

THE EFFECTIVENESS OF LOCAL BUSINESS SERVICE CENTRES IN SMALL BUSINESS DEVELOPMENT: A STUDY IN GAUTENG PROVINCE, SOUTH AFRICA

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DECLARATION

I declare that the thesis,

"THE EFFECTIVENESS OF

LOCAL BUSINESS SERVICE CENTRES

IN SMALL BUSINESS DEVELOPMENT:

A STUDY IN GAUTENG PROVINCE, SOUTH AFRICA",

is my own work, that all the sources used or quoted have been indicated and acknowledged by means of complete references, and that this thesis was not previously submitted by me for a degree at another university.

EDMUND THAMSANQA MAZWAI

01 November 2009



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ABSTRACT

The Local Business Service Centre (LBSC) programme launched by the government of the Republic of South Africa in 1995 to provide business development services to small business, moreso in the Black communities, did not live up to expectations. This is according to the responses of a sample of 400 small business owners who were researched regarding the effectiveness of the LBSC programme, with a usable questionnaire response rate of 37.8 %. The purpose of this *ex post facto* research, conducted in 2006 and 2007, was to evaluate the impact of the LBSC programme on small businesses in the Gauteng Province of South Africa. The results will assist in developing strategies for the delivery of business development services (BDSs) that would meet the expectations of all stakeholders. This is the challenge facing South Africa.

The better-known service centres include the Small Business Development Centres in the United States of America and Business Link in the United Kingdom of Great Britain; and international brands like the Enterprise Development Centres sponsored by the International Labour Organisation. These centres provide business development services such as information, basic management training and referrals to more advanced services.

The quantitative research was based on a questionnaire consisting of 42 variables and one open-ended question. The questionnaire was sent to 400 small business owners who had received counselling from the LBSCs. The questionnaire was developed from a literature review on service centres in the developed and developing world; the qualitative studies of Bloch & Daze in 2000 and Urban-Econ in 2002 which were conducted nationally, and structured qualitative interviews with former government officials and existing LBSC owners. The open-ended question solicited respondents to specify the type of service centre that would meet their requirements. According to the four-point Likert scale used, most respondents "disagree" that the LBSCs were effective, and the rating was just shy of the



2.5 median. Three factors emerged from the responses: "capacity and professionalism"; "productive relationship" and "empowering association".

According to a t-test and an analysis of variance (Anova), there was no statistical difference between the means and mid-points of the independent variables for the three factors which indicated "disagree", except "capacity and professionalism" and "empowering association" in terms of turnover. The independent variables included the age of the SMME owner, the qualifications of the owner, the turnover, the number of employees and the age of the entity.

The researcher has recommended an eight-point SMME development strategy as the basis to introduce a new generation of service centres to stimulate entrepreneurship and provide business development services. The recommended eight-point strategy will also assist to assess new business development services centres being introduced by various governments.

KEYWORDS: small business development, small business service centres, business development centres, small business entrepreneurship, development of SMMEs



To the creation of a vibrant economy in which all South Africans, black and white, can live in peace and harmony.



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ABBREVIATIONS, ACRONYMS AND GLOSSARY

ANC African National Congress

BDS(s)

Business Development Service(s)

BSM

Business Sophistication Measure

BuDS(s)

Business Development Service(s)

CBO(s)

Community-based Organisation(s)

DFID Department of Foreign Investment and Development (of the UK government)

dti Department of Trade and Industry

FAO Food and Agricultural Organisation of the United Nations

GTZ German Deutsche Gesellschaft für Technische Zusammenarbeit

ICFI International Committee of the Fourth International

ILO International Labour Office
Khula Khula Enterprise Finance

LBSC(s) Local Business Service Centre(s)

Namac National Manufacturing Centre(s)

NGO(s) Non-Governmental Organisation(s)

Norad Norwegian Agency for Development Cooperation

OECD Organisation for Economic Co-operation and Development

RSA Republic of South Africa

SADC Southern Africa Development Community
SBDC(s) Small Business Development Centre(s)

SBS Small Business Service

Seda Small Enterprise Development Agency

Sida Swedish International Development Cooperation Agency

SME(s) Small medium enterprise(s)

SMME(s) Small, medium and micro enterprise(s)

Start-up An enterprise that has been in existence for less than two years

UK United Kingdom (of Great Britain)

UNDP United Nations Development Programme

UNIDO United Nations Industrial Development Organisation

US / USA United States (of America)

USAid United States Agency for International Development