BENCHMARKING BUSINESS DEVELOPMENT SUPPORT PERFORMANCE IN SOUTH AFRICA

AN INTRODUCTION TO CATALYST FOR GROWTH

16 August 2018
Outline

1. Introduction to C4G
2. C4G Platform
3. Contributing to the Western Cape ESD Ecosystem
• NDP Framework – highlights triple challenge
• **Unemployment** is the core for addressing the other two challenges
• **SMMEs** are the **solution** to job creation
• 80% **Small business growth** will account for 90% of 11 million jobs in 2030.
• 80% of all South African enterprises have **two or fewer** employees,
• 2 to 4 million **new SMMEs** need to be established
Catalyst for Growth – Market Need

Market need and opportunity

• Billions of Rands invested annually into BDS sector through (ED & SD) spending.
• High-quality BDS has a positive impact on SMMEs
• Many players (BDS providers) that aim to build capacities of SMMEs
• Financiers providing finance – lack of quality pipeline / poor loan books

BUT

• Little knowledge on the role of the BDS & ROI, % access to markets or access to finance
• No benchmarks, no way to compare results and quality across providers
• No data-driven method for fairly comparing performance across BDS providers.
• Only 5% of South African SMEs currently receive BDS services due to low awareness
• 70-80% of small businesses fail in year one
Catalyst for Growth – Our Purpose

C4G’s Purpose (Our Solution)

- Successful BDS models to be replicated and brought to scale.
- Provide the BDS sector with simple way to compare quality among BDS offerings through (M&E)
- Share learnings & insights through data analytics & annual reports
- Provide opportunities to further understand the SMME market and understand best practice BDS and maximize impact, through research
- Improve market transparency and increase positive BDS impact
- Enable buyers of BDS to make informed (data-driven) spending decisions to maximise impact (ROI).
- Connect investment-ready SMEs with appropriate finance
C4G – Vision, Mission

Vision
C4G is a leading provider of Monitoring and Evaluation (M&E), data analytics, benchmarking and related information on SMME and Business Development Support (BDS) sector; stimulates demand for enhanced delivery of BDS and promoting efficient and effective Enterprise and Supplier Development within the South African economy.

Mission
To increase efficiency in the Business Development Support in South Africa (and beyond) by providing monitoring and evaluation (M&E), data analytics and benchmarking outcomes of interventions in the BDS sector through -

• Up-to-date data collection & analysis: using an interactive technology driven platform
• Relevant: information about SMME performance, and value-chain based suppliers specifically
• Accurate & Independently verified SMME performance reports
• Facilitate learning: generating knowledge and evidence-based decision-making

Catalyst for Growth aims to correct inefficiencies and to create transparency in South Africa’s business development support (BDS) sector.
C4G data will allow us to examine critical quantitative questions about BDS and SMMEs

- Does BDS produce business growth?
- Are there observable differences in BDSP performance?
- What type of BDS works best for what type of entrepreneurs / businesses?

- Which characteristics of an entrepreneur have an impact SMME growth?
- What characteristics of a business impact on that businesses growth?
- How do mindsets effect SMME growth?

- Which types of BDS programmes show the highest return per Rand?
- What types of SMMEs / entrepreneurs see the highest return per rand?

- How do SMMEs contribute to job creation
- Are resources focused on the right sectors?
- Which geographies are in need of the most support?
C4G – How we do it

How we work

- Data collection
- Data verification
- SMEs will be monitored by the C4G analytics platform.
- C4G will publish demographic and performance data for BDS providers and the SMEs in their programmes.
- Data can be used by buyers of BDS to guide their investment decision-making
- Use data to influence government policy & incentives
- BDS providers will be incentivised to improve their services to attract clients
- Potential to match-make Finance-ready SMMEs with investors
C4G Journey Road

2012: Pilot commences

2013: Pilot ends – 2 years

2014: Beta phase

2015/2016: C4G Analytics Platform launched

2017: Progress Report

2018:
Outline

1. Introduction to C4G

2. C4G Platform

3. Contributing to the Western Cape ESD Ecosystem
C4G is already making efforts in the space to increase transparency in the SMME development eco-space

