
Facilitating Small-Business Outsourcing in the Western Cape
A case study on the Business Opportunity Network (Bon)

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A mini-thesis is submitted in partial fulfilment of the requirements for the degree of Master
in Public Administration at the School of Government, Faculty of Economic and
Management Sciences, University of the Western Cape.



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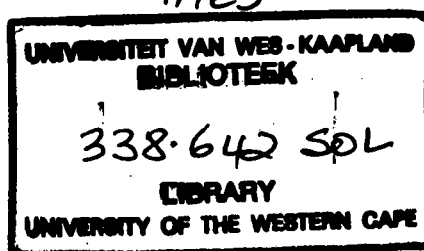
Supervisor : Professor Wolfgang Thomas

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THESIS



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PAUL ROBERT SOLOMON

- Procurement Challenge
- Economic Development Forum
- Business Opportunity Network
- Subcontracting/outsourcing
- Business-linkage initiatives
- Small, medium and micro-enterprises
- Tenders / Tender Advice Centres
- Black economic empowerment
- Affirmative action
- Procurement policy



ABSTRACT**Facilitating Small-Business Outsourcing in the Western Cape**
A case study on the Business Opportunity Network (Bon)**P R Solomon**

Small enterprises (SMME) have become central to South Africa's efforts to create jobs, alleviate poverty and develop the economy. SMMEs, however, face a wide range of problems, with "market access" one of the key bottlenecks. This centres (i.a.) around the ease of access to outsourcing markets of larger corporations and public-sector procurement opportunities. To address some of these specific challenges in the Western Cape, the Business Opportunity Network (Bon) was established in 1995 as an NGO. It was at that stage a path-breaking institution in the Western Cape, paralleled by only a few in the rest of the country. It is the purpose of this minithesis to assess the role, operation and evolution of the Bon.

This study examines the background and particular factors that lead to the establishment of the Bon as a business-linkage organisation. Then critically assess the actual process of how the Bon attempted to facilitate SMME access to corporate and public-sector procurement in the Western Cape's metropolitan and platteland areas from 1994 to 2004. Thereafter moving toward the evaluation of the process, an assessment of the effectiveness of Bon's business-linkage efforts in the light of a continuously changing and evolving procurement environment. It is also the intention to reveal and assess how Bon's procurement support relates to BEE efforts unfolding in the Western Cape.

From the above and the changing institutional SMME-support scene in the Western Cape assess whether the Bon still has a unique role to play in future. Alternatively, should it rather be merged with other (existing or new) organisations in the Western Cape?

The research will primarily focus on the documents available from the Bon and its operations from 1994 to 2004. This is supplemented with interviews covering board members and employees as well as representatives from partner organisations. In addition, a brief survey will be conducted among past clients of the Bon to assess their understanding of the role, significance and benefits of Bon's efforts in their access to procurement opportunities. Apart from all these steps, the study will review comparative literature on procurement support and facilitation.

October 2007

DECLARATION

I declare that '*Facilitating Small-Business Outsourcing in the Western Cape: A case study of the Business Opportunity Network (Bon)*' is my own work, that it has not been previously submitted to any other university and that all sources I have used and quoted have been indicated and acknowledged as complete references.

Paul Robert Solomon



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October 2007

Signed:

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Abbreviations

AHI	Afrikaanse Handelsinstituut	Nafcoc	National African Chamber of Commerce
BBBEE	Broad-based black economic empowerment	NGO	Non-governmental organisation
BEE	Black economic empowerment	RDP	Reconstruction and Development Programme
Bon	Business Opportunities Network	RSO	Regional supply organisation
Brain	Business Referral and Information Network	SAB	South African Breweries
CBM	Consultative Business Movement	SANS	SA Nylon Spinners
CDE	Centre for Development and Enterprise	SBDA	Small Business Development Agency
CEO	Chief executive officer	SBDC	Small Business Development Corporation
CMSO	Cape Metropolitan Supply organisation	SETG	Small-enterprise task group
DfID	Department for International Development (UK)	SMEs	Small and medium-sized enterprises
DG	Director-General	SMMEs	Small, medium and micro-enterprises
DTI	Department of Trade and Industry	TAC	Tender Advice Centre
IDC	Industrial Development Corporation	UK	United Kingdom
IDT	Independent Development Trust	UNDP	United Nations Development Programme
LSC	Local Service Centre	WCEDF	Western Cape Economic Development Forum
LBSC	Local Business-Service Centre		
Mac	Manufacturing Advice Centre		

CHAPTER 1

Introduction and background

As in other developing economies the small-business sector is regarded as vital for economic development, job creation and poverty alleviation in South Africa. The promotion of small, medium and micro-enterprises (SMMEs) has therefore been recognised as one of the key pillars of economic reconstruction and development in post-apartheid South Africa. In that context the *National Strategy for the Promotion and Development of Small Business in South Africa* (one of the first strategy documents released as a draft White Paper at the end of 1994) highlighted the need for effective and efficient small-business-support strategies, given that SMMEs face a variety of challenges.

1.1 The procurement challenge

The 1995 White Paper on the national strategy (Government of South Africa, 1995) indicates that one of these challenges relate to small enterprises' access to markets, which is seen as one of the most critical success factors in business, next to access to finance, business as well as other skills and access to information. Market access for SMMEs depends on many factors. In SMME-related discussions this challenge is referred to as "access to procurement, outsourcing, subcontracting or business linkages".

In this research report the focus falls on one particular NGO, the Business Opportunities Network (Bon), which played a relatively visible and influential role in the Western Cape over the decade 1994 to 2004, but has since faded into virtual extinction. At the same time issues around the procurement of larger corporates, public corporations and the public sector from small enterprises have moved into the centre of debate and efforts around broad-based black economic empowerment (BBBEE or just BEE) as well as small-business support in general.

The writer has chosen this topic due to his involvement in procurement activities at the Cape Town City Council, with the Bon once known as a significant player and facilitator, but in 2004/05 of little direct relevance. With access to the Bon's

documents and operational details (via the supervisor of this report) the topic offered an opportunity to look in some detail at the role of one particular NGO in the important policy field of SMME support.

1.2 Research problem and rationale of the study

The study attempts to capture the origin of the Bon and the reasons for its initial “success” or positive impact on the Western Cape small-business scene (and even beyond provincial boundaries). This includes an understanding of developments and bodies preceding the Bon as well as institutions operating parallel with the Bon. Also of relevance is the changing procurement scene in South Africa as pressures around black empowerment increased and BEE charters started to play a role in the support for procurement from black (small) enterprises. At the same time the topic offers the opportunity to look closely at one particular NGO, which evolved in reaction to very specific needs, but whose rationale for existence faded as other institutions became more important in this field. It is felt that this changing role of an NGO is rather typical for the experience of many development- or transformation-orientated NGOs in post-apartheid South Africa.

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1.3 Objectives of the study

Against the above background the more specific objectives of this study can be summarised as follows.

- Assess why business-linkage issues and support efforts became so important in the 1990s.
- Identify organisations in the Western Cape which already addresses these issues before the Bon was established.
- Trace back and document how the Bon got established and how it evolved.
- Identify other bodies (NGOs, private establishments or public entities) which pursued similar tasks as the Bon (both in the Western Cape and elsewhere in South Africa).

- Assess the effectiveness of the Bon in its primary tasks and its role in the SMME-support scene of the Western Cape .
- Explain why the Bon's role and impact declined after the first five years of its existence.
- Draw lessons from the Bon initiative about the effectiveness and changing role of NGOs in evolving development environments.

It is not the intention of this study to find an explicit answer (with formal substantiation of conclusions) for each of these objectives. Yet, in their totality and interaction, these objectives try to capture the changing role and impact of "typical" NGOs in the small-business-support sphere.

1.4 Relevant literature

This study does not review the extensive literature about SMMEs in South Africa, the increasing focus on small-business support or the particular areas where support is provided. The 1995 White Paper on the national strategy (Government of South Africa, 1995) has been a watershed in South African writing on this broad topic, but many of the topics covered in that document were already discussed during the 1980s and early 1990s (see Thomas, CDE 1999). This also applies to issues around outsourcing to small enterprises, where the former Small Business Development Corporation (SBDC) and a few other bodies already played a supportive role in the late 1980s.

On the other hand affirmative procurement as part of BEE efforts is lately being addressed in the rapidly expanding BEE literature. From a more general, marketing and business-management perspective Fagan (1997), Rolfe (1990), Business Education Design (1995), Huckle and Visser (1993) as well as Mantle and Ryan (1994) cover the main issues.

In this report the focus does not fall on particular categories of small, medium and/or micro-enterprises as outlined in the 1997 National Small Business Act. We also do not specifically include or exclude the informal sector, although most of the

contemporary support for procurement from SMMEs is only available for enterprises registered as a (small) business.

1.5 Research methodology

In order to fully understand the background to the establishment of the Bon, its functioning and impact as well as the possible forces and factors that gave rise to its decline, this study has relied primarily on published as well as unpublished material produced by Bon staff and directors. This includes papers presented at different events or discussion groups during the years of the Western Cape Economic Development Forum (in the early to mid-1990s). It also includes policy memoranda prepared for the regional board of the SBDC in the late 1980s and early 1990s as well as other working documents and media releases of those years.

The researcher has also had extensive interviews with some of the Bon directors and staff members, but has not conducted a systematic survey among them. Similarly, feedback on the “usefulness” of the Bon’s services has been obtained from those contacts and others at the Cape Town City Council as well as among small enterprises, but no larger survey has been undertaken. In the light of these limitations no specific, quantifiable assertions can be made about the “effectiveness” of the Bon.

As the researcher is an ex-employee of the City of Cape Town Risk Management and Asset Control Department (1998 to 2006) he was actively involved in the outsourcing process to external suppliers, which included small enterprises. Thus, business linkages and outsourcing constituted a core function in his portfolio.

Although the study focuses on a particular organisation, operating in the greater Cape Town area (or the Western Cape province) some attention has also been given to the national small-business scene as well as Bon-related initiatives and institutions in other parts of the country. In a more limited sense this also applies to international parallels and more recent trends in other African countries (as addressed in some of Bon’s activities – see the 1998 conference).

