

**“Insights into export-led growth of SMMES in the
coatings and inks market in the Western Cape”**

A research project submitted to the Gordon Institute of Business Science,
University of Pretoria, in partial fulfilment of the requirements for the degree of
Master of Business Administration.

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Abstract

This body of research investigates the capability and propensity of a selection of inks and coatings manufacturing micro-, small- and medium enterprises, based in and around Cape Town in the Western Cape, to export product

Academic literature reviewed emphasised the fact that the size of the organisation and the level of education resident in the organisation was an important enabler for the business to be export- ready.

The evidence- based research conducted in this study found that networks linking businesses to concerns already involved in exporting was the greatest enabler. Previous export experience amongst the management certainly influenced the alacrity with which the business took to exporting (a matter of knowing the pitfalls and being able to mitigate risk beforehand). However, this was not a deterrent to entering the export market. A champion was needed to keep the export process on track The size of the business in now way impeded that business from exploiting the opportunities when they were presented.

The academic literature reviewed also alluded to the poor skills available in the labour poor. The study found that businesses were able to work around these hindrances (not obstacles). The professional qualifications tended to be resident within the senior management team, which pulled the company through the

exporting process. This has worked well in the short term. However it could prove a disabling factor in the long term if suitable qualified candidates could not be found to absorb and take on the running of the business after the incumbent management team leaves or retires.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirement for the degree of Masters in Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University

Signature

Date

V.L. Oliphant (Ms)

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1. Introduction

During the last few decades, perhaps more significantly the last two, the world has experienced noticeable transformation in geopolitical and economic terms.

Emerging economies have played an increasingly important role as producers of goods and services, receivers of capital or potential consumer markets, given their common characteristic of having large parts of their population still not integrated in the market economy.

The five “BRICS” countries as they are commonly known, comprising Brazil, Russian Federation, India, China and South Africa account for nearly 30% of the world surface area. This in turn translates into the probability of existence of mineral resources, fertile land for agriculture and biodiversity. All these countries have significant resources in their underground and the extraction and/or transformation of these are reflected in the sector composition of their GDP. A common challenge shared by the territorial expanse is the need for a complex infrastructure for the integration of the different regions, implying a need for substantial investment in transport and communications. Although South Africa does not share all the characteristics of the other four countries, it nonetheless is an important strategic, economic and political force on the African continent.

(Schmitz, 2006)

These territories also incorporate ample ethnic and cultural diversity which represents a rich, tangible resource for these countries. All the BRICS countries

are characterised by extremely unequal regional economic development. Income disparities are large and there is an abundance of unskilled labour, with the corresponding shortage in knowledge and capital. The total of open and hidden unemployment amongst unskilled workers is exceptionally high, making education and training a priority for these countries. Differences in access to education, health, housing and urban infrastructure are a major stumbling block. These are reflected in the Human Development Index (HDI) with all five countries included in the medium range of HDI between 0.5 and 0.8 (see diagram 1) below (Cassiolato and Bengt-Ake Lundvall, 2005).

