

FETOLA

WHAT ARE THE MOST COMPELLING CONTRIBUTORS TO SME GROWTH IN SA?

An overview and analysis of results from the 2013 Fetola SME Growth Survey



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OVERVIEW

What are the main contributing factors to sustained SME growth in SA? In a bid to identify these success factors, a survey was conducted in late 2013 amongst the top-performing participants of the Fetola Legends SME incubator programme (www.golegends.co.za). The intention was to identify common features that contributed to their success, and to use this information to help SMEs nationally understand some of the important growth strategies that high-performing organisations use. The participants surveyed showed medium-term growth improvements that ranged from 50% to as high as 200%.

This paper shares the lessons learned from the survey. It is of major relevance to any entrepreneur, SME leader, ED or CSI manager, and anyone with an interest in small business growth and SME success strategies.

THE LEGENDS PROGRAMME

The Fetola Legends programme started in 2007 with Old Mutual as the core funder. In 2013 it provided mentorship, skills training and business support to 85 organizations comprising around 2200 individuals in all nine provinces. Since inception, Legends has delivered some exceptional long-term results, including:

- 94% Business Survival Rate (national average +/-30%)
- 65% year on year growth (national average 3%)
- More than 8000 jobs created and/or sustained since 2007
- 80% Black-owned SMEs, 10% Co-operatives
- Cross-sector, National, For-Profit and Non-Profit
- Over R16 Million in PR & Media value for stakeholders in 2013 alone

SURVEY METHODOLOGY

The high growth group comprised of the fastest-growing 25% of organizations on the Legends Programme in 2013. The respondents represented a multitude of sectors, and were located all across the country. The survey methodology used was an online questionnaire, covering eight areas of business operations. A number of questions were posed around the theme “what contributed to your success ?” (Appendix 1 – survey questions in full)

HIGHLIGHTS FROM THE SME GROWTH SURVEY

- 100% of respondents cited increased sales & marketing efforts as contributing to their success
- 75% of respondents believed that improved Customer Relationship Management (CRM) systems boosted growth
- 83% of respondents stated that improved staff training led to a direct increase in sales performance
- Less than half of respondents felt that increasing their ability to access tenders aided their success
- 83% listed improved financial management systems as a contributing factor to growth
- A massive 92% of respondents cited improved systems and processes as a contributor to this growth
- 67% reported that improved quality control and quality management led to improved performance
- 50% of respondents attributed their success directly to their mentor
- 100% of respondents felt that their mentor added value
- 100% of respondents credited the support of the Legends programme as a direct contributor to accelerated growth.

We trust you find this information useful and interesting. Please feel free to share, but kindly credit Fetola if you do so.



FETOLA SME GROWTH SURVEY 2013 - RESULTS

Below are the full results of the survey. Each section contained a number of questions that respondents could select as having the most impact on their growth.

SALES & MARKETING

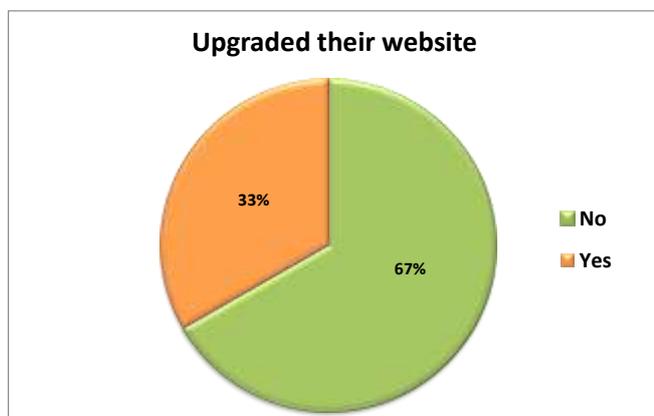
1. *We increased our sales & marketing efforts?*

A very significant 100% of all High growth enterprises ticked “Yes” to this question. While sometimes expensive and time-consuming for SMEs, it is clear that improvements in sales and marketing efforts are very likely to be linked to improved performance.