<table>
<thead>
<tr>
<th>C4G work</th>
<th>These inefficiencies became evident through stakeholder engagement and the data collection process</th>
</tr>
</thead>
</table>
| Pilot programme                 | • C4G closely monitored the impact of Business Development Support (BDS) services on 20 SMEs enrolled in a two-year BDS programme with top-quality BDS Providers (BDSPs)  
  • Results: 100% of SMEs still in business, 50% of SMEs experienced employment growth |
| Beta Test                       | • C4G monitored over 700 SMMEs from 7 BDSPs  
  • From these 7 BDSPs C4G collected both descriptive and performance data  
  • C4G consulted various stakeholders in the sector in order to ensure that the agenda of questions that C4G would engage with met the interests of the market. These workshops looked at metrics, key questions and engaging with the initial findings  
  • Report was published last year April 2017 |
| Developed an analytics platform | • Both the pilot and the beta test were used in the development of the platform  
  • The platform has various components. On the front end it is a directory for all the BDS providers that are being monitored through our platform. On the back-end it is an M&E tool, BDS provider have individual reports, benchmarking report and an annual anonymised report of the sector. |

The analytics platform is an M&E tool for the SMME development eco-space, but also provide C4G with the ability to continue ammonised annual reports and benchmarking

The platform already has data on over 3400 SMMEs from 47 BDS providers
C4G Platform

**Functionality**

Data collection | Reporting | Dashboards | Benchmarking

- Created by industry stakeholders through community of practice sessions
- Cloud-based and secure for each stakeholder
- BDS programme metrics and SMME metrics
- Over 2000 measurement metrics
- Annually reviewed to meet stakeholder needs
- Flexible for stakeholders
C4G is an Ecosystem builder

Knowledge
- Research
- Technology-driven, open-source analytics and shared metrics
- Analytics Platform adaptations respond to market needs

Engagement
- SMMEs
- Corporates
- BDSs
- Public Sector
- Financial Institutions

Ecosystem-level change
- Adoption of learning orientation
- Sharing data
- Sharing/promotion of best practice
- Partnerships/Collaboration
- Healthy 'Coopetition'
- Advocacy
- SMME needs at the centre

- Improved decision-making (evidence-based) and coordination,
- Improved impact of BDS programmes (jobs, GDP growth, wealth creation etc.)
- Evidence-based BDS models enabling replication/scaling
- Continuous improvement
- Improved sustainability of the players
- Evidence-based Policy-making and incentive programmes.
Outline

1. Introduction to C4G

2. C4G Platform

3. Contributing to the Western Cape ESD Ecosystem
Emerging insight: BDS providers that entrepreneurs are most likely to recommend may not be those that are having the biggest impact.
2017/18 Report – Emerging Trends: How do the Provinces benefit from BDS?

Businesses experiencing improved profit margins and added jobs by province (2017/18)

Per cent

<table>
<thead>
<tr>
<th>Province</th>
<th>Improved margins</th>
<th>Added jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>34%</td>
<td>11%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>25% 25%</td>
<td>17% 17%</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>17% 17%</td>
<td></td>
</tr>
<tr>
<td>Free State</td>
<td>61% 56%</td>
<td></td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>62% 43%</td>
<td></td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>North West</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

n | 1267 | 24 | 12 | 18 | 74 | 21 | 49 | 13 |
2017/18 Report – Emerging Trends: How do the Provinces benefit from BDS?

Businesses with improved revenue growth vs added full-time jobs by province (2017/18)

Per cent

% SMMEs with improved revenue growth

- Gauteng (Ave. 27%)
- Western Cape
- KwaZulu-Natal
- Eastern Cape
- Northern Cape
- Limpopo
- Mpumalanga
- Free State
- North West (Ave. 33%)
# Growth of the C4G dataset

Data set from **3429 SMMEs** beyond Beta with performance data from **47 BDS providers**