1.6 Structure of the report

The study consists of five chapters with some documentary material included in inserted boxes. Following this introduction, chapter 2 provides a historical background to the evolving small-business support scene in South Africa and the Western Cape. This includes references to earlier (pre-1994) efforts to expand business linkages between large and small enterprises as well as public-sector procurement from SMMEs. It also covers the phase of the Western Cape Economic Development Forum (WCEDF), where the Bon evolved as one of the focused projects.

Against that background chapter 3 summarises the establishment, expansion and diversification phases of the Bon in the light of shifts between private- and public-sector-focused involvement of the NGO. It also covers the Regional Supply Organisation (RSO) initiative of the Bon as an attempt to broaden the involvement from small-business procurement to regional procurement facilitation.

Chapter 4 focuses on the changing environment within which the Bon was operating and how this affected the evolution of competing as well as complementary bodies. In particular it shows the impact of escalating BEE pressures on both public and private enterprises, which also included pressures to accelerate procurement from (black) SMMEs. As part of this process, alternative programmes “to help small black suppliers” were developed.

Finally, chapter 5 attempts to evaluate the role of the Bon from its initial “missionary” role to its role eventually being largely taken over by other mechanisms and projects. This leads to some conclusions and recommendations which may also be relevant to other SMME-support bodies and the evolution of small-business support in South Africa.

CHAPTER 2

Business outsourcing in South Africa's small-business support

Concern about contemporary successes and failures of public-sector interventions in the economy often reveals a striking ignorance about similar concerns and efforts in the past as well as possible lessons to be learned from past practices. This section briefly reviews such efforts to stimulate “outsourcing to small enterprises”, going back to the emerging phase of Afrikaner enterprises as well as the phase of homeland apartheid and the transitional process pre-1994. In all these phases it was accepted that, in order to get successfully established and keep growing, small enterprises had to expand their access to markets. Such successes depended not only on the creative efforts of these small-business owners or entrepreneurs, but also on the willingness (and proactive efforts) of larger enterprises as well as public-sector entities to buy (or procure) from these emerging companies.

2.1 Afrikaner business history

It is well known that during the 1920s and '30s large numbers of Afrikaner families migrated from impoverished rural areas to the larger urban areas (in particular at the Witwatersrand and around Pretoria) looking for employment in either the public or the private sector. Due to early phases of racial discrimination, many of them were absorbed in the government sector and in parastatals, with the larger corporations (in particular in the mining sector) less inclined to give preferential employment to (poorly educated) white jobseekers. As a result, many of these newcomers to the urban areas tried their luck starting small enterprises, focusing on agriculture, trade, construction and diverse services. In the absence of effective small-business-support services many of these entrepreneurs struggled, which led to strong pleas (along Afrikaner-solidarity lines) for help from larger Afrikaner enterprises or sympathetic public bodies. During the 1930s these pleas led to well documented initiatives triggered by the Carnegie Commission on Poor Whites as well as the *Helpmekaar* and *Reddingsdaadbond* movements. It also facilitated co-operative efforts among Afrikaners seeking self-employment.

The factor most directly relevant for our study is the pressure exerted by those wanting to help emerging Afrikaner entrepreneurs on larger Afrikaner enterprises

(like Sanlam), parastatals and the government to directly support these SMMEs via procurement from them. Preferential treatment was based on group affinity and (gradually evolving) political contacts, with institutions like the Afrikaner Broederbond playing an increasingly significant role during the 1930s to '50s. (Thomas, September 1999)

During World War II there was less need for such support, but after the war when economic growth slowed down again the political shift in the country and the emergence of the National Party government and its apartheid ideology gave an even more solid base for pro-Afrikaner preferential treatment to small enterprises. Thomas (Sept. 1999, p. 1f.) summed it up as follows.

... after the Second World War the number of urbanised Africans had increased dramatically, with many of them trying to make a living in the informal- and small-enterprise sectors. Afrikaners returning from the war and others migrating to the cities now also started to look at small enterprises as self-employment bases. Once again, however, they looked at political (protectionist) instruments to facilitate their advance against the competition from both English whites and Africans – the former through the political landslide of the 1948/9 election and the others through the rise of apartheid.

Through both of these “tools” (increasing Afrikaner domination in government departments and systematic exclusion of Africans from normal business deals) emerging Afrikaner small business could gain the benefits of preferential procurement, even in the absence of explicit strategies and institutions with such focus.

2.2 Homeland development

While Afrikaners (or whites in general) used apartheid in the “common area” to advance their businesses (i.e. reduce competition from “non-whites”) the gradually evolving homelands revealed a different path. In the early phase of homeland (re-) settlement relatively little attention was given to African entrepreneurship and the facilitation of African-owned small enterprises. After all, the emphasis fell on Africans supplying (migrant) labour in the mines, factories, public enterprises and agriculture inside “white South Africa”, with so-called border industries gradually providing industrial jobs closer to the homelands. Inside those homeland enclaves,

agriculture was viewed as the basis, with even the trade sector still largely dominated by whites.

It was only in the 1970s, when “homeland-development corporations” (e.g. the Ciskei and Transkei Development Corporations) started to broaden their perspectives from “border industries” and state ventures inside the homelands to local small enterprises, that issues related to procurement from (local) small enterprises started to emerge. Yet, in most cases the gap in the quality of goods available from these emerging African-owned enterprises compared to established (white-owned) enterprises was so large that little attention was given to “preferential treatment” of local enterprises during the decade.

2.3 The SBDC and acceleration of small-business support

When the Small Business Development Corporation (SBDC) was established in November 1980, many of the factors determining South Africa’s economic-development dynamics had changed quite drastically compared to the 1930s and 1960s/70s.

- Four years after the Soweto uprising it was clear that the permanent settlement of Africans inside (“white”) South Africa was irreversible.
- The coloured and Indian population groups already played significant roles in certain regions of the country, and their (small) business-development aspirations had to be accommodated.
- Notwithstanding South Africa’s strategically significant mining, manufacturing and (large-scale) agricultural sectors the small-enterprise sector had to play a far more important role in the country’s economic development.

The SBDC was established as a public-private partnership, which from the outset took over the Coloured Development Corporation and the Indian Development Corporation, which had been created as apartheid institutions in the 1960s. During the 15 years of its existence (i.e. until 1994/5 when the government’s share of 50 per cent was reduced to 20 per cent of the new Business Partners) the SBDC was active

in many spheres of small-business support (Thomas, Sept. 1999, pp. 21/2), which also included issues related to procurement from SMMEs. However, since preferential procurement was not a central issue or activity of the national body, no national guidelines were laid down, and actual progress with the propagation of this issue depended largely on the management and regional boards of the different provinces, even though some joint action was taken at SBDC's head-office level.

Focusing more specifically on the (Western) Cape region of the SBDC the following action can be highlighted.

The Contactmaker Programme

The SBDC head office started a "Contactmaker Programme" in the late 1980s, headed by Siza Khampepe, with a "Directory of Small Businesses" one of the early visible outputs. About 850 small enterprises spread across the country (but excluding the homelands) were listed and cross-referenced by area and sector. Most of these were SBDC loan clients or tenants in SBDC industrial parks (hives), i.e. it was in the interest of the SBDC to boost their turnover through such publicity. The rationale of the initiative was explained in the forward of the 60-page publication. (Also see Huckle and Visser, November 1993.)

Large corporations in South Africa tend to be conservative and deal only with other big businesses ... Small-business people and especially black and more informal businesses have some justification in claiming that they are ignored by the white business world, but does big business know who they are? Does it know what they can do? Does it know how to contact them?

The aim of the [SBDC's] Contact Programme is to facilitate business relationships between corporate buyers, purchasing agents and small suppliers. (SBDC, 1988, p. 1)

Small-Business Marketing-Support Unit in the Western Cape SBDC

The Cape region of the SBDC, which originally covered the former Cape Province of South Africa (including the Northern and Eastern Cape) and which had absorbed much of the former Coloured Development Corporation, expanded its range of support services provided for SMMEs extensively during the late 1980s/early 1990s. One of these steps was the development of a small-business marketing-support unit, which focused (i.a.) on subcontracting (Thomas, February 1991). After lessons learned from experimentation led by the Anglo-American-SBDC partnership in this field, the approach had two major thrusts, viz.

- motivation of the top executives of large corporations and identification of a senior person responsible for the reorientation of these companies' buying policy and
- establishment of a grassroots-based, SBDC-controlled (or –facilitated) contract or supplier-support system, geared towards the safeguarding of prompt deliveries, quality control, supplier efficiency, project finance and other aspects of entrepreneurial support.

During the initial years such contacts were established in the Western Cape with (i.a.) Sanlam, Old Mutual, Eskom, Mobil and Shell, the Cape Town City Council and selected government departments, with the focus initially more on coloured- and white-owned SMMEs rather than African-owned enterprises. As far as the SBDC's inputs were concerned the Western Cape approach included the following elements (Thomas, February 1991, pp. 3–7).

- Fostering awareness among larger enterprises,
- facilitating contract financing (via the SBDC's programmes),
- co-ordinating marketing initiatives at the SBDC-owned and –managed small-business incubators or hives (of which there were ten in the Western Cape, accommodating about 300 units),
- implementing a (black business-focused) Tender Activation Programme,
- reorientation of the SBDC's own buying procedures,
- establishing bulk buying and storage facilities for small enterprises who wanted to benefit from quantity discounts,

- providing marketing-focused advice and counselling for individual SMMEs,
- facilitating marketing-focused training for SMMEs,
- exploring export opportunities and export-marketing problems of SMMEs,
- looking into particular marketing or procurement challenges in selected sectors or subsector niches in the Western Cape [e.g. the building sector or specific parastatals (Thomas, Sept. 1988, March 1989)].

It should be clear from this long list that the envisaged approach reflected what was later to be referred to as a “one-stop shop approach”, i.e. the combination of various support services in order to address different weaknesses of SMMEs in their supply to larger firms and public-sector entities.