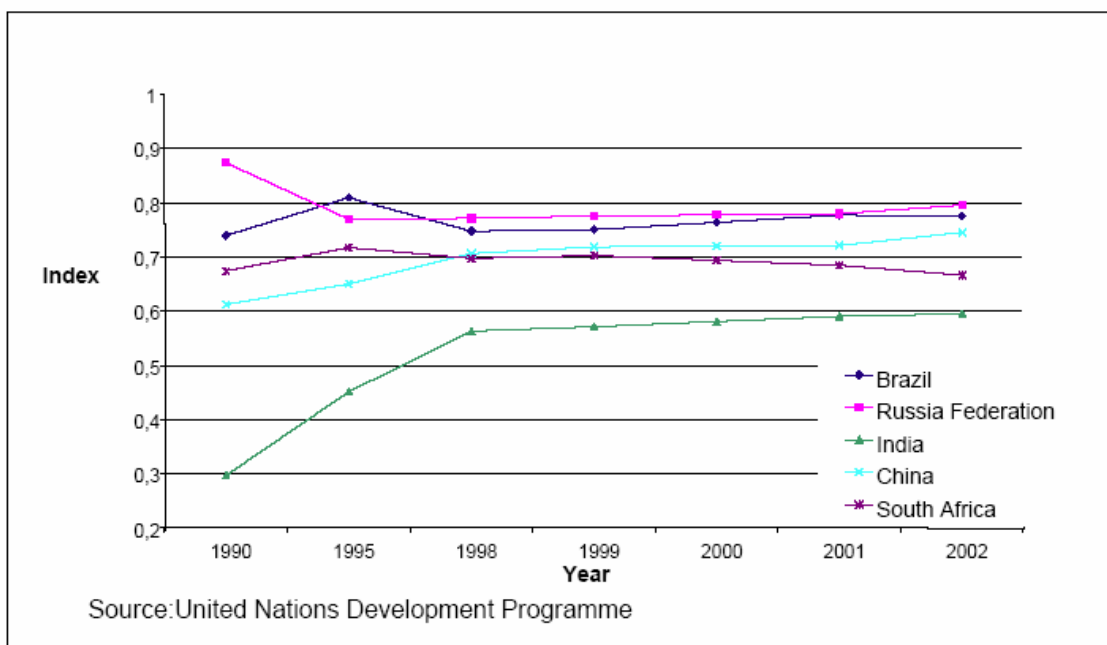


Diagram 1: Human Development Index - BRICS countries – 1999 - 2002

If one were to rationalise this “vast gulf” between rich and poor, then one would argue that although both rich and poor countries had started from the same point

and both faced geographical barriers, these barriers did not deter the wealthy nations from adopting the industrial innovations at the time, resulting in the formation of industrial economies. One of the inferences drawn would be that rising unemployment or perhaps lack of economic activity is due to an inability to harness those resources at the disposal of the individual countries (Sachs, 2005). A contraire view would be that the growing unemployment or economic dissolution experienced in both developed and developing countries is due to the change in the structure of international finance which resulted in growing risk aversion in the private and public sectors (Eatwell, 2000).

Much of the foreign investment in the African continent is based on the extraction of oil, minerals and natural resources, with very little processing occurring on the continent. The goal is to attract investments that add value and stimulate economic development such that reliance on natural resources is minimised (Harsch, 2003).

In order to promote trade amongst African countries, regional trade communities have been created over the last 10 years. The African Union itself has a long- term goal to

- (i) Rationalise and merge all current and existing Regional Economic Communities into 5, namely North, South, East, West and Central,
- (ii) Establish Africa as a single economic union along the lines of the European Union. (Mtumi, 2002)

The establishment of Free Trade Areas (FTA) is a contentious issue. The idea behind FTAs is to eliminate internal barriers to trade amongst members. Member countries operate independent policies towards non- member states. It is intended to boost regional stability and economic growth through the efficient allocation of resources, technology transfer, capacity building and competitiveness. It assumes that trade liberalisation will bring about poverty alleviation in the long- run, rather than increasing poverty or a country's vulnerability. Simultaneously the fear is that countries will experience revenue losses in markets where trade was previously protected. As initial economic growth appears to occur where markets are protected, countries may want to reduce barriers, as they grow richer. For Africa, the wariness towards FTAs is caused by the behaviour of established western economies such as the European Union who tend to have relatively high import protection for secondary industries such as food and agriculture (attractive economic growth areas for African economies who rely on agriculture to sustain their economies), whilst having reduced protection for their leading industries such as manufacturing. Local sectors may need to develop and grow their own competitive strengths, changing their individual mindsets from protectionist to engaging in world- class competitive practices. (Mtumi, 2002)

South African exporters themselves have gained in recent years from preferential access to the United States (African Growth and Opportunity Act (AGOA)) as well from the country being a member of the Southern African Customs Union (SACU). In addition, multi- lateral negotiations continue with countries as diverse as India, Brazil and China. (Holden, 2005).

