>Create an active and updated central database for beneficiaries of the W&amp;RSETA's programmes</li> <li>Partnership with other Agencies providing SMME and Entrepreneurs support programmes</li> </ul>

## 11. DELIVERY MODEL

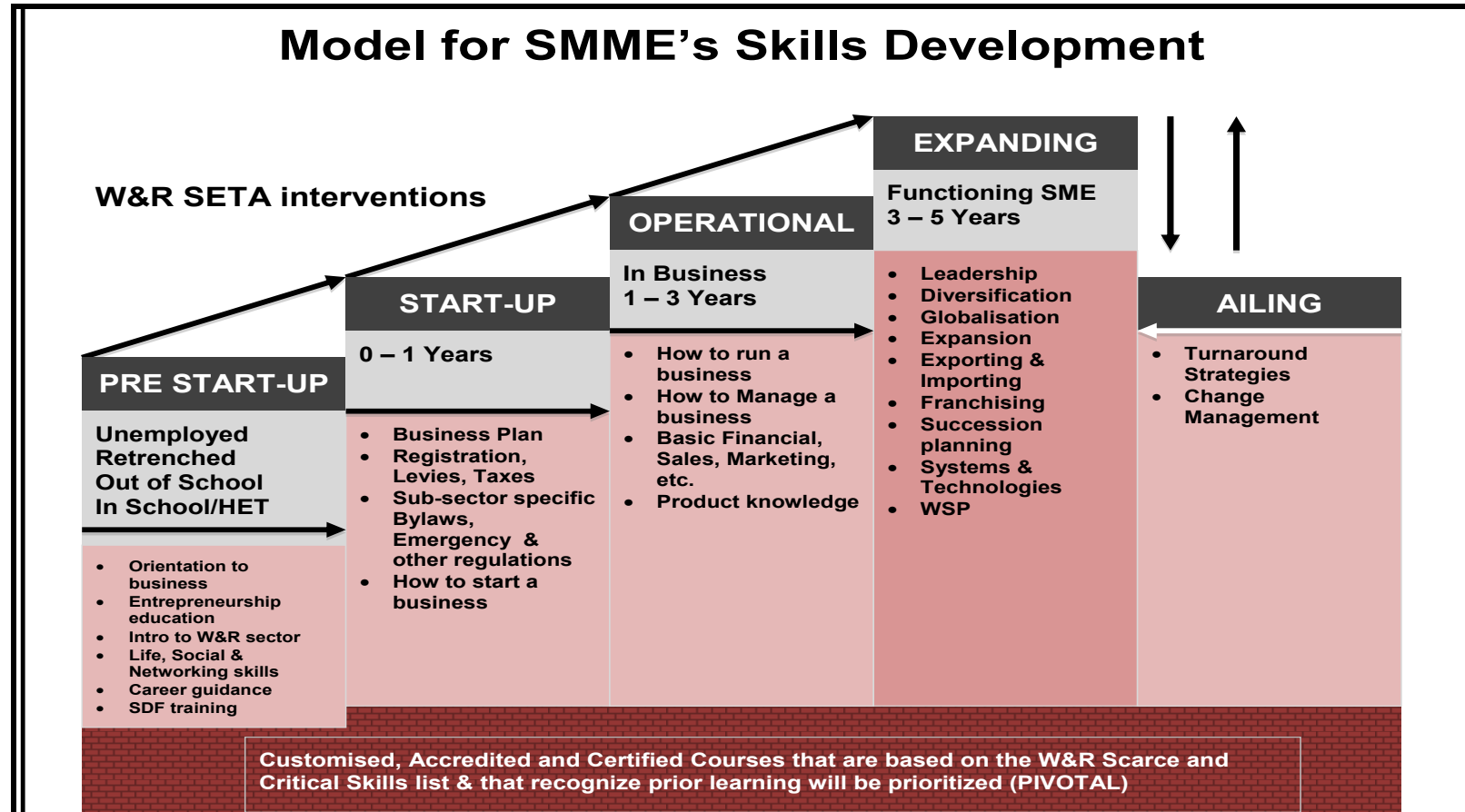


Figure 3: Model for SMMEs Skills Development

Source: Implementation Strategy for SMMEs support in the Wholesale and Retail Sector (2013/14)

## 12. MONITORING AND EVALUATION

Monitoring and Evaluation plays an important role in ensuring success of implementation of any strategy. A Monitoring, Evaluation and Verification system should be established and implemented to ensure that the SMME and Entrepreneurs programmes implemented are focused on impact and outcomes. In order to ensure that the initiatives of the strategy are implemented and results are realised, annual SMME's and Entrepreneurship Implementation Plan will be developed with annual and quarterly targets for each initiative. This will simplify monitoring and enable for impact evaluation and analysis as well as the end of the strategy implementation period.

The M&E system will ensure that those who benefit from the W&RSETA's support can be able to track the business growth in a medium to long term, as well as avoiding double dipping, where businesses benefit from different Government agencies. The SETA should also be able to track those who have previously benefited from the support programmes, do not continuously receive the same benefits if the benefits are not meant to be continuous. The following M&E questions will be applicable amongst others:

1. Did the right SMMEs and Entrepreneurs benefit from the W&RSETA's programme?
2. Did the support provided yield business growth and contributed to sustainability?
3. Is there willingness by SMMEs and Entrepreneurs to participate in the W&RSETA's programmes? If not, what improvements should be put in place to promote participation?
4. Is there value for money and return on investment on support provided by the W&RSETA?