The impact of such a comprehensive approach depended, of course, on the capacity of that “unit” and the funding of its activities. A progress report of February 1993 (five years after the start of the programme) indicated pressures on the funding of the initiative (given the SBDC’s dependence on state funds for its developmental activities), but strongly argued for the continuation of it (Thomas, February 1993).

2.4 The transitional phase (1993 to 1996)

The early 1990s witnessed complex processes of rethinking and forward strategising in many fields of South Africa’s socio-economic development. In the Western Cape much of this broader debate was triggered or facilitated by the WCEDF, which was a loosely structured discussion group which included organised business and labour, academics, NGOs active in socio-economic fields and some individuals from municipal- as well as provincial-government offices. Underlying these efforts was the urge to prepare economic-development thinking and strategising appropriate for the “new South Africa”, with the focus specifically on the Western Cape development scene.

Aside from a number of other task groups the WCEDF established a Small-Enterprise Task Group (SETG) in September 1993 to “focus on the promotion of small, medium and emergent enterprises in the Western Cape. As such it had to translate regional economic-development targets into the demands on this sector and

facilitate development to meet these demands” (Thomas, March 1993, July 1993 and August 1993, SETG, September 1993). The task group consisted of

- a quarterly plenary meeting,
- monthly steering committee meetings,
- project groups focusing on specific projects,

with two SBDC staff members, a Wesgro representative, a Cosatu representative and a private consultant (ex-SBDC) as key persons on the steering committee. Initially, eleven “projects” were listed for closer attention by the task group, with one of these projects titled “sub-contracting”. It had the aim of

- ensuring that the main constituencies in this field were represented in sub-contracting initiatives and policy formation,
- launching further initiatives to make use of subcontracting as an economic-development instrument,
- facilitating the setting-up of the necessary supportive infrastructure in which subcontracting could gain momentum,

with Theo Rudman (active in NGO-type support for SMMEs) as convener (SETG, September 1993, p. 3).

Against this background and strengthened by a full-day workshop held in November 1993 as well as a discussion document compiled by Ken Biggs of Deloitte & Touche (and former head of the SBDC’s subcontracting unit) proposals were put forward in December 1993 for “a business opportunity centre for Cape Town” as “one element of a broad-based subcontracting support strategy” (Morrison and Thomas, December 1993, p. 2).

The workshop concluded that

- although there is still insufficient momentum in the subcontracting process, many forces are at work and some progress has already been made in diverse areas, with a more significant “breakthrough” not unlikely within the next year or two,
- in order to facilitate communication between contracting firms, subcontracting small enterprises and different support bodies, it would seem appropriate to focus our attention – at least for some time – on the establishment of a Business Opportunities Centre in the Western Cape. (WCEDF, December 1993, p. 10)

2.5 The 1994/5 White Paper process

As in many other spheres, the year 1994 was packed with public debates, initiatives and reforms in the field of small-business development (support). Preparatory work on a White Paper picked up momentum by mid-1994, with the first full draft circulated at the end of that year. The revised White Paper was passed by the cabinet in February 1995, and it constituted the base for the April 1995 “First Presidential Conference on Small Business”, held in Durban.

Issues related to SMME access to markets as well as challenges concerning business outsourcing and big business-small business-linkages constituted a significant element in these policy debates and strategy plans. Box 1 reproduces the section in the White Paper covering this specific topic, and Box 2 provides excerpts of the “Government Programme Input Paper No. 2” titled “Access to markets and tenders”, which was viewed as one of the “key support areas”. In essence a distinction was made between

- support programmes for public procurement and
 - support for private-sector business linkages,
- with additional involvement areas including small-enterprise exports, access to raw materials and quality services for SMMEs as well as the increase of informal-market facilities.

Box 1: White Paper (pp. 28/9)**4.4 Access to marketing and procurement**

Small-enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level. This perception is paralleled by many studies – in South Africa and internationally – which view market access as a critical factor in business growth, in particular in the case of entrepreneurs from disadvantaged communities.

Responsibility for steps to overcome this constraint falls upon many different groups: individual entrepreneurs and groups of small businesses, which have to compete with others for the same clients, local government and business associations, who should reconsider regulations hindering market access of newcomers, the established business community, who should practise what they preach by opening up competition rather than controlling markets, and public-sector departments as well as big enterprises, who should re-orientate procurement towards small-enterprise suppliers and subcontractors.

The government is committed to facilitate this complex process in a number of ways:

- 4.4.1 Encourage the *Competition Board* to take the necessary reform steps to prevent restrictive practices vis-à-vis small enterprises and to make the Competition Board more accessible to SMMEs;
- 4.4.2 consider steps which could include tax incentives, procurement quotas, voluntary commitments, etc., to *motivate the big-business sector* to systematically expand its links with small enterprises. In this respect sector-specific and localised efforts are likely to bear better results and minimise confrontation, compared to national rules or guidelines;
- 4.4.3 propagate and encourage the *simplification of tender procedures* among all public-sector and parastatal tender authorities, in order to make it easier for small enterprises to compete and eliminate gender bias; several steps in this direction have recently been implemented;
- 4.4.4 further adjust *public procurement practices* at central, provincial and local government levels, and by parastatals, in order to facilitate the granting of some proportion of contracts to black-owned or -controlled enterprises, and encourage small-business tendering for such contracts. In this context the efforts undertaken by the Public Works Ministry and other government and/or provincial departments within the RDP framework, to address the unemployment problem through labour-intensive construction, are also of direct relevance to the small-enterprise sector. As outlined in the RDP, attention will be given, wherever practically possible, to the involvement of small and/or emergent (sub)contractors. The DTI will encourage co-operation between relevant departments as well as private-sector institutions and NGOs to reach SMMEs and to mobilise training and mentoring support for small contractors, so that they are able to tender successfully;

continued

- 4.4.5 facilitate, where necessary the ability of small enterprises to meet the conditions of such contracts. This will be done primarily through the support of Local Service Centres and, in particular, *business linkage programmes*;
- 4.4.6 encourage the development of more appropriate *small-enterprise export-support programmes*, to either adapt, supplement or replace existing programmes which are largely tailored towards the needs of the bigger exporters. Such programmes could cover special finance schemes, exhibition facilities, new types of export trading houses, adjusted export credit-guarantee schemes, an expansion of the export marketing assistance scheme and special training efforts. They should be sector-specific and locally focused, wherever this is feasible.
- 4.4.7 All of the above steps will only be effective if small enterprises at the same time work hard to increase the quality of their goods and services, diversify their product range in response to changing market opportunities and commit themselves to the development principles embodied in this White Paper. Neither government nor bigger businesses can be expected to purchase products of poor quality or inferior to other locally produced or imported products. To overcome these problems it is necessary to integrate supply and demand side efforts in the small-enterprise sector, i.e. link the above steps with policy proposals related to training, finance, technological assistance and sector-support programmes.
- 4.4.8 Closely linked to marketing and supply problems of SMMEs are issues related to reasonable access to *raw materials* and *quality services* at affordable prices. There are many ways of addressing these problems, including bulk purchases by clusters of firms or through sector associations, assistance to individual firms via extension networks and the discouragement of supplier monopolies. Government favours a diversity of approaches, adapted to sector as well as regional needs. Its support, if necessary, will be channelled through LSCs, business opportunity centres and other linkage agencies focusing on particular categories of enterprises.

BOX 2: Government Programme Input Paper no. 2 (pp. 2 – 5)

Support programmes for public procurement

A comprehensive programme to increase the SMME share in public-sector procurement has already started, focusing on different levels of public-sector purchasing.

- At central-government level a wide range of departments each have to become aware of the challenge and have to be committed to supportive action. An interdepartmental committee has begun to mobilise co-operation

continued

- The RDP stresses the need to involve small and, in particular black and emergent, entrepreneurs as contractors in the implementation of RDP programmes. Given the size and diversity of RDP projects, this commitment is likely to soon result in a dramatic increase in the demand for SMME suppliers, especially in the construction sector.
- The composition of tender boards is to be reviewed in order to give more weight to representatives from the SMME sectors; this applies to the central and provincial government levels and should be expanded to local authorities and parastatals as well.
- Tender procedures are to be reviewed in all relevant public-sector departments in order to make tenders more accessible to SMMEs.
- Greater emphasis will be placed on language accessibility of tender documentation.
- Information and training sessions will be held for potential SMME suppliers to get them acquainted with the public tender system. Private training and mentoring organisations will be used for this and local business opportunity centres will also be involved.
- Under certain conditions performance guarantee requirements will be waived, e.g. referral by recognised mentors and/or Local Service Centres (LSCs). Adjustments will also be necessary in the terms of payment for SMME suppliers.
- Joint black/white-operated supplier ventures will be encouraged as a means of accelerating the process of experience transfer.
- To safeguard performance efficiency SMME subcontractors will be screened and performance rated; enterprises with less than two years experience in subcontracting will have to demonstrate their capacity to deliver or they will have to involve an experienced contract mentor. LSCs or Business Opportunity Centres will play a significant role in this field.
- Through the Chief Directorate for small enterprise promotion in the DTI, government will monitor, encourage and co-ordinate initiatives by state departments and provincial governments. It will also monitor progress in the local-authority and parastatal sectors and consider appropriate support initiatives.
- Most of the cost of public-procurement reorientation towards SMMEs should be indirect and borne by the respective departments and agencies. The Chief Directorate and the SBDA will, together with other support agencies, facilitate the development of training and mentoring support to help screen SMMEs and strengthen their capacity to deliver. This could include private-sector secondment. In the long run these costs should also be internalised within the different procuring agencies.
- The Chief Directorate and the SBDA will also address the wider propagation of these public-procurement efforts in close interaction with the different public-sector agencies.

Support for private-sector business linkages

In the business sector the government expects private enterprise and organised business to take the initiative and co-ordinate efforts towards greater market access of SMMEs, affirmative action in the subcontracting field and closer business linkages between big and small enterprises.

continued

The government is aware that the following agencies, among others, play a significant role in this process:

- local business opportunity or business information centres, established to facilitate such linkages,
- LSCs, which could have the promotion of such linkages as one of their roles,
- in-house initiatives in large corporations, among groups of firms or co-ordinated by business associations,
- development corporations which through their small-enterprise hives or incubators often try to match the purchase needs of larger firms and the supply capacity of small enterprises,
- SMME-support agencies and NGOs active in the training and marketing field; some of them also mobilise mentors to help enterprises meet contract requirements.