Numerous schools of business thought have identified criteria, such as those espoused by Goldman Sachs (Zephyrine, 2006) to be used in when evaluating the potential to do business in emerging markets such as South Africa. These include

- (i) Size of the population relative to land mass
- (ii) Viability of the population in terms of economic demographics – to manage foreseeable risk
- (iii) Competitive dynamics
- (iv) Degree of industrialisation - relatively low levels of industrialisation are preferred to keep costs low
- (v) Judicial and regulatory practices
- (vi) Manageable and measurable political and regulatory risks
- (vii) Infrastructure - includes energy and communication
- (viii) Interest and rates
- (ix) Availability of broad market information - transparency of markets
- (x) Route to monetisation
- (xi) Government POLICY OR PROGRAMMES on skills development
- (xii) Market Liquidity
- (xiii) Cost of Equity
- (xiv) Possibilities of joint ventures with local companies who have political connectivity
- (xv) Degree of institutional learning

www.doingbusiness.org , a website of the World Bank, ranks the ease of doing business in the various countries in terms of the number of steps it takes to start a

business, obtain a licence, employ workers, register property, get credit, pay taxes, trade across borders, enforce contracts and close businesses, as well as measuring the degree of protection which investors get from the legal system. It also provides information on Gross National Product, population size and size of the informal economy. The 2007 report ranks South Africa amongst the top thirty countries in the world overall. A Business Report article (National Business Report, 2007) noted that South Africa is in the throes of an Emerging Markets boom. It has joined the elite of the emerged economies alongside the likes of China, Russia, India and Brazil. Bank economists attributed the peak in interest as being due to decreased political risk, management of the economy, excellent growth prospects and a strong commodity cycle.

South Africa's outlook on economic growth in South Africa has also been well documented. Individual country growth rates have increased, mirroring the momentum in the world's economic growth rate. The African continent itself has enjoyed consistently strong growth over the past three years, in the main due to strong commodities performance, infrastructure development and improvements in country economic policies (SARB, 2007).

In its Annual Economic Report (SARB, 2007), the South African Reserve Bank noted that locally the construction industry has outpaced other natural resource – dependent sectors like mining and agriculture in the 18 months under review. The response to the infrastructure drive has translated into strong demand for products used by the construction industry.

The most robust performance, however, came from the manufacturing sub-sectors that benefited from local sales and exports that had been encouraged by the competitive exchange value of the Rand during the past year. The sub-sectors of manufacturing that benefited particularly were those involved in the production of iron and steel, wood product, glass and electrical equipment, as well as non-metallic minerals, including cement production. Although the effects of higher interest rates and a stronger currency filtered through at the start of 2007, manufacturing continued to be supported by the solid growth of construction activity (SARB, 2007).

Export volumes and income in these sub-sectors have been increasing steadily, with a total increase of 36% in the value of the merchandise exports for the period 2006 to 2007. Export volumes of vehicles and transport equipment had risen significantly towards the end of 2006, but decreased in the first half of 2007. However, there has also been the increase in the export of goods from other manufacturing sub-sections such as machinery, electrical equipment and chemical products that bolstered the total manufactured exports in the first half of 2007 despite the decrease in export of transport-related goods (SARB, 2007).

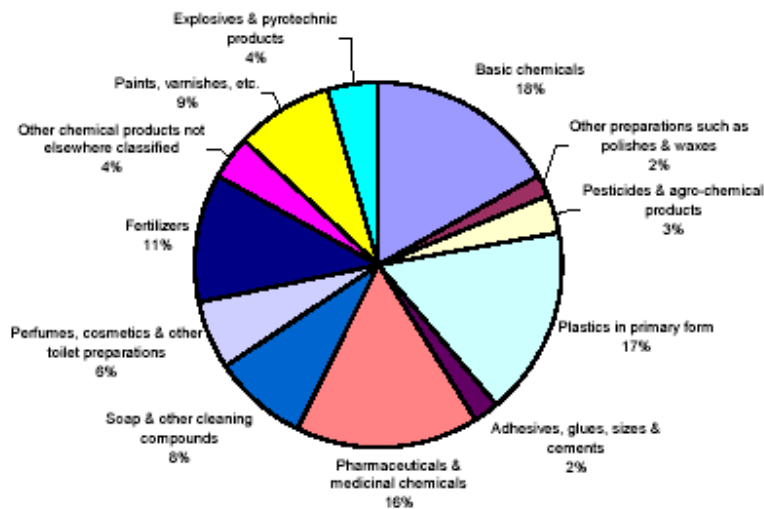
The Western Cape Provincial Growth Economic Review and Outlook (PERO, 2007) recognises that although the broader South African economy is reliant upon commodity-rich resources with the associated industries and services, the