### Provinces

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>28</td>
<td>79</td>
</tr>
<tr>
<td>Free State</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Gauteng</td>
<td>520</td>
<td>2152</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>51</td>
<td>170</td>
</tr>
<tr>
<td>Limpopo</td>
<td>23</td>
<td>138</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>4</td>
<td>68</td>
</tr>
<tr>
<td>North West</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Western Cape</td>
<td>25</td>
<td>260</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL SMMEs</strong></td>
<td>708</td>
<td>3429</td>
</tr>
</tbody>
</table>

### Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Youth</th>
<th>Non-youth</th>
<th>Youth</th>
<th>Non-youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>470</td>
<td>184</td>
<td>1352</td>
<td>486</td>
</tr>
<tr>
<td>Female</td>
<td>406</td>
<td>230</td>
<td>862</td>
<td>499</td>
</tr>
</tbody>
</table>

### Type of registration

<table>
<thead>
<tr>
<th>Type of registration</th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>130</td>
<td>259</td>
</tr>
<tr>
<td>Co-op</td>
<td>4</td>
<td>69</td>
</tr>
<tr>
<td>Partnership</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Pty</td>
<td>397</td>
<td>1701</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>0</td>
<td>20</td>
</tr>
</tbody>
</table>
### Growth of the C4G dataset... continued

<table>
<thead>
<tr>
<th>Sector</th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>17</td>
<td>330</td>
</tr>
<tr>
<td>Wholesale/retail</td>
<td>46</td>
<td>278</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>30</td>
<td>402</td>
</tr>
<tr>
<td>Accom &amp; food service activities</td>
<td>36</td>
<td>261</td>
</tr>
<tr>
<td>Professional services</td>
<td>26</td>
<td>308</td>
</tr>
<tr>
<td>ICT</td>
<td>32</td>
<td>122</td>
</tr>
<tr>
<td>Arts &amp; entertainment</td>
<td>6</td>
<td>142</td>
</tr>
<tr>
<td>Construction</td>
<td>47</td>
<td>142</td>
</tr>
<tr>
<td>Transportation</td>
<td>10</td>
<td>142</td>
</tr>
<tr>
<td>Human health &amp; social work activities</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Financial &amp; insurance activities</td>
<td>10</td>
<td>44</td>
</tr>
<tr>
<td>All other sectors</td>
<td>360</td>
<td>1281</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age of business</th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-2005</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>2006-2010</td>
<td>107</td>
<td>303</td>
</tr>
<tr>
<td>2011-2016</td>
<td>399</td>
<td>1320</td>
</tr>
<tr>
<td>2017</td>
<td>0</td>
<td>302</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage of development</th>
<th>Beta</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early growth</td>
<td>28</td>
<td>580</td>
</tr>
<tr>
<td>Growth</td>
<td>3</td>
<td>132</td>
</tr>
<tr>
<td>Pre-seed/seed</td>
<td>520</td>
<td>745</td>
</tr>
<tr>
<td>Startup</td>
<td>51</td>
<td>1194</td>
</tr>
</tbody>
</table>
Call to Action – Contribute data to build a better Ecosystem

Limitation of the dataset

1. Although rapidly growing, the sample size is still limited, particularly when creating comparison groups based on descriptive data.

2. The observation period is not yet optimal
   - Duration does not cover a full business cycle
   - Too soon to assess impact over time
   - Sample started in different periods of time

3. The sample is not random, but rather data has been contributed by willing BDS providers

➢ Sign-up on the www.CatalystforGrowth.org to join our analytics platform
# Our partnership with Accelerate Cape Town

## Key elements

1. Provide its member corporates with data on the performance of the SMMEs that form part of their ESD programs
2. Supply data to guide decision-making
3. Facilitate shared learning and further development of the Western Cape ecosystem
4. Create transparency and cost-effective investment in ESD
Our Current Partners
Funding/ Founding Partners

USAID  J.P.Morgan  Dalberg
C4G is excited about building more partnerships and enhancing the understanding of the ESD eco-system through the use of the analytics platform.

2016/2017 Annual Report event – October 2018

For more information please contact: info@catalystforgrowth.org

Thank you for your time!

“In God we Trust, all others must bring data”
- Prof. Edwards Deming