The government sees its role in the encouragement and support of these initiatives rather than in direct intervention. The following steps are considered:

- legislation to strengthen affirmative action in SMME marketing and subcontracting
- tax incentives to stimulate big business-SMME linkages
- financial assistance for the subcontracting-support functions of LSCs and Business Opportunity Centres as well as related training and mentoring activities
- the encouragement of voluntary commitments of large enterprises towards SMME-supplier involvement
- the further encouragement of country-wide SMME-hive or -incubator facilities with strong emphasis on marketing needs of enterprises

Efforts by the Chief Directorate and the SBDA in these areas are to be supplemented by initiatives and the monitoring of progress at the provincial-government level.

In addition to these steps which are all aimed at the subcontracting sphere, issues of market access also have to be addressed in a few other important areas, viz.

» **Small enterprise exports**

Responsibility for support programmes will fall on the Chief Directorate, the SBDA, the export section of the DTI and initiatives on provincial, parastatal and industry level. Such efforts will include special finance and credit-guarantee schemes, the facilitation of local exhibitions and the attendance of international exhibitions, new types of industry-based export-trading houses, special training efforts and technology-transfer programmes.

» **Access to raw materials and quality services**

SMMEs are often confronted with problems in obtaining (small quantities of) raw materials at reasonable prices, getting access to quality services and bulk-purchase facilities, or getting around the obstacles created by supplier monopolies.

The government, through the Chief Directorate and/or the SBDA, will encourage the Competition Board to be more responsive to unfair competition and to assure that its rulings are actually implemented.

continued

It also views the LSCs as important networking vehicles to help overcome raw material and other supply bottlenecks, in particular in rural areas and in black townships. Aside from this, groups of SMMEs and business associations have to keep up the momentum.

► **Market facilities**

Informal markets, located at strategic places in villages, towns and in metropolitan areas, can play a significant role in the market access of informal-sector enterprises. Primary responsibility for such facilities falls upon local and regional authorities and the private sector. This relates as much to physical facilities and structures as it relates to the regulatory and zoning framework and support services (e.g., refuse removal, ablution facilities and policing).

The government regards the rapid expansion of such facilities as of the utmost importance, in particular in rural and small town areas and in a few central places of metropolitan areas. Its ability to financially support such initiatives will, however, remain extremely limited.

In the Western Cape 1994 also saw widespread discussions about a regionally adapted small-business-support strategy, with the SETG serving as catalyst and facilitator (see SETG Reports-Back, 1994). In these efforts the Business Opportunity Centre Project was a recurring theme with the project initially driven by the corporate-led Consultative Business Movement (CBM). This group had utilised the services of two international consultants, Peter Kenyan and Chaire Massey, to run a number of workshops around job creation and linkages between big and small enterprises. Report-back at the meeting on 25 May 1994 in this context says the following.

Tanya Hickert and Daniel Malan reported back on progress with the feasibility study. Daniel, on behalf of the technical committee, is interviewing a cross-section of SME-support bodies, major firms and parastatals/government departments and some SMEs. Alistair Ruiters [at a later stage the DTI's director-general] suggested that the BOC concept and the RDP's "Urban SME-service centres" were probably not too far aside. (SETG feedback report, 25 May 1994)

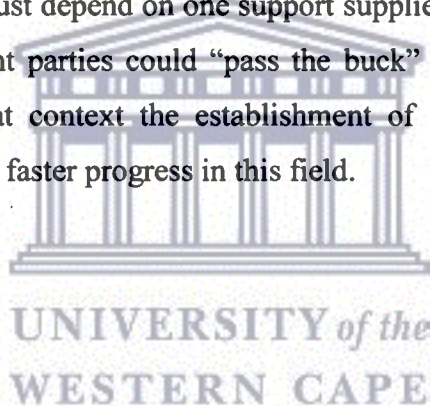
The 37-page report by Daniel Malan was released in August 1994, paving the way for more focused fundraising efforts for a BOC in Cape Town.

More or less parallel to these efforts in the Western Cape there were initiatives for a business-opportunity centre in Johannesburg, one in Durban (Thekwini Business Centre) and one in Richard's Bay. Furthermore, some of the existing "small-business

information centres” started to place greater emphasis on subcontracting advice and facilitation, e.g. the Atlantis Business Information Centre in the Western Cape and the Empangeni Business Advice Centre focused more on linkages (Link-up date no. 1, February 1995).

2.6 Conclusion: Subcontracting pre-Bon

Our discussion of the events preceding the establishment of the Bon shows quite clearly that the range of issues related to SMMEs’ access to markets and tenders was well articulated at the start of 1995. It was generally perceived to be an important support area, and it was felt to be an area where several parties had to play a proactive role. This could be viewed as both a strength and a weakness: A strength, since success did not just depend on one support supplier, but a weakness in as much as most of the relevant parties could “pass the buck” or limit their inputs to mere verbal support. In that context the establishment of a catalytic “body” could be viewed as essential for faster progress in this field.



CHAPTER 3

Evolution of the Business Opportunities Network

3.1 Establishment of the Bon

Following preparatory steps reviewed in the previous chapter, the formal establishment of the Cape Town-based Business Opportunity Network happened in three steps.

- The WCEDF formally established the Bon in November 1994 after certainty had been reached concerning key sponsors for the start-up phase.
- The Bon was visibly launched at a “street party” in March 1995, with Dr Alistair Ruiters, the DTI’s chief-director of the Centre for Small-Business Promotion as guest speaker.
- In June 1995 the Bon was formally registered as a non-profit organisation, incorporated under section 21 of the Companies’ Act.

The first board of directors of the Bon consisted of 14 persons, with provision for further additions to cover the full spectrum of the network. These directors represented

- business organisations active in the Western Cape (the AHI, Cape Chamber, Fabcos, Nafcoc and the Cape Informal Traders’ Association),
- two large Western Cape-based corporations (Engen and SA Nylon Spinners),
- small-business-focused NGOs (Triple Trust, SBDC, Cape Town Job-Creation and the Centre for Entrepreneurship),
- public-sector bodies (the Cape Town City Council and Wesgro, with provision for provincial-government representation).

The first annual report of the Bon (for 1995) stressed this broad representation (p. 3).

The network nature of the Bon is critical to its operation, and although the Bon operates with a skeleton staff and a small infrastructure, close relations are maintained with all major stakeholders in the SMME development sector, and the Bon is involved in many joint initiatives.

Initial funding for the new entity came from three sources:

- a two-year grant from the Micro-Enterprise Development Portfolio of the Independent Development Trust (IDT)
- corporate sponsorship from Engen and Sans,
- a grant of R50 000 from the City of Cape Town.

In addition, the Bon team introduced a system of corporate membership and SMME membership, both linked to specific services supplied. As a result, the first financial year (January 1995 to February 1996) ended with a “surplus” of R142 000 out of gross revenue of R462 000.

The skeleton team of the Bon was, quite appropriately, accommodated on the ground floor of the building which accommodated the offices of the Cape Chamber of Commerce, thereby further emphasising its close links with the business community. At the same time, the issue of “satellite offices” in some of the townships or working-class suburbs was raised at an early stage (although it took more than five years to get acted upon).

Finally, the network-approach for the challenge of business-linkage promotion was stressed in the name of the body, viz. “network” rather than centre, with the regional focus in brackets added [e.g. (Western Cape)].

3.2 Core activities of the Bon

Without going into operational details we can briefly state the main activities pursued by the small (four-person) Bon team as reflected in its annual reports for 1995–7.

Bon database

This was from the outset seen as the central task, i.e. to develop a gradually increasing database of (black/emerging) small enterprises in the greater Cape Town area, and to make that information available (in a cost-efficient and technically effective way) to larger firms as well as public entities. At the end of the first year this database included 520 firms, by 1997 it had increased to about 800 and by 2003 to 2 100.

Information and advice

This was supplied through the Bon's monthly newsletter (Link-up date), its staff and referrals to mentors as well as other SMME information desks in the region. The latter applied in particular to the advice needs of SMMEs, whereas Bon staff spent considerable time on direct liaison with larger firms and public entities interested to expand their outsourcing activities.

Training

Through Bon workshops and participation in other training programmes the team tried to spread information and lessons of experience about outsourcing and business-linkage issues.

Sector-focused support

Since the preconditions for successful linkages differ widely between sectors and niches in the economy it became clear at an early stage of Bon's activities that more focused support had to be given to firms and SMMEs in particular sectors, e.g. in the clothing industry, tourism and parastatals. Such efforts were usually tackled in close co-operation with specific sector bodies like Clotex in the clothing and textile sector.

3.3 Shift in focus from the corporate to the public sector

During the early 1990s, before political changes and elections had paved the way for new leadership teams in public-sector bodies, the main focus of Bon-related actions fell on the corporate sector. The more immediate goal was to convince more corporations that increasing procurement from small (black) enterprises was feasible, reconcilable with corporate profit goals as well as desirable for broader economic

and social goals. In that context the increase in corporate membership of the Bon was a critical task for the team's action in 1995/6.

With the unfolding of the country's SMME-support strategy and the establishment of new local, regional and provincial authorities between 1994 and 1996 increasing attention was given to the ways these public-sector bodies could support or strengthen small enterprises. This also applied to the Second National Conference on Small Business held in Durban in 1997, where the main focus of the proceedings fell on the role local authorities could (and should) play in (i.a.) the stimulation of (black) small enterprises.

This shift was also reflected in the Bon's 1996 and 1997 annual reports which highlighted the following developments.

- The implementation of the Bon's local-government-procurement programme launched in June 1996 and supported by the Ford Foundation.
- Participation in a national core group of linkage-orientated organisations, co-ordinated by the Ntsika Enterprise Promotions Agency.
- Bon becoming one of two Tender Advice Centres in the Western Cape in 1997.
- The publication of the Green Paper on Public-Sector Procurement Reform, which was important for the Bon's interaction with public-sector departments.