Western Cape economy is differentiated by “its diverse array of agriculture, construction wholesale and retail, financial and business services, niche manufacturing and property development and tourism”. Regionally, growth in the local economy for 2006 – 2007 was driven by the services and construction industry, whilst the manufacturing industry was under-performing. Skilled labour constraints, production capacity constraints and infrastructure bottlenecks have been identified as a deterrent to accelerated economic growth.

All is not doom and gloom because the Western Cape has strengths in analytical, science-driven knowledge, with business being both important producers or users, or both, of technical knowledge. Significant investments have been made in research and development (R & D), producing and using patents as well as having the capability of using externally patented technologies, especially in the areas of agriculture & fishing, textiles, rubber & plastics, paper and paper products, ships & boats, water transport and their related downstream activities. (PERO, 2007)

A 2002 report commissioned by the Department of Trade and Industry had showed exceptional growth in the chemical sector over the past ten years. The industry has benefited from innovation and beneficiation both in the modes of production employed as well as in the diverse nature of the products produced, for both upstream and downstream processes. There is also a high degree of intra-industry trade with developed countries.

Figure 1: Composition of chemicals sector



Sourced : May, 2002

A capital/ labour ratio well below that of the basic chemical's sectors shows that "other" chemicals such as paints, varnishes, cosmetics, etc is labour- intensive and able to achieve sustainable increases in value- added products with relatively low levels of investment. External demand for domestically produced output has been on the increase, indicating an export orientation of the sector. Most of the industries in this sector are highly concentrated with a small number of firms dominating output. (May, 2002)

Growth in exports to other African countries is stronger in the "value- added" category than in the basic chemicals sector. The industry also appears to be quite competitive due in part to the exposure of the sector to international competition through trade liberalisation, factor costs and productivity, amongst others. The

African market, with its potentially large absorptive capacity is becoming an important export destination. (May, 2002)

5.7 Trade performance

Figure 33: Composition of exports (2001)



(Sourced: May, 2002)

The latest report from the DTI on the health of the chemical industry sector notes that this sector has developed into an important part of the South African manufacturing sector, being second only to the food industry in turnover. It is the largest of its kind within Africa and highly complex and diversified. The Southern African Development Community (SADC), the European Union (EU), the United States of America, India and Japan are major export destinations for South African Chemical products. Challenges being faced by exporters in this sector are both tariff and non- tariff – based. (DTI, 2007).

Nonetheless, reviving export growth had been a key challenge for the Western Cape. Regional export growth performance deteriorated sharply in recent years, led by the downturn in manufacturing exports. The chemicals sub- sector of the Western Cape is a moderately small industry, producing a small range of relatively low- to medium- technology products. Most of the chemical products required by the province are imported (PERO, 2007).

The construction sub- sector is affected by skills shortages in respect of skilled workers and management. Businesses interviewed complained about the lack of training in the sector. They reported having no financial incentives to offer training themselves, even though retraining their current workforces would allegedly go a long way toward addressing skills shortages. Similarly, the printing & publishing sub-sector is in the throes of a long- term decline despite employing approximately 30 500 people, thereby providing one in seven jobs in manufacturing. The sector suffers from skill shortages exerting upward pressures on wages and encouraging job-hopping. This has led to gradually more capital-intensive production processes, spelling trouble for job growth in this sector, including for semi-skilled workers. (PERO, 2007)