2. *We received positive media coverage?*

Half of the respondents indicated that this was a factor in their improved performance, so whilst PR and Media is not a guarantee of success, in 50% of these cases, it was part of the success strategy.

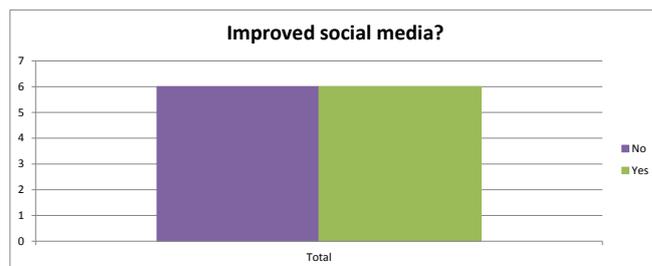
3. *We upgraded our website?*



One in three participants reported that they had upgraded their website in 2013. As technology evolves, this area will continue to be a key to success. Time is becoming an increasingly scarce resource, so it is crucial that a company’s website is clear, concise and provides all the information a prospective customer or stakeholder needs to make an informed decision. SEO is also becoming increasingly critical to success.

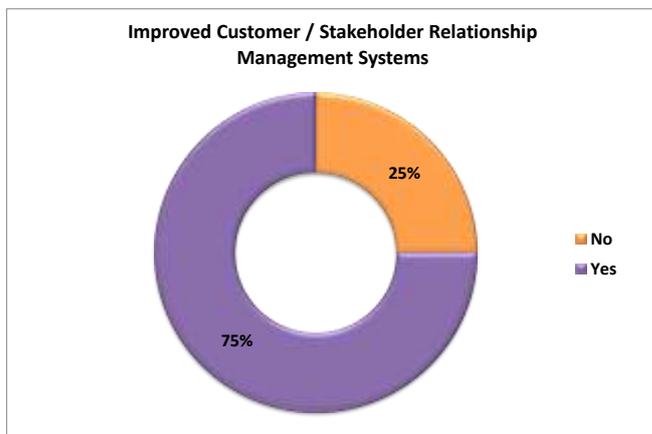
4. *We improved our social media marketing?*

There was an equal split 50:50 between those who did, and did not increase their Social Media campaigns. This implies that whilst Social Media may work for individual organisations, it’s clearly not an automatic guarantee of improved business, as many seem to believe.



5. *We improved our customer/stakeholder relationship Management Systems?*

A significant three-quarters of the respondents reported that they improved their Customer / Stakeholder relationship management systems.



The main aim of a (Customer Relationship Management) CRM / SRM system is to assist in tracking and managing communication with clients. The results do seem to reinforce the importance of tracking and improving effective communication with customers and other stakeholders.

Knowing who wants what and when, which are the customers that might want to re-purchase etc. are critical to your company sales performance.

NB: A good CRM system is essential as the business grows too – no one person should be the gatekeeper



of all your customer data (not even you!) so use CRM to share, track and manage contacts with your team.

6. *We improved our ability to access tenders?*

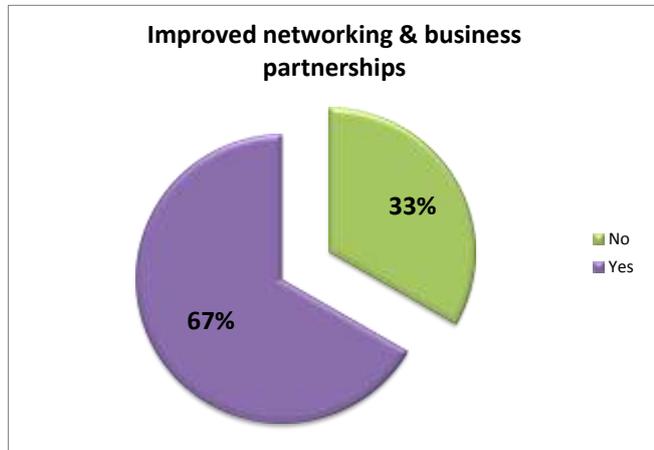
Out of all the participants (mainly Black-owned businesses) only five indicated that they had made an effort to increase access to tenders. This suggests that while tenders could be a good source of business for some, not all businesses focus on it.