Having from its inception maintained excellent relations with the evolving national, provincial and local authorities the Bon team played a useful communication and training role in the movement towards greater procurement from SMMEs by public-sector bodies. Close contacts were maintained with the new Cape Town municipalities (Cape Town, Tygerberg and South Peninsula) who actively utilised the Bon's SMME database and its advice and training facilities. Although there was also interaction with platteland municipalities (like George and Saldanha), capacity limitations made more intensive support difficult.

3.4 Plan for a regional supply organisation

As the focus of Bon's involvement shifted from the sensitisation of larger corporates to the strengthening of local procurement by municipalities and other public-sector bodies, attention was also focused on regional supply capacities and how these could be strengthened. Interaction with British experts in this field of "local procurement as a general tool for local and regional development stimulation" led to a foreign-sponsored investigation into the feasibility of a regional supply organisation for the Western Cape. Box 3 provides a summary of the project, which was initiated in late 1997 and led to proposals for action in 1998.

Looking at this project from a broader perspective, three facts which determined its initial relevance also caused its long-term loss of viability.

BOX 3: *Bon's regional-supply initiative*
Extract from the 1997 Annual Report (pp. 7/8)

Regional Supply Initiative

The BON, supported by the Economic and Social Development Directorate of the Cape Metropolitan Council (CMD and the British Department for International Development (DFD) has commissioned a feasibility study into the establishment of a Regional Supply Office (RSO) in the Western Cape. A Regional Supply Network (RSN) was launched in the United Kingdom in 1995 as part of a government-initiated drive to improve the competitiveness of UK-based small and medium-sized enterprises. It consists of a network of 10 Regional Supply Offices in England, and was set up specifically to meet the needs of purchasers and suppliers. The main objectives of RSOs are to:

- help purchasers find the most competitive supply sources
- provide new business opportunities for competitive suppliers
- encourage the spread of best practice, supplier development and local supply chains
- highlight opportunities to improve the capabilities of local suppliers

The BON was introduced to the concept of an RSO during its Local Government Procurement Reform workshop. Because of the success of the RSN the BON decided to investigate the feasibility of such a facility for the Western Cape, and with the support of the CMD and DFID appointed the Small Business Centre at Durham University Business School and the Northern Development Company as joint consultants to prepare a feasibility study. The Northern Development Company (NDC) is the host for one of the most successful RSOs in England. The team, consisting of Richard Hanage (DUBS), Trevor Sherburn (NDC) and Dan Brophy (DUBS Associate) visited Cape Town during March 1998. Extensive discussions took place with a wide spectrum of stakeholders, including representatives from local and regional government, para-statal, private sector companies, SMMEs and SMME support organisations.

Continued

Based on these discussions, as well as the outcome of three individual workshop sessions, the consultants recommended the establishment of a Regional Supply facility within the Western Cape, accommodated within a larger, restructured BON. Due to the nature of an RSO, the focus will be on Small and Medium Enterprises. This will complement much of the current focus on Micro Enterprises, and at the same time ensure that no duplication in terms of the delivery of services takes place.

Existing gaps identified within the Western Cape were also discussed at the final workshop. These gaps included the following:

- Corporates must realise that buying from SMEs is good business if they are to compete globally.
- Government must see that its role is supportive, enabling the RSO, not running it.
- SMEs must learn how to provide the quality and service Corporates need.
- More support must be provided to help SMEs become good suppliers to Corporates.

- The project's investigation phase was generously funded by UK sponsors. Such funding could not be guaranteed for the implementation phase.
- The project focused on general supply capacities of local areas or regions rather than the particular problems of small or micro-enterprises, let alone black-owned enterprises, which in the late 1990s/early 2000s was still the overwhelming goal of virtually all outsourcing initiatives in South Africa (including the Western Cape), i.e. the goal of the project was too broad.
- The initiative lacked a substantially enlarged capacity of the Bon at a stage when the NGO was getting concerned about its financial viability and even the limited size of the setup.

Thus, although the studies undertaken for the RSO proved insightful for Bon staff, directors and workshop participants, the initiative constituted a detour from the organisation's core activities, and it actually did not materialise.

3.5 Focus on business linkages in Southern Africa

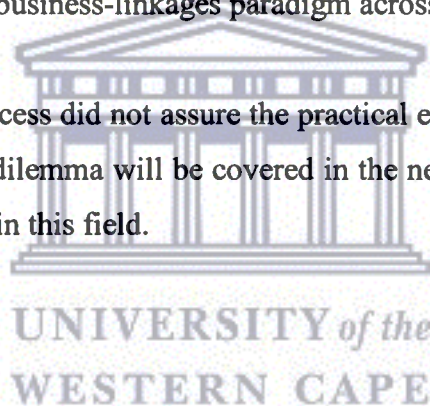
With the Bon team and directors of the mid-1990s well connected with national and regional policy planners and strategists in the small-business-support sphere it did not come as a surprise that the first Southern African Business Linkages conference was held in Cape Town at the end of 1998. Sponsorship of the conference by the German Friedrich Ebert Foundation and the Finnish Embassy reflected close co-operation between the Bon and these bodies during the Bon's start-up years.

Inputs by representatives from Namibia, Mauritius, Malawi and Zimbabwe created a Southern African perspective to the underlying issues, and participation of representatives from the World Bank as well as the UNDP further widened the comparative perspective. (Box 4 reproduces the content table of the conference publication.)

The conference proved very fruitful for the participants and its value was further enhanced by the compilation of a 70-page publication (“Conference Papers and Proceedings”) which was disseminated to support agencies and stakeholders in this field.

Viewed more critically, the conference illustrated the strong intellectual role of the Bon during the late 1990s, i.e. a small, well connected team playing an active role in the propagation of the business-linkages paradigm across Southern Africa.

Unfortunately, this success did not assure the practical effectiveness of the Bon at the grassroots level. This dilemma will be covered in the next chapter, where we look at parallel developments in this field.



BOX 4: "Promoting Business Linkages in Southern Africa"

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3.6 Conclusion: The Bon as catalyst in a broader process

This chapter has reviewed the emergence of the Bon over the five years from its first project-planning stage in the SETG in late 1993 up to the southern Africa-focused conference on business linkages held in Cape Town in November 1998. Viewed from a broader perspective this initiative and the emerging institution played a very significant role during a critical phase of South Africa's evolving small-business-support strategy. We can list a few of these roles by way of conclusions.

- The initiative was born out of the private sector, i.e. a number of larger ("socially responsible") corporates saw the need to assist small enterprises in their efforts to strengthen their market access.
- The Bon personified the marketing-support dimension within the wider debate around South Africa's SMME-support strategy (i.e. the White Paper) and the evolving Western Cape SMME-support strategy.
- The Bon, in its internal operation reflected the shift in procurement focus from corporate or private sector to public-sector entities, with the rise of BEE thinking a distinct factor.
- In its (short-lived) broadening of the black SMME-procurement orientation to the regional-supply organisation the Bon showed the broader context of procurement preferences or support as a tool for local economic development and local job creation.
- By organising the 1998 conference the Bon stressed the similarities existing in this field of SMME support between the different regions in South Africa and indeed southern Africa.

To link all these aspects we can in retrospect say that Bon's operational style, with its emphasis on open debate about the goals and instruments as well as the efforts to build bridges for local, regional and national partner bodies, strengthened its "missionary position" in the early phase of South Africa's procurement support. The actual number of small enterprises helped by the small Bon team was rather small

during these five years, but its impact on the rethinking about developmental, SMME-focused procurement support was probably significant.



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CHAPTER 4

Diversification of procurement initiatives

In the previous chapter we showed that in a way the Bon reached a high point in its 10- to 14-year existence at the end of 1998 when the Southern African Business Linkage conference was held in Cape Town, and when it seemed as if Bon's evolution into a larger regional-supply office was confirmed, thereby also (seemingly) safeguarding the NGO's future funding. Looking back on this year in 2007 we can indeed view it as "the" high in the existence of the organisation. While the Bon had been streamlined in its board structure, staffing and core activities (see Box 5 for the 1998 Bon board) developments around the small NGO made it clear that major processes were in force which would mobilise far more powerful transformations in the sphere of outsourcing to (black) SMMEs.

This chapter summarises these change processes which paved the way for the de facto phasing-out of the Bon after 2003 (i.e. 10 years after the conception of the organisation).

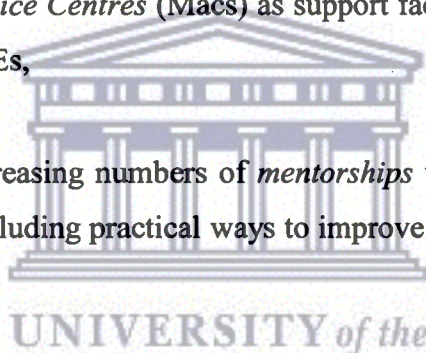
BOX 5: *Bon board 1998*

Category	Directors
Corporate members	<ul style="list-style-type: none"> • Peter Smith (Cape of Good Hope Bank) • Stewart Solomon (SAB) • Rowayda Halim (Swartklip Products) • Nigel Birkett (De Beers Consolidated Mines) • Michael Berry (SANS Fibres) • Ebrahim Asmal (Engen)
Public-sector members	<ul style="list-style-type: none"> • Two directors to be nominated by metropolitan local councils • One director to be nominated by the CMC • One director to be nominated by provincial government
Associate members	<ul style="list-style-type: none"> • Herbert Hirsch (Business Cape: Cape Chamber) • Tom Joubert (Business Cape: AHI) • Brian Johnston (Business Cape: Fabcos) • Vacant (Business Cape: Nafcoc) • Joseph Matolengwe (LBSC: Cape Town Job-Creation Project) • legshaan Ariefdien (Academic institutions: Centre for Entrepreneurship) • Wolfgang Thomas (Wesgro)
SMME members	<ul style="list-style-type: none"> • Richard Julius (Masikathale) • Lamees Adams (Magnum Chemicals) • Fuad Abrahams (Labusani Engineers) • Michelle Ashburner (Turtle Island)
Executive director/company secretary	<ul style="list-style-type: none"> • Daniël Malan

4.1 Unfolding of the national SMME strategy

The new organisations created after the acceptance of the 1995 White Paper started to get established and multiply after the passing of the National Small Business Act of 1996. These included

- the spread of *Local Business Service Centres* and other Ntsika-co-funded NGOs catering for information and advice about the needs of SMMEs,
- the creation of *Tender Advice Centres* focusing on small enterprises keen to get better access to tenders and other procurement opportunities,
- the establishment of *Brain* as web-driven database facility as well as the *Manufacturing Advice Centres* (Maacs) as support facilities for more sophisticated manufacturing SMEs,
- the creation of increasing numbers of *mentorships* to advise SMMEs on critical business issues, including practical ways to improve access to tenders and general market access.