The World Bank advocates entrepreneurship as being a key driver in promoting economic growth. In developed countries, small and medium enterprises (SMEs) account for more than ninety- percent of all firms and typically produce at least 50% of the productive employment. Small and medium enterprises are seen to be

more productive as they are flexible, innovative and responsive. These are seen to be providing materials, sub-assemblies and services to larger businesses and distributing goods to customers and therefore essential in the supply chain. Small firms become increasingly more important as the world's economies become more reliant on knowledge workers, now resident within the smaller firms, since large firms resist vertical integration and rather continue and build upon their core competencies (LEDIS, 2005). Eaton *et al* (2004) notes that most firms tend to sell only in their domestic markets, with only a small portion exporting. Economies with a high proportion of SMEs will be more resilient to external shocks and will be more likely to have more firms, which grow into larger businesses. Furthermore, stimulating the creation of more SMEs enables developing nations to grow a solid middle class. (LEDIS, 2005)

Doing Business (2007) cautions that as the costs of doing business are so prohibitive in many countries, most entrepreneurs are forced to operate outside the formal economy. The question must be asked as to whether this can be a prohibitor for SA business - cost of capital investment too high for the small man, but can be born on the shoulders of large conglomerates? Most popular reforms have been in the area of easing the regulations of business start—ups and reducing tax rates as well as the reducing the administrative hassle of paying the taxes.

Notably, the Global Entrepreneurship Monitor (GEM) South African Report (2006) had placed South Africa in 30th position out of 42 participating countries. A DTI

Special Report (2005) had recommended that Government should encourage entrepreneurial activity by focussing, amongst others, on areas such as

- Developing/ facilitating information and communication technologies that bridge the gap between new enterprises and established businesses;
- Establishing networking links, international partnerships, community participation and access to national and global markets – e.g. trade agreements;
- Providing business skills training, facilitating business incubation, mentoring and support services;
- Establishing appropriate changes to trade, investment and tax policies that promote sustainability and do not stifle the economic dreams of ...entrepreneurs” (DTI, 2005).

In his 2007 State of the Nation address, President Thabo Mbeki addressed the issue of small business development in South Africa as a means to accelerating economic growth on the continent as a whole. This has been an ongoing theme in government and on the African continent as a whole. Two years previously, addressing a gala dinner for the Economic Society of South Africa Conference, Trevor Manuel, the SA Minister of Finance, reflected upon the high cost of doing business which prevented small businesses from surpassing the growth levels of the day and even prevented more established businesses from expanding to other markets. He spoke about the importance of government’s role in focussing on or building the investment environment of the country such that investment decisions are taken with confidence and investors rewarded for taking large business risks and discovering new productive opportunities (Economic Society of South Africa,

2005). In one respect, South Africa is on the right path: it has already achieved democratic stability and increasingly is forging regional and global multilateral diplomatic links (Schmitz, 2006).

Domestic and international economists and theorists tend to agree that there is a world- wide shift away from commodity- based economies to beneficiation or technologically value- adding economies. Many see the role of the entrepreneur, in the guise of the small, medium and micro- enterprise, as the foot- soldier in marching towards increased economic growth. The old “Third World” has fallen away and it is now to the Emerging Markets that the world looks to boost the performance of the global economy.

South Africa, as a new entrant to the appealing Emerging Market cluster, appears to have all the tools available grow its economy, away from a commodities- only base, to a downstream processing economy: free trade agreements within the African continent and other emerging markets such as India, Brazil and China as well as with developed markets such as the US, stable market economy, export incentive schemes and facilitation, evidence of analytical and knowledge- based resources, amongst other factors. The chemicals sub- sector in particular has moved towards beneficiation, away from base chemicals trade. The question must therefore be posed as to why the Western Cape economy is performing poorly in the larger domestic economy, particularly in the chemicals sub-sector, whether this indeed is due to lack of entrepreneurship capability and resources.

This research seeks to evaluate the extent to which Cape Town- based small, micro- and medium enterprises, engaged in activity in the coatings and inks industry, successfully do business within the rest of the African continent. It may also serve to highlight whether there is a lack of interest in exploring the rest of the continent, whether that disinterest, if any, is due to a constrained vision or perhaps lack of opportunity /connections /understanding of the dynamics prevalent in the rest of the continent. A possible end result of the research may provide the basis for further discussion on whether there are any pertinent factors that can be manipulated to positively influence investor behaviour.