The timelines, complexities and administrative burden for tender processes could also be limiting to many businesses – and perhaps more information is needed?

Others do not have the cash flow resilience needed - in many tender contracts, long payment delays are a feature (especially with regards to Government work).

7. *We improved our networking & business partnerships?*

Two-thirds of the respondents reported this being a contributor to their increase in sales. These results suggest that building partnerships and networking is a very important part of SME growth.



HUMAN RESOURCES & STAFF

1. *We improved /changed our human resource management methods?*

Results indicate that good human resource management can be a major contributing factor to growth, with 75% of respondents noting this area.



One of the most important resources within any business or organisation is its employees. A satisfied employee base can contribute significantly to the success of a business / organisation – as every individual is a representative of the company and effectively part of the marketing and sales department.

Human resource basics should include proper contracts, policies & procedures and effective induction for new employees. Other ‘nice to haves’ are actions that build a close, committed team – such as team events, and inclusive policies that empower individuals to contribute by taking more responsibility.

2. *We improved our staff training?*

Staff training was a major factor in growth - a whopping 83% of the respondents agreed that this contributed to the increase in their sales.



Equipping staff with the right skills through training is a way of showing appreciation - and investing in both them and in your business / organisation. When staff are capacitated to perform a range of functions within a business, they grow in confidence, enjoy work more and generally perform at a higher level.



Results suggest that better performance and improved staff retention due to higher satisfaction rates contributes to better efficiency within the business, and results in increased business performance.

3. *We employed more/better staff?*

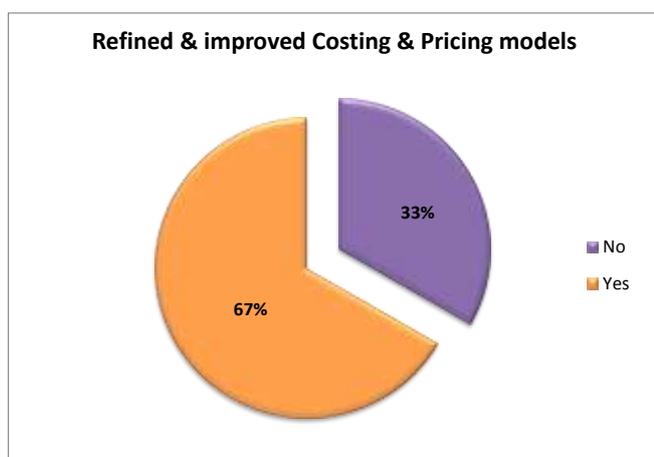
Employing more or better staff can be a good indicator of growth within a business / organisation. More than half of the group responded that this was the case, and contributed to the growth in their sales.

FINANCIAL MANAGEMENT

1. *We refined and improved our costing & pricing models?*

It is well known that correct pricing structures are critical to success – not only because this impacts the bottom line, but because well-informed pricing results in improved confidence and the ability to negotiate effectively.

Two-thirds of respondents agreed with this, and confirmed that this contributed positively to their sales.