### 13. ROLES AND RESPONSIBILITIES FOR EFFECTIVE IMPLEMENTATION OF THE STRATEGY (STAKEHOLDERS ANALYSIS)

There are different role players who will contribute into effective strategy implementation. An implementable strategy is dependent on collaboration by all who have a role to play. In order for the W&RSETA to execute its mandate of providing support to SMME's and Entrepreneurs, there are partnerships and collaboration with relevant Institutions, both Public and private that will be necessary as outlined below.

	<b>Institution</b>	<b>Role/ Mandate of the Institution</b>	<b>Partnership Method and Purpose</b>
1	Department of Small Business Development	To lead and coordinate an integrated approach to the promotion and development of entrepreneurship, (SMMEs) and Co-operatives, and to ensure an enabling legislative and policy environment to support their growth and sustainability.	<ul style="list-style-type: none"> <li>• Referrals of SMMEs, Cooperatives and Entrepreneurs within the W&amp;R sector to the Department of Small Business Development for financial and non-financial support offered.</li> <li>• Partnerships with the department on support programmes</li> <li>• Ensure understanding of the legislation and prescripts of the department for proper implementation as and when required, as well as providing support to the SMMEs, Cooperatives and Entrepreneurs within the W&amp;R sector on legislative compliance.</li> <li>• Assist SMMEs, Cooperatives and Entrepreneurs within the W&amp;R sector to participate in the Township and Rural Entrepreneurship programme (TREP)</li> </ul>
2	Provincial Departments of Economic Development and Municipalities	Provincial and Local Economic Development	<ul style="list-style-type: none"> <li>• Partner with the SETA on the implementation of programmes for SMMEs and Entrepreneurs within the W&amp;R sector</li> </ul>

	<b>Institution</b>	<b>Role/ Mandate of the Institution</b>	<b>Partnership Method and Purpose</b>
3	SEDA and SEFA	To implement government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government.	Support to referred SMMEs with: <ul style="list-style-type: none"> <li>- The Incubation programme designed to strengthen technology commercialization and harness the entrepreneurship of the technology community in South Africa.</li> <li>- Rural Enterprise empowerment Process (REEP)</li> <li>- Enterprise Development</li> </ul>
4	Other SETAs including but not limited to: <ul style="list-style-type: none"> <li>- Inseta</li> <li>- Services SETA</li> <li>- AgriSETA</li> <li>- MICTSETA</li> <li>- FPMSETA</li> </ul>	To promote and facilitate the delivery of education, training and development	Partnerships for skills development and support for SMMEs, Cooperatives and Entrepreneurs
5	Banks	Providing financial support to SMMEs and Entrepreneurs through business loans	Funding Opportunities for SMMEs, Cooperatives and Entrepreneurs within the W&R sector
6	Stakeholders/ Employers	Promote SMMEs development by using them in supplying products and services related to the W&R sector.	Partnership for SMMEs which benefit from the W&RSETA programmes to get opportunities at the W&RSETA's Stakeholders.
7	Industry Associations and Chambers	Local Associations/Forums/Chambers work at the local level to bring the business community together to develop strong local networks, which can result in business-to-business exchanges.	Partnership on the following: <ul style="list-style-type: none"> <li>• To support the needs of the local business community, especially regarding the need for services to small business at a reasonable cost, such as pension schemes and training;</li> </ul>


	Institution	Role/ Mandate of the Institution	Partnership Method and Purpose
			<ul style="list-style-type: none"> <li>• To monitor economic development at the local level;</li> <li>• To mobilise business opinion on local issues;</li> <li>• To exert a positive influence on the environment in which business operates;</li> <li>• To help members grow and develop their businesses;</li> <li>• To promote and encourage the pursuit of a high standard of business ethics;</li> <li>• To disseminate information that is useful to the business fraternity;</li> <li>• To create opportunities for improving business skills;</li> <li>• To extend business contacts locally, regionally, nationally and internationally; and</li> <li>• To be the voice of local business.</li> </ul>

#### 14. CONCLUSIONS

The achievement of the interventions and priorities identified in this strategy is dependent on collaborative efforts of all role players within the sector. The W&RSETA has the responsibility to ensure that the skills development gaps are addressed in line with the National Skills Development Plan (NSDP) and other government priorities. In line with the NSDP, SETAs are expected to support the growth and development of SMMEs and cooperatives through various skills development initiatives. The advent of the global pandemic, COVID-19 which paced in South Africa from March 2020 has affected many businesses, big and small. The W&R sector suffered a great loss due to COVID-19 which has been a cause for concern, and brought with it uncertainties and changes in skills demand and supply.



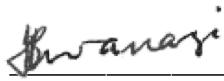
**STRATEGY APPROVAL & SIGN-OFF**

<b>Strategy Name</b>	<b>SMME and Entrepreneurship Strategy</b>	
<b>Effective Date of Current Version</b>	20 July 2022 (Date approved by the Governance and Strategy committee)	
<b>Department</b>	SPPE	
<b>Strategy Owner</b>		
<b>Designation</b>	<b>Signature</b>	
Senior Manager: Strategic Planning Dr Edzisani Netshiozwi		
<b>Strategy Recommendation</b>		
<b>Designation</b>	<b>Signature</b>	
SPPE Executive Deborah Machard		

**APPROVAL BY W&RSETA ACCOUNTING OFFICER**

Approved                       Not Approved

Comments.....  
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**TOM MKHWANAZI**  
**W&RSETA CHIEF EXECUTIVE OFFICER**

16/08/2022  
\_\_\_\_\_  
**Date**