2. Literature Review

2.1 Provincial Economic Review and Outlook

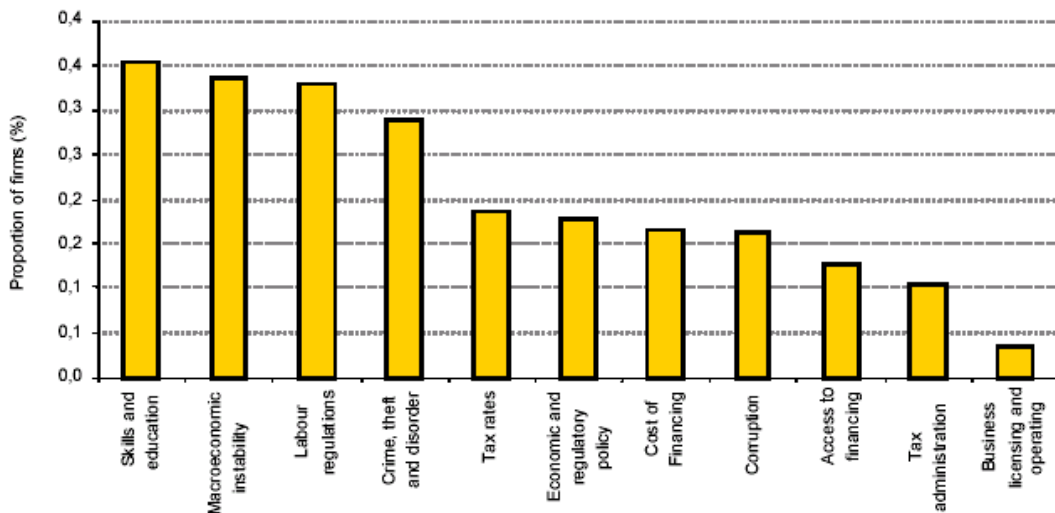
The South African Government set as its target for the years 2004 – 2014, a GDP growth rate of 4.5% for the years 2005 – 2009, and a growth rate of 6% thereafter, until the year 2014. The actual average growth rate has superseded the 4.5% target for the years 2004 – 2005, but this has also resulted in concurrent shortages in material and skilled labour. Interestingly, the increase in capital has not been due to Foreign Direct Investment (FDI) due to shares being purchased in South African companies on the world's various stock exchanges. Rather, fixed capital investments by the private sector and state- owned government enterprises have been growing strongly since 2002. Private sector investment may have been fuelled by the lower interest rates that were present as the Government deficit dropped. (Government Mid- term review – June 07)

The economic review noted that the very small enterprises that operate in the formal economy have access to modern technology and are likely to operate from business or industrial premises, rather than being household- based enterprises. These were most likely managed or controlled directly by the owner or owner- company and were legally registered entities, registered with the taxation authorities. Medium enterprises were also likely to be owner- controlled but now had a more complex owner and management structure, with increased division of

labour. Their personal stakes and ensuing risks in the business are much higher than that of corporate executives in their companies (IDC, 2007; Hibbert, 2000). The bulk of the micro- enterprise activity is concentrated with private households, operating mainly in the wholesale and trade and services industries. (PERO, 2007)

Capital constraints are important to the SMME sector for as they may hinder individuals from engaging in SMME activities and may impact negatively on the growth rate of existing enterprises. A Micro-Enterprise Investment Climate (MICA) Survey (2004) conducted in Tshwane, Ekurhuleni and Stellenbosch found that 43 per cent of manufacturing micro-enterprises listed access to finance as a serious concern. However, in contrast, fewer than one- fifth of larger formal sector firms listed access to or cost of financing as obstacles. It must be noted that out of about 600 firms interviewed in a World Bank Investment Climate (ICA) survey, 21,7 percent were from the Western Cape, of which only 6% had more than 200 employees; finance was not listed as an important constraint to business, although being identified as an obstacle to be overcome.

