

Agency aims to make BEE a success

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IN BUSINESS. if you fail to plan, you plan to fail.

Globally, more than 40% of small start-up businesses fail in their first two years of operation. In his book *Small Business Management*, Michael Ames attributes the following reasons for small business failure:

- Lack of entrepreneurial experience;
- Insufficient capital;
- Poor location;
- Poor inventory management;
- Over-investment in fixed assets;
- Poor credit arrangements
- Personal use of business funds; and
- Unexpected growth.

Gustav Berle adds two more reasons in *The Do It Yourself Business Book*: competition and poor sales.

South African businesses face a similar range of challenges and market failures.

According to the National Empowerment Fund (NEF), an agency mandated to promote BEE development, causes of these failures include:

- Poor quality business plans and applicants' lack of accurate and reliable financial information
- Limited management skills, including financial, marketing and



NO MERE FORMALITY: Drafting a meaningful and effective business plan is an essential first step in the setting-up of any business

technical expertise among entrepreneurs;

- Strong competition from established businesses with entrenched market dominance;
- Low bargaining power;
- Limited capital among black entrepreneurs; and
- Lack of access to international markets

The NEF, which has approved funding for 221 black businesses amounting to R1.7bn, has developed measures to mitigate

these challenges and ensure entrepreneurial sustainability.

The NEF's intervention is not limited to the provision of innovative finance. Other support offered includes business planning and mentorship.

Business planning

In response to the challenge of drafting top-quality business plans, the NEF has launched a comprehensive online Business Plan tool, which is available on its website (www.nefcorp.co.za).

The tool is designed to assist applicants in initiating, improving and refining the quality of their business plan, including completion of financial projections.

The financial projection model enables businesses to manage cash flow, plan for future expenses and take all financial obligations into account.

Available in xiTsonga, seSotho, isiZulu, English and Afrikaans, the model has been customised for business owners and managers who lack a financial background.

An easy nine-step process enables users to create cash-flow projections, income statements and balance sheets.

Results can be printed out for operational use.

Mentorship and support

The NEF's Post-Investment Business Unit monitors the

performance of its growing number of entrepreneurs for risk, and provides business support when required.

This includes free mentorship and business coaching to its existing clients, involving the deployment across the country of business mentors who have a wide spectrum of expertise.

Business finance

The NEF funds a diverse range of business initiatives in all sectors of the economy.

The suite of products offered is aimed specifically at black entrepreneurs who want to start a new business, as well as supporting existing black-owned businesses with expansion capital and finance for equity transformation, ranging from R250 000 to R50m.

■ *Moemise Motsepe is corporate communications manager of the National Empowerment Fund*