Soon after the TAC programme was instituted by Ntsika, the national SMME-support agency, the Bon succeeded to qualify as a Tender Advice Centre in Cape Town. This was useful since the Ntsika grant covered a significant part of its current staff expenses. At the same time the co-funding of other TACs in the greater Cape Town area made the Bon less of a “unique” body in this sphere.

The 1997 Second National Conference on Small Business, also held in Durban, focused in particular on the role of local authorities in the support of SMMEs. This too included greater attention on procurement by local authorities from small enterprises, paving the way for the appointment of specialised staff and the development of affirmative procurement policies by municipalities.

4.2 From SMME support to BEE facilitation

The late 1990s also witnessed the rise of South Africa's black economic empowerment (BEE) movement, which would (after lengthy processes of experimentation, public debate and policy planning) lead to BEE and consequently BBEE charters which included preferential procurement from (black) SMMEs as one of the core elements. Discussions about these charters and BEE policies stretched across the country, and a wide range of sectors far exceeding the potential scope of the Bon's efforts. In fact, once "procurement from PDI-owned enterprises" became one of the critical elements of BEE charters, corporates developed a very strong urge to find potential (black-owned) enterprises and make sure that they successfully and timeously supplied to the corporates.

In contrast to the ownership component of BEE charters the procurement component does not "threaten" the control of the business by its present owners. Thus, there is a far greater willingness to progress in this field, which resulted in a vast increase of efforts by corporates and medium-sized firms to expand their procurement from black-owned (small) enterprises.

Compared to the number of larger firms now proactively pushing such outsourcing and the much larger number of small enterprises eligible for such procurement, the Bon's database and handling capacity thus became insignificant.

4.3 Corporate-sector staffing of procurement offices

As larger enterprises realised that they could (or should) procure a larger share of their inputs from small enterprises, they started to expand the relevant sections in their purchasing and procurement sections. While some of them utilised the Bon's database and mentoring services, more and more corporates expanded their own staff or utilised specialised consultants to develop local procurement (support) programmes. Although some of these valued the Bon's initial information and supplier database, most of them were quick to develop their own preferential supplier database.

In response to these needs of larger corporates, professional database experts started to offer web-linked access to rapidly expanding databases of SMME suppliers, with *Trade World* the best known at the turn of the century. Since the prices charged for their services were initially beyond the scope of micro-enterprises, the Bon could for some time fulfil a facilitatory role (to be an intermediate for emerging enterprises), but this could not prevent Trade World from gradually acting as an effective competitor for (some of) the Bon's services.

4.4 Public-sector procurement

In line with increased pressures on municipal, provincial and national government departments to expand procurement from black-owned enterprises, we find extensive reforms in the respective tender systems and programmes institutionalised after 1996/7. Most of these reforms led to larger staff assignments in the different procurement offices. Thus, while the Bon had in some of these reform processes played an advisory role; it soon became clear that these new systems created capacities far in excess of what the Bon might have been able to offer.

As previously mentioned the researcher was employed by local government through the transition phases from the City of Tygerberg to the City of Cape Town. By 1998 the City of Tygerberg had established its own central procurement department (in Bellville) serving as head office for satellite offices in Goodwood, Parow and Khayelitsha. However, the managers within different directorates procured from established reliable suppliers. The Risk Management and Asset Control Department management (by 1999/2000) promoted the expansion of procurement from reliable black-owned enterprises. Sourcing of the latter enterprises was either obtained from the council's own database (compiled and updated by the procurement department) or external sources or media. Due to economies of scale and financial input required and the City's payment policy (30 days from date of invoice) of certain projects the smaller or emerging enterprises were automatically excluded from the tender process. This led to them primarily either being ear-marked for smaller projects or simply eliminated from office on-hands database and that of the procurement office following the broad debate on service delivery.

The City of Cape Town's objective is to develop a BBBEE strategy that is fully defined and in line with the DTIs Codes of Good Practice and to ensure that the strategy is effective and focused on relevant legislation, procurement policies, supply chain management and related practices. The strategy seeks to further ensure that the Council's commitment is toward a sustainable BBBEE strategy that is detailed, practical and in line with financial controls, available resources and service delivery. The key challenges within this approach is addressing the scope of internal controls, knowledgeable staff to execute operations, internal audits and monitoring the compliance with applicable laws and regulations. The ultimate aim of developing the strategy is for the evaluation and monitoring by all stakeholders.

Zolile Siswana: Director of Economic Development for the City of Cape Town confirms (in line with the above) that Tradeworld has superseded the Bon as an organization that provides the municipality efficiently and effectively within the framework of this BBBEE strategy. However, he and many other interviewees indicate that Bon can still be useful if attention is focused on a specific area of development (Box 6 no. 3 refers to these specific areas).

This increased importance of procurement support inside the public sector gradually changed the relevance of the Bon for municipal and provincial authorities, which had during the mid-1990s provided significant financial support for the Bon. This support was not terminated entirely, but continued only as part of very specific programmes, thereby making it more difficult for the Bon to fund general staffing and operational overheads.

4.5 The spread of procurement-related professional services

Our discussion so far in this chapter has shown that in South Africa the demand for business-linkage-related support services increased sharply after 1996/7. This also applied to the Western Cape. The trend was apparent at all levels of the public and parastatal sectors as well as for large corporations and even medium-sized firms under pressure to increase their BEE status.

This increase related directly to the types of services supplied by the Bon, like

- database facilities to capture details of potential (black) suppliers and procuring firms,
- the assessment of the supply capacity of small (black) enterprises,
- training programmes for “affirmative” or BEE-related procurement processes, once again for both “buyers” and “suppliers”,
- the activation of other support- or linkage-facilitation programmes which address the great diversity of practical problems and potential conflicts which can arise in these linkages.

Since increased procurement from black (small) suppliers became part of the national BEE movement, a range of professional services has over the past few years evolved, trying to address these needs. These include

- database suppliers like Trade World,
- individual consultants in the fields of SMME support as well as procurement facilitation,
- TAC offices spread across the country,
- business chambers which view business-linkage facilitation as one of their legitimate and important membership services, both for their larger corporate members and their SME members,
- small-business training suppliers, for whom focused courses in this field are a natural addition to courses on (e.g.) “How to start a business” or “How to prepare a business plan”.

4.6 The Bon's reaction to these challenges

After the first five years of successful operation of the Bon as a propagator and facilitator of the business-linkage process it became clear that the organisation had two options for its further unfolding. It could either transform itself into a professionally-run, specialised service supplier in line with the different bodies that were evolving (as indicated in the previous subsection), or it could remain at the level of well connected and well respected general-process facilitator. In the light of the broadening of the linkage processes and the rise of the BEE momentum, the need and scope for such general facilitation was shrinking rapidly by the end of the 1990s.

This in fact left only one option – transformation into a specialised professional agency, aside from the possible phasing-out of the Bon.

The departure of the first manager/CEO/executive director of the Bon, Daniël Malan, in 1999 signalled part of this transformation in as far as he had been particularly well articulated in the Bon's role as "missionary" in the business-linkage field. He had also been successful in establishing close links with foreign donors and academic contracts related to the broader field of supply-chain development and corporate social responsibility.

Daniël Malan's successor, Chantal Christiansen, had been with the Bon for some time, thereby growing into this style of operation. As database administrator she was aware of the critical role of the database for the Bon's clients and the need to steadily expand and refine it.

To highlight the Bon's acceptance of the changing scene and its newly defined role, Box 6 gives excerpts from a document passed at a special Bon board meeting in August 2001. It stresses the widening scene of SMME support and the need for the Bon to focus its activities on both the private- and the public-sector needs as well as some general support tasks.

BOX 6: *Reorientation of Bon's priorities – 29 August 2001*

**Accepting new Challenges
Strategic repositioning of the Bon**

This document has been approved by way of a special resolution at a BON board of directors meeting on the 29th August 2001. It was drafted to orientate pending discussions with the CCT. It should also help in the recruitment of staff, which is now a matter of great urgency.

1 Background

During the past six years the procurement and business linkages environment in the Greater Cape Town area has changed significantly. Whereas a lot of sensitizing work was necessary in 1994/5 about the need for and

Continued

nature of corporate/SME linkages and about public sector preferential procurement, both of these are now well-established practices with much of the work in that field done "in-house" by corporates as well as public sector institutions.

Notwithstanding these and many other related developments, it would be quite unrealistic to argue that the (PDI) procurement challenges have all been met. In fact, progress has been highly uneven, with a lot of sensitising, strategising, systems development and facilitation still to be done.

continued

Besides, public sector leaders and corporates seem ad idem that not all these tasks can be "internalised", i.e., that NGOs like the BON have an important role to play – if (and only if) they can provide effective and efficient (professionally competent) services.

This is the challenge we at BON currently face: if we can prove our ability to provide professional services in the business linkage/public sector procurement sphere, we have an important role to play, and funds are likely to be available.