Figure 6: Perceived obstacles to business by firms in SA, 2004



Source: World Bank, 2004

According to the MICA survey, approximately 21 per cent of micro-enterprises had managers with post-secondary or vocational training, while in manufacturing micro-enterprises, managers were less educated and those in black-owned businesses most often did not have any secondary education at all. This contrasts starkly with the four-fifths of managers of larger enterprises surveyed in the investment Climate Survey having university qualifications. It is also clear from Figure 6 that skills and education are the top constraint facing firms surveyed in the ICA survey, with more than one-third (35,5%) of firms citing it as a major constraint.

A lack of access to business support services is an important constraint on the growth and development of small and informal businesses. The Western Cape, though, has a relatively strong platform from which to address these concerns in

the Red Doors forums (local business service centres established as part of the Real Enterprise Development Initiative).

It has been proposed that a regional innovation system be set up in the Western Cape which would enable businesses to benefit from pools of industry knowledge as well as being able to exploit the knowledge bases resident in universities or science institutions. Regional linkages could be established between businesses within the same value chain, or across the value chains - a positive side- effect could be inter- business relationships between leader and laggard businesses. (Western Cape PERO, 2007)

2.2 National Government Incentives

Trade and Investment South Africa (TISA) was established in August 2000 as a division of the Department of Trade and Industry. TISA's role encompasses investment and export promotion as well as an agenda of sector development. It has also (since 2003) been responsible for developing priority sectors, with the chemical and allied industries being one of those areas. The role of this division is to provide a one- stop shop for both investors and exporters at a national level. Amongst its mandates is the promotion of value- added exports. One of its roles is to assist investors in obtaining strategic market information, providing business contacts, sector analyses and advice on foreign markets. Although previous investment incentives centred on manufacturing, this has been broadened to include, amongst others, business services. The Industrial and Development

Corporation of South Africa Limited (IDC), a statutory body, provides finance, in the form of loans, equity or quasi- equity loans, for the establishment of new manufacturing industries and the expansion, modernisation or relocation of existing industries. (SADC Review, 2006).

2.3 Trade between South Africa and the SADC

During their study on the co- movement of economic variables between countries, Kabundi and Loots (2005) found that South Africa is economically the strongest and most dominant player in the Southern African Development Community (SADC). Together with Mauritius, Seychelles and Tanzania they have a high degree of export diversification. South Africa has grown into the region's largest trading partner since 1994, with exports to the SADC growing at an average of 13% for the periods 2000 – 2002, and steadily growing. SA exports mainly higher value-added manufactured goods but imports largely lower value primary commodities increasing at a rate of 19% on average. These imports from the SADC have been growing at a rate of 19% on average.

However, poor infrastructure in most member countries, related high costs of transportation and lack of communication networks between countries have prohibited the growth of intra- regional trade within the SADC. Import tariffs on imported goods within the SADC are high. But conceivably the most significant inhibitor to intra- regional trade is that SADC member countries export and import similar products. Although South Africa is more fortunate than its member

countries in that it exports mainly manufactured goods, competition comes from the industrialized developed countries, which have previously established long- term trading ties with Africa. (Kabundi and Loots, 2005)

2.4 Export propensity of firms, in particular SA firms

In his study of manufacturing firms in nine African countries, Van Biesebroeck (2005) found that trade liberalisation encourages exports, and that the exporters increase their productivity advantage after entry into the export market.

Economies of scale were found to be important in enhancing productivity.

However, credit constraints as well as the inability to enforce external contracts prevented firms that only produced for the domestic market, from fully exploiting the scale of economies

Gouws (2005) when examining the propensity to export of South African firms found that both exporter and non- exporters regarded export as a natural extension to growing their businesses. They applied the same set of criterion to the export market as to the local market. Both wanted assistance with both the decision to export and the initial preparation. However, even though they understood the need to export, the non- exporters had great aversion to the perceived risk. Firms that did have an export- worthy product may have lacked the knowledge of the export process - they then regarded access to finance as the insurmountable obstacle before having done any investigation on the matter. Although the many experienced exporters were aware of the main schemes to encourage exports,

most were unaware of the number and depth the schemes available to them. They found that the beginning of the process, the application for assistance, was awkward and unreliable as these schemes changed often - it hindered the planning process along the export path.