2. *We improved financial management systems & methods?*

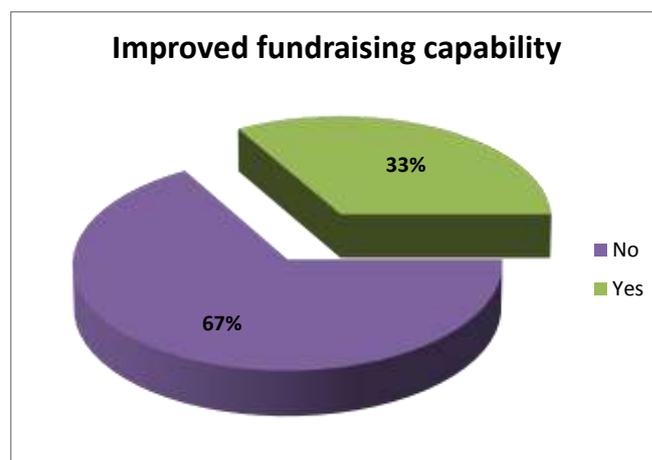
Many SMEs have poor financial management systems – and this result seems to confirm that a good financial system goes hand in hand with growth. The survey results showed that 83% listed improved financial management systems as a contributing factor to growth – and perhaps the other 17% already had good systems in place!



3. *We improved our fundraising capabilities (NGOs only)?*

From the pool of NGO respondents, 67% reported that they had improved their fundraising capabilities. This is of significance and very applicable to NGOs and other organisations that are dependent on funding.

With diminished funding available for NGOs, it is clear that constant evolution and refinement of fundraising approaches is key to success.



PRODUCTS & SERVICES

1. *We made changes to our product &/or service offering?*

Being innovative and modifying products and services to suit the customers’ needs can have a significant effect on sales.

Whilst too much product development is never a good strategy, a responsive approach to market demand is important, and was reportedly part of the growth strategy for two-thirds of the respondents.

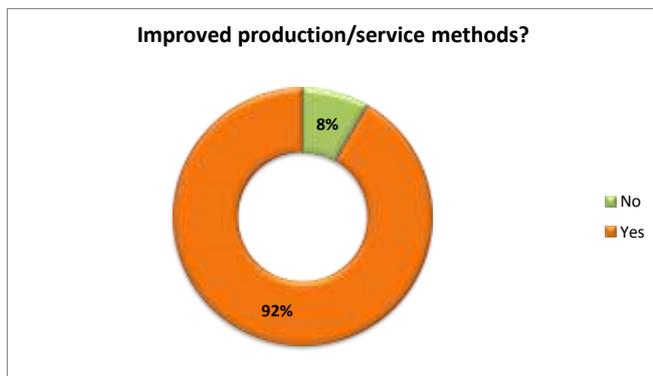




2. We improved our production/service methods?

Improving the systems and processes in the production and delivery arm of the organisation can result in significant improvement in sales. A huge 92% of respondents confirmed that better systems and processes were a key component in their increase in sales.

Improved efficiency contributes to better service, lower costs and improved customer satisfaction...



SUPPLY CHAIN & PROCUREMENT

Out of the pool of respondents, just over half (58%) indicated that improvements to their supplier database had an effect on their sales. No business can thrive with a weak, inefficient or intermittent supply chain – so ensuring that yours is strong and favourable can be an important part of successful growth.

SYSTEMS, IT & INFRASTRUCTURE

1. We introduced improved technology systems & methods?

Just over half(58%) of the respondents reported that they had improved their technology systems & methods. It is unclear from the results if this improvement was because of a general need, or if IT was a key component of the organisational offering.

2. We improved our quality control / quality management systems?

In a competitive market quality is one very important factor that can contribute to a growth in sales. We found that two-thirds of the respondents attributed their increase in their sales to an improvement in their quality control and quality management systems.

Quality management systems can reduce the cost of production, improve through-put and increase customer (and staff!) satisfaction – an essential component of sustained growth.



LEGISLATION & COMPLIANCE

The response to this was a 50:50 split, although many may not regard this as important, either because their legal compliance is in place, because it is not considered a priority, or is too expensive.

Compliance certainly can contribute significantly to the success of a business – and the alternative (poor compliance) is often a significant contributor to failure and a big deterrent to growth in many small businesses.



The last section of the survey relates specifically to the Legends Programme...