2 The present Catch-22 of the BON

During March the BON faced an almost classical set of inter-related dilemmas:

- on paper our budget for the year 2001 is substantially higher than last year, i.e., we almost face the dilemma of "more funds than we seem to be able to spend";
- the vacant posts were relatively senior and practically oriented – to be able to effectively advise SMEs about contracts and help corporates/public sector buyers to get their PDI-focused procurement process into shape; It is in fact a "selling job" to get more Corporates in board, including SCAT assessed vendors; at present we do not have such a person on our staff
- DfID provides the BON with a generous grant of R500 000 for 2001, on condition we mobilise similar amounts from both the corporate and the public sector
- the BON can only afford a small permanent staff, but needs a diversity of skills to satisfy the needs of its clients;
- the distinction of MSO vs TAC is confusing, just like the distinction MSO vs BON. However the MSO vs TAC is quite clear inasmuch as advice regarding tender applications is quite specific whereas the MSO has a broader strategy regarding getting paying members, accreditation of SMMEs, tendering progress etc.
- in contrast to the mid-1990s, when the BON focused on the corporate sector, the pendulum has lately shifted to the public sector, where, however, long run funding may be less certain (if the activities are "internalised" in the different local/provincial authorities).

3 A three-stream structure of the BON's activities

To overcome the above dilemma it is suggested that the BON's activities be restructured into three focus-areas:

- A *Public Sector Procurement Support* – to include services provided to the Cape Metro (Unicity), the Provincial Administration (PAWC), platteland local authorities and parastatals or statutory bodies.
- B *Corporate/SME Linkage Facilitation* – to focus on the needs of larger and medium sized corporates, who find themselves under pressure to extend linkages with PDI-firms and meet affirmative procurement goals
- C *Support Services* – the bulk of which are aimed at the needs of SMEs and the general approach towards business linkages, small enterprise export facilitation and related issues.

Each of these three clusters should have an experienced person as the *coordinator*, with one person overall in a managerial position. Financially the BON may not be able to afford a full time "top manager" (plus the other three coordinators) – it should, however, be considered to attract a (semi-) retired person or a foreign donor (co-) funded expert to fill that coordination role.

continued

In addition, it is suggested that each of the 3 areas gets a Task Team, which includes at least one board member and one external expert, to help with strategic planning.

Against this background the annual reports over the years from 1999 to 2003 show the main trends in the Bon's capacity expansion in its core areas. We can briefly review these.

SME database

The number of SMEs registered on Bon's database steadily increased from 520 in 1995 to 1 700 in 2001 and 2 253 in 2002. This is a significant increase, even though the total is minute, compared to the fact that there are an estimated 100 000 small, medium and micro-enterprises in the Western Cape (aside from a further 150 000 to 180 000 "survivalist" informal-sector entities. Based on the 2002 breakdown (see Box 7) the Bon's members include about 40 per cent women and 10 per cent youths as well as disabled entrepreneurs.

Though modest in comparison to the total number of small enterprises, the maintenance of this database constituted a major task (and cost factor) for the Bon.

Dissemination of procurement opportunities

Over the five years from 1999 to 2003 the Bon office/s disseminated information about a steadily increasing number of procurement opportunities, be they tender notices or other offers to procure. As shown in Box 7 the total more than doubled from 2 688 to 6 708. Unfortunately, it is difficult to assess how significant a share of total business-linkage transitions this constitutes. Besides, we have no indication of the effectiveness of this "dissemination", much of which was through mere notice boards and other displays.

Box 7: *Key indicators of the Bon's activity trend 1999 to 2003*

	1999	2000	2001	2002	2003
Pre-tender counselling (no. of clients)	51	341	282	305	310
Procurement opportunities disseminated	2 688	4 516	2 955	6 971	6 708
Value of contracts directly supported by the Bon (R million)	12,95	18,4	17,0	26,0	30,6
SME database: Total	–	–	1 709	2 253	–
Women			569	842	
Youths and disabled			45	224	
Non-HDI				152	

SOURCE: *Bon Annual Reports 1999 – 2003*

Contracts directly supported by the Bon

A substantial amount of time and effort of the Bon team went into the facilitation of specific contracts, i.e. the search for and identification of suppliers as well as supporting of these suppliers in their fulfilment of the contracts. The appropriate values shown in Box 7 are modest (R12,5 million to about R30 million *per annum* over the years), which clearly indicates the difficulty of this role. In fact, technically experienced consultants might have been far more competent to undertake such supportive role than Bon's NGO team.

Pre-tender counselling

This can be viewed as one of the core functions of a tender-advice centre. Yet, as the numbers show (rising from 51 in 1999 to 310 in 2003) only a very small segment of the SME supplier group was effectively reached.

Training supplied

Right from the outset of the Bon a lot of attention was given to information seminars or workshops, presentations by procurement experts or major corporates as well as more focused training programmes to SMMEs. Annual reports list these functions, which attracted about 150 to 400 attendants each year. This reflected hard work on the side of the small team, but a very limited cross-section of the Western Cape SME-supplier community.

Sector focus in supplier support

Box 8 lists the business sectors most relevant for the contracts on which information was disseminated (in the 2001/02 year) and training was provided. It covers a broad range of services and products, but also reveals the limitations of such outsourcing as a basis for local job creation and broader economic development.

BOX 8: Main sectors for corporate and public-sector outsourcing (2002)

- | | |
|--------------------------------------|---|
| • Air-conditioning and refrigeration | • Furniture manufacturing |
| • Furniture repairs | • Building construction |
| • Carpentry | • Gardening and landscaping-hardware supplies |
| • Cleaning materials | • Locksmiths |
| • Cleaning services | • Painting |
| • Courier services | • Panel-beating |
| • Dry-wall partitioning | • Plumbing |
| • Electrical contractors | • Printing |
| • Engineering | • Roofing |
| • Export goods | • Stationery |
| • Fire-fighting equipment | |

SOURCE: *Bon Annual Report 2001/02*

Progress with the (Cape) Metropolitan Supply Offices (CMSO)

As mentioned in section 3.4 the opportunity of significant UK grant funding from 2001 to 2003 encouraged the Bon to restructure its city-linked activities along the lines of a broader "metropolitan supply office". Box 9 gives excerpts from the 2001/02 progress report, which indicate overall progress, but on a very modest level. As it turned out, the initial three-year grant was not extended, and the project folded in 2003.

Progress with all these core activities did of course depend quite crucially on funding mobilised for the Bon. As indicated earlier, the NGO had from its very outset relied on a range of both foreign and domestic funders, benefiting during the late 1990s from the high profile given to (black) small-enterprise development, business linkages with corporates and black economic empowerment. Thus, the Bon's annual revenue increased from about R400 000 in 1995 and close to R480 000 in 1997 to R800 000 in 1999, R1,3 million in 2000 and R1,55 million in 2002.

With UK programme funding being phased out in 2003 and other sources becoming tighter, the board of the Bon had to look more carefully at its longer-run finances. Box 10 summarises a presentation at a workshop for board members held in 2003. A few conclusions can be drawn from this funding plan which provided minimum and maximum revenue levels under the different source categories.

- The total at maximum is about 20 per cent less than the revenue for 2002. A more realistic lower level would be half the revenue of 2002.
- The two local/provincial sources would contribute about 40 per cent to overall revenue, with a further 20 to 33 per cent contributed by Ntsika, the national SMME-support agency. Thus, almost two-thirds of the funds would have to come from the public sector, compared to only R100 000 to R200 000 (i.e. only about 15 per cent) from the corporate sector.
- Due to the winding down of UK funding for the CMSO foreign sources would also decline towards a marginal level.

BOX 9: *Excerpts from the "Progress Report of the Cape Metropolitan Supply Office: January 2001 to May 2002"*

The two-year pilot phase of the Cape Metropolitan Supply Office was launched on October 28, 1999, after extensive interaction with consultants appointed by DfID, and discussions about a regional supply office as logical extension of the small enterprise procurement facilitation pursued by the Business Opportunities Network during the late 1990s. During 2000 and 2001 efforts falling within the conventional role of the BON and the RSO-role unfolded parallel and in close interaction.

In December 2001 the CMSO programme was evaluated by the British Department for International Development (DfID). Apart from a range of more fundamental observations, the review found that the BON's business linkage development approach exhibited promising results and was successful in terms of the number of SMMEs entering into supply chains and the value of transactions between SMMEs and big business as well as the public sector.

In the light of this evaluation and other interactions, DfID agreed that the pilot phase should be extended by a period of one year beyond the initial 3-year phase before replication was considered.

The DfID-funded (pilot) project had been aimed at an expansion of the existing procurement / subcontracting support towards *export* and *supply chain support*. The programme was, however, affected by the integration of municipalities in the Cape Town area. The move towards a greater Unicity created delays and uncertainties, which was further exacerbated by capacity constraints, both internally and externally.

Development of systems, procedures and presentations

Electronic systems and information technology remain a challenge in the SMME sector. BON introduced a 'fax-on demand system', which improved communication with SMMEs regarding business opportunities, training workshops and tender information. An expanded internal network has been installed and the BON

continued

office is now linked through a local intranet, increasing productivity and internal efficiency. Ultimately, the website will replace the fax-on demand system for external communication. Whilst the challenges of the digital divide are still rather prominent, we have adopted an incremental approach in the use of electronic information systems.

Other Materials distributed included:

- Fact Sheets and brochures
- Training Manuals for Business Plan Development, Tendering and Business Registration

The CMSO team tried to negotiate partnership agreements with 20 corporations, with about a third materialising by the end of 2002. It also made presentations to a large number of organisations outlining the MSO approach.

SOURCE: Progress Report on the CMSO

This trend towards stagnating if not sharply declining funding made it impossible for the Bon to significantly strengthen its staffing base or invest heavily in modern IT facilities needed to expand interaction with a growing client base. In fact, it showed all too clearly that private-sector service agents like Trade World had an edge on the Bon.

Box 10: Schematic revenue budget for Bon (2003)

Sources		Minimum R	Maximum R	Share (%)
Average monthly expenditures (2002/03)		R110 000		
		R1,3 mill. p.a.		
1	Unicity	200 000	400 000	32,7
2	PGWC	80 000	100 000	8,2
3	Ntsika (DTI)	RSO	90 000	
		TAC	75 000	20,0
		TIDB	80 000	
4	DFID (UK)	100 000	100 000	8,2
	Other foreign sources	-	100 000	8,2
5	Corporates	100 000	200 000	16,4
6	New sources	-	80 000	63,0
		R725 000	R1 225 000	100,0%

SOURCE: Information sheet for workshop presentation to Bon directors, July 2003

CHAPTER 5

Recommendations Assessing the Business Opportunity Network's role

In this last chapter we briefly look at the phasing-out of the Bon as active NGO, and then we try to evaluate its overall role in the diversification of SMME support in the Western Cape.

