

How training providers can play a key role in dropping SA's SMME failure rate

Rajan Naidoo, the managing director of EduPower Skills Academy, believes that South Africa's training providers should be mandated to develop entrepreneurial skills, and that the inclusion of business incubators at these facilities could help develop more successful SMMEs.



Source: [Pexels](#)

In a free-market economy, small business is the foundation upon which employment and economic growth are underpinned. South Africa, however, has one of the highest SMME failure rates worldwide, with [five out of every seven](#) failing in the first year. Naidoo states that learnerships and the training providers that facilitate them should be playing a direct role in driving entrepreneurship to increase startup sustainability and success.

“Tens of thousands of young South Africans are enrolled in learnerships each year and this has created a vast training network. If every training provider was able to operate a business incubator, we could create a platform and support framework that would encourage budding entrepreneurs to pursue the formation of startups,” says Naidoo.

With 30 years of experience in education and skills development, Naidoo has witnessed many career development models. Whilst he concurs that learnerships provide the skills to enhance employability, he believes that youngsters will need to create their own opportunities to reduce unemployment in South Africa through the development of entrepreneurial skills.

“Entrepreneurship is best suited to certain personality types. These are the risk-takers, problem solvers, hard workers, who are innovative and creative and good leaders, with an understanding of social needs and the ability to access a network,” he states. “Most of these qualities are innate but the knowledge, experience and skill still have to be nurtured.”



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According to Naidoo, there are generally two types of entrepreneurs. The first is the passionate individual who has great ideas. For them, he says a business incubator will provide support and the opportunity to build a viable enterprise, which otherwise may fail due to insurmountable barriers or lack of experience.

The second type of entrepreneur has the right instincts but lacks an idea for a business. According to Naidoo, they need business incubators that provide a "business in a box" concept, which is a business modelled on a franchise, where someone else develops the business model and the entrepreneur buys into and operates it.

Best practices

These entrepreneurs, however, still face a high possibility of failure. It is, therefore, imperative to lower the risk factors for startups, says Naidoo. "Most SMME failures are avoidable if better business practices are followed. In an incubator, best practices can be entrenched upfront and monitored through the early stages of the business operation, increasing the sustainability of the startup," he explains.

The three areas identified by Naidoo as business risks that can be mitigated through improved business practices are:

1. Capital and access to resources

This is a stumbling block because entrepreneurs generally lack the skills to present their business cases in a compelling manner. The expertise and skill developed within incubators will, therefore, add to the credibility of the entrepreneur's proposition and more easily aid the attraction of capital.

2. Administration

Common mistakes in accounting, record keeping and cash flow management require the guidance of an experienced mentor to ensure the new startup does not risk preventable loss.

3. Marketing

Incubators can develop market and industry knowledge as well as brand-building and communication (including digital) skills that are crucial for startups to find their niche in the marketplace.



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Naidoo believes that in addition to best practices, it is extremely important to ingrain the social aspect of business in young entrepreneurs. They need to add social value to their communities and when providing employment, are responsible for treating their employees in a just and fair manner. They also need to ensure their goods and service are of a quality, price, safety and environmentally compatible standard. The right value systems will ensure that everyone wins. Incubators, therefore, need to foster these value systems in our burgeoning entrepreneurs.

“With thousands of skills development training providers throughout South Africa, the introduction of business incubators at institutions – where education is already taking place – could create the right conditions for fledgling businesses to grow and flourish, to become socially valuable entities that enhance communities, create jobs and uplift the economy,” Naidoo concludes.

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