MENTORSHIP & LEGENDS SUPPORT

1. We received value from our Legends Mentor?

100% of respondents indicated that they had received value from their personal mentor. This information matches the detailed report feedback that we have had from participants across the country and across a range of sectors. It re-emphasises the importance of having access to someone, or a team of people with the experience and skill to provide relevant knowledge and practical advice.

However more than that, good mentors have the interpersonal skills to support one during tough times and to instil self-belief and confidence that is so essential to success.

2. We received value from General Legends support?

The entire group of respondents (100%) reported that the overall support of the Legends Programme had contributed to their success during the year. This suggests that a well-structured SME support

programme can have a direct and lasting impact on growth and sustainability.

3. We received value from the Legends workshops & training programme?



All but one respondent reported that the value received from the Legends workshops significantly contributed to their successful growth. This training included Business Vision sessions, Costing & Pricing and Human Resources workshops, plus a range of practical online/ e-learning business courses.

Finally, respondents reported that the MOST significant driver to their success was:

- *Hard work!*
- *Our continuous focus on providing a quality product.*
- *To remain focused on our values and build on these steadily. Thank you Legends :)*
- *Customer satisfaction*
- *Having a clear and understandable vision lead us to the success we have now. A Big thank you to my Fetola family*
- *For me personally, it was about meaningful change in the lives of the people. Our offering will succeed in reaching 120+ people and 120 household members - which is a huge milestone achieved in the project, since we joined Legends*
- *Focus on Fundraising and introducing our work to partners and new customers/proposals*
- *Beneficial Media coverage*
- *Self Belief!*
- *Keep on selling*

For more information on Fetola (www.fetola.co.za) or the Legends Programme (www.golegends.co.za) please contact the national Fetola project manager on 021 701 7466 / info@fetola.co.za

To receive the full results of the Fetola SME Growth Survey please send us an email on info@fetola.co.za



Appendix 1: Legends Programme Growth Survey

Thank you for taking this survey. We have grouped the questions into internal and external factors that could have impacted on your business performance. Please answer Yes or No as per below, and give any additional comments where possible. We appreciate you taking the time to complete all the questions; your feedback is of immense value to us.

* Name

* Surname

* Business Name

Internal Factors

* SALES & MARKETING

We increased our sales & marketing efforts	Yes	No
We received positive media coverage	Yes	No
We upgraded our website	Yes	No
We improved our social media marketing	Yes	No
We improved our customer/stakeholder relationship Management Systems	Yes	No
We improved our ability to access tenders	Yes	No
We improved our networking & business partnerships	Yes	No

Comment

* HUMAN RESOURCES & STAFF

We improved /changed our human resource management methods	Yes	No
We improved our staff training	Yes	No
We employed more/better staff	Yes	No

Comment

* FINANCIAL MANAGEMENT

We refined and improved our costing & pricing models	Yes	No
We improved financial management systems & methods	Yes	No
We improved our fundraising capabilities (NGOs only)	Yes	No

Comment



What are The Most Compelling Contributors to SME Growth in SA?

* PRODUCTS & SERVICES

We made changes to our product &/or service offering Yes No

We improved our production/service methods Yes No

Comment

* SUPPLY CHAIN & PROCUREMENT

We improved our supplier database Yes No

Comment

* SYSTEMS, IT & INFRASTRUCTURE

We introduced improved technology systems & methods Yes No

We improved our quality control / quality management systems Yes No

Comment

We improved other internal factors not mentioned above

External Factors

* LEGISLATION & COMPLIANCE

We made changes to our legislative compliance (e.g. SARS, Department of Labor...) Yes No

Comment

* MENTORSHIP & LEGENDS SUPPORT

We received value from our legends mentor (Only complete if you have a personal mentor) Yes No

We received value from legends general support Yes No

We received value from the legends workshops & training Yes No

Did you receive other LEGENDS support of value? Yes No

Comment

What other external factors (Beyond your control) have influenced your success? Yes No

DRIVER OF SUCCESS: What single factor do you believe has been the driver of your success this year?

* Indicates Response Required