5.1 Phasing-out of the non-governmental organisation

Early in 2003 Chantal Christiansen, the second CEO of the Bon, left the organisation, with Wendy Summers initially taking over as acting manager and later confirmed as new head. In mid-2003 one of the founder directors and initial chairperson of the board, Prof. W. H. Thomas, left Wesgro from where he had been designated as one of the Bon directors in the category "associate members". Wesgro replaced him with a new person, with continued "co-option" of Thomas not approved by the board.

Parallel to these two events and phasing-out of the CMSO sponsorship from the UK, Bon's activity range and staffing level began to shrink in 2003/04, with board members fulfilling their roles as a matter of routine rather than a challenge to be tackled and creatively solved. The new CEO was not as deeply rooted in the small-business-support sphere as the two earlier managers, while that very scene evolved as discussed earlier. Thus, the NGO lost relative significance within a process that called for rather more professional involvement and creative co-operation at a higher level. This left the small Bon team to supplement activities undertaken jointly with other support agencies (like Ntsika, Seda, other LBSCs and business chambers) or the work of individual consultants who used the Bon platform as an initial base from which they could develop their client network. Thus, after the departure of the manager in 2005, the Bon became dormant, without actually as yet being dissolved. In essence, it is merely a hull for the accommodation of SMME consultants.

In sharp contrast to this *de facto* dissolution of the Bon, organisations like Trade World have expanded, and Seda's facilities as well as local or provincial programmes are increasing their focus on local business-linkage issues.

5.2 Bon's significance in perspective

The Bon is one of many South African NGOs which started to operate in the transition years before and after 1994 but which had a limited life span. In fact, ten years of operation can be regarded as a significant life-time for a small agency operating in a volatile field.

Looking back on the past 15 years (when business-linkage issues achieved greater attention at the SBDC and in business debates), we can see the Bon as having ventured (and eventually failed) in two distinct fields.

5.2.1 *The Bon as development NGO*

We showed in chapters 2 and 3 that the people who constituted the base of the Bon's early staff and board played an active role in the restructuring of small-business support in the Western Cape (and, to a more limited extent, even nationally). This included corporate leaders, senior staff of business associations, academics, small-enterprise leaders and public-sector officials. Through their co-operation and interaction they shaped early strategy planning sessions and paved the way for the tasks eventually pursued by the Bon.

We also pointed out that the initial team around Bon placed strong emphasis on co-operation and partnership with other SMME-support agencies (the network approach), rather than merely establishing a local "centre". This also included intensive contact with international players (or donor agencies) involved in this field. In addition to this approach were efforts to spread the message of business linkages to other countries in Southern Africa, and to bring these players together in the 1998 conference.

Viewed in perspective this catalytic or "missionary" role of the Bon was probably quite significant, since not many organisations were at that stage active in this field.

Yet, this role was transitory in nature in as far as broader developments and more complex processes started to shape the linkage field post- 1998. Thus, as it happens often in the development field, significant trail-blazing bodies soon loose their uniqueness and easily face the risk of being overrun by newer bodies or the expansion of the functions by other existing institutions.

5.2.2 *The Bon as professional service supplier*

We indicated in chapter 3 that by 1998 it was clear that a very specific range of activities or services had to constitute the basis of effective and efficient linkage facilitation. These included primarily the maintenance and expansion of an interactive database of both corporates (willing to outsource) and SMMEs (keen to supply), the capacity to provide information, advice and mentor services to SMMEs, and the ability to provide relevant training to corporates as well as SMMEs. In all of these areas other institutions were (by the end of the 1990s) also starting to make an impact in the Western Cape (or nationally), so that the quality, consistency and spread of the Bon's services became critical for its standing in the small business-support field.

With its very limited funding (if we exclude foreign donor funds, which actually moved the Bon into the "detour" of the MSO) it was not possible for the small team to establish itself as a competitive supplier of professional services in this area of linkage facilitation. As we showed, Trade World, the corporates themselves and municipal as well as provincial- and national-government departments were able to assign far more staff and communication facilities to this field. In addition, much of the support needed by individual enterprises fitted into the range of services relatively effectively supplied by private consultants. In the absence of such experts among the Bon team, the normal "solution" of the Bon being taken over or "bought out" by some larger consulting or training body did unfortunately not materialise (so that, in a legalistic sense the Bon still exists).

Viewed in a broader context, the extended grid of information and advice offices is probably still too sparse to make all those in need of advice aware of what is actually available. Thus, the Bon may have been superseded by other bodies, but the service *in toto* is still insufficient.

5.3 Remaining challenges

The transformation outlined in chapter 4 did, however, not effectively address all challenges in the business-linkage field. We can refer here very briefly to a number of largely unresolved issues.

- **Procurement from informal enterprises**

Most of the attention in the procurement field focuses on purchases by larger enterprises or public-sector bodies from registered, formal small and medium-sized enterprises, with relatively little attention given to micro-enterprises, let alone those operating informally. Yet, a vast number of such unregistered, unlicensed enterprises produce products and services which could be procured by (somewhat) larger, more formal companies. With more attention given lately to South Africa's unemployment and the scope for more (or better) employment in second-economy enterprises, attention also needs to be given to ways of strengthening their ability to deliver to the wider supply chain of our economy.

There do not seem to be any institutions currently focusing on this segment and how these operators could be helped with the establishment of effective business linkages.

- **Conventional information and advice services**

The evolving network of Red Dóor, Seda and other information points (also including Library Business Corners) constitutes a vast improvement on the very few information points available in the past. Yet, most of these outlets focus primarily on very conventional issues (like access to finance or how to write a business plan), with only relatively little practical information readily available about business-linkage issues. Admittedly, access to tenders and the tender process are part of these standard services, but many entrepreneurs will find the information too little "tailor-made" to meet their needs and their ability to absorb (printed) information. This leaves advice seekers in the hands of accredited consultants, which often are the best help available, but are not always accessible or affordable.

- **Communication across South Africa's borders**

Currently there is no institution which proactively encourages or facilitates business-linkage efforts in other southern African areas. Seda can possibly be viewed as the most appropriate body to do this, but its resources are also limited. Given the expansive involvement of South African corporates (like the retail chains and other large firms) in the rest of Africa, there appears to be a real need for some facilitatory body (or at least a body alerting the different partners to the opportunities and challenges in existence). After all, in the public's perception of (e.g.) Shoprite, Woolworth and other chains in Zambia, Mozambique and other African countries much depends on their willingness to actively procure local products for sale in local outlets (or in South Africa). Problems related to these decisions are quite similar to those faced 15 years ago by corporations which were challenged to procure more from local (black-owned) small enterprises.

These three examples clearly show that there are still major challenges in the field where the Bon played a modest, yet significant role over more than a decade. These are also areas which private consultants and network operators tend to ignore. They are, furthermore, challenges where leadership and development creativity are important. These, however, cannot be supplied mechanically, but often evolve through personalities and opportune chains of events, as it happened with the Bon during much of the 1990s.

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Annexure A

Bon Questionnaire

1. Name and background of

Organisation currently involved and position.

What contact with SMME's?
Contact address.

2. Past / present contact or interaction with BON.

Since when?
In what capacity?

3. How do you see the start of BON (1993-95)

Why was it started?
Who started it?
Do you think it was justified?

4. Were there at that stage similar initiatives by others.

 - in the Western Cape?
 - In South Africa?

5. If you look at the past 10 years, could you distinguish different phases in the evolution of BON?

How could you describe / categorise them?

6. What were the most important **roles & functions** of BON.

 - Evaluate one by one.
 - (How) did these roles change over the years?

7. In the procurement process awareness of small enterprises able and keen to deliver to corporate or the public sector is a critical concern. Databases of (competent) SMME's keen to supply are important in this respect. How significant / large / useful was BON's database of SMME's?
8. Was BON active in the training of SMME's to the readers for outsourcing?

 - How did BON approach training needs?
 - How effective were there efforts?
 - Was BON the only supplier? Who else?

9. There are various target groups for BON type procurement support, both on the buyers' side and SMME's. Where was the BON more significant?

Buyers : A Big (private) corporates who want to buy from (bench-owned / managed) SMME's.
 B Medium sized firms.
 C Local authorities.
 D Provincial government department.
 E Central government departments.
 F Other parastatals (Telkom, Transnet, etc.).

SMME's : 1. Medium-sized firms
 2. Small firms.
 3. Micro-enterprises.
 4. Survivalist enterprises.
 5. Block (African) owned firms.
 6. White owned firms.
 7. Muslim / coloured owned firms.
 8. All race firms.

Was there a shift in focus between A-F and / or 1-8 over the years?

10. How was BON funded over the years? Did funding issues create major problems for the operation of the NSO?
11. Did BON play a (significant) role in the planning and design of national, provincial and/or local procurement strategies?

If so, how? How effective was that impact?

12. Did the use of government affirmative procurement policies, programmes and codes of conduct affect the BON – positively or negatively?

If so, how?

13. In the late 1990's BON (due to financial support from the UK's DFID) considered changing its focus from affirmative procurement support to a 'Regional supply organization' (RSO). Was that

- Sensible?
- Successful?

14. Looking at the past ten years, how has the scene of affirmative procurement changed on the Western Cape?

- What support has "Tradeworld" made?
- Have these changes affected BON?

15. If the BON-Board look forward 3-5 years, how could it see the role of BON changing?

-
16. It has been argued that “maybe the time for BON as a procurement support office has passed, given the high profile nowadays given to affirmative procurement and BEE directly by corporates and all levels of public sector”. How would you comment on that statement?
 17. What role is there for small business consultants in the procurement field? Could they fill some of BON’s roles? Why (not)?
 18. Has BON ever played a role to Pro-activites “spread the message” about affirmative procurement beyond the Western Cape’s boundaries?
 - in South Africa
 - in SADC countries
 19. Who is currently managing the BON?
 20. Who currently chairs the BON-board and who are (source) the other Directors? When was the BON’s last AGM?



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