Rankin (2002) found that although 71% of South African firms export, only eighteen percent of their total output is exported at most, with more than half averaging at 10% of their total product volume. Most sectors target SADC as their target market, with only forty- five percent exporting to the rest of the world. The report found that many companies saw SADC as an extension of their domestic market, therefore not needing particular efficiencies. The larger, more efficient firms were the ones likely to export outside the SADC region. Although it appeared that the ability to spread fixed costs, in terms of market research, distribution networks, etc, in larger firms were important for exporting, once that company is exporting, size is no longer a determining factor in how much is exported. In fact, medium- sized firms tended to export a larger proportion of their output than large or small enterprises. Efficiency appeared to be a determining factor in a company's ability to compete in international markets. These findings echoed by Naudé and Serumaga (2000) in a study on business in North- West Province, South Africa, noted that large (more than 100 employees) manufacturing tended to be more successful in exporting their goods than the smaller manufacturing firms. Firm efficiency was also an important factor. This was mooted as a possible reason why the manufacturing sector in African countries, populated with mostly small manufacturing enterprises,

have failed to profit from trade liberalisation and the simultaneous promotion of the SME sector.

This thinking, pursuant to emerging markets like South Africa, finds resonance in a case study of Turkish small firms: that the larger the firm, the greater the firm's ability to commit resources to international activities, thereby increasing its share of international sales. The study also found that the possession of unique assets or technology was vital to sustain internal competitive advantage and to force the firm to go global (international). The rate at which firms internationalised was positively proportional to the level of intangible assets and inversely proportional to the level of domestic growth. The age of the firm was also an important factor as it needed to overcome its "newness and smallness". Interestingly, the level of competition in the domestic market was not a factor in explaining the degree of internationalisation of internationalised or already exporting firms. However, an improvement in the domestic market led to lower foreign sales as more opportunities became available locally. Gathering export information, planning and controlling did however relate to export success. (Karadeniz and Göçer, 2007).

2.5. Profiling the capabilities of SMEs to compete internationally

2.5.1 Characteristics of SMMEs

Importantly, small firms are constrained by access to finance, technology and markets. Securing market entry and building up both market and customer credibility can be the most difficult step as there may be a lack of awareness of new market opportunities due to the shortage of knowledge, expertise and financial resources needed to carry out the in- depth research assessing the current and potential market situation in terms of product and consultant services in international markets. (Hibbert, 2000) Interestingly, these small businesses use a diverse selection of marketing channels and may depend on only a few trading partners. Often long- lasting relationships may be built with a single customer who offers sustainable trading opportunities over the long- term. However, this dependence may make them susceptible to the vagaries of their importing partner.

Generally first forays into the export market are made through personal contacts, with databases and journals, etc becoming important at a later stage. The most favoured of the export promotion avenues is participation in specialised trade- fairs and trade- missions, as these are perceived as cost- effective in terms of the results obtained. Commercial advertising is generally not considered economic or effective. (Hibbert, 2000)

Limited technology may be a disabling factor. Companies with lower levels of product technology may be relegated to domestic markets or less demanding foreign markets. SMEs do not necessarily plan to change their technology unless they are forced to by the rapidly changing market preferences and an increasing awareness of customer needs. Product quality requirements in terms of planning and control of processes have been placing increasing pressures on the small enterprises. Modern quality management principles and practices, together with the information technology revolution, are evolving rapidly throughout the world. SMEs that adopt these principles are becoming more efficient, productive and competitive in domestic and international markets. (Hibbert, 2000)

In terms of productive capacity, SMEs tend to select machinery on a performance-to-cost ratio. They are able to use simple processes and tend to cross-pollinate the technology available, i.e. use machinery intended for the processing of one product, to process a different product. Generally the nature of their technology gives them flexibility to adapt to new products and to change designs to meet customer requirements. At the end of the day the decision may need to be made as to whether production capacity must be increased to allow the execution of large export orders (Hibbert, 2000)

2.5.2 Characteristics of successful exporters

Grimes *et al* (2007) found three underlying themes in their study of successful exporters. Firstly, these exporters had built a distinctive competitive position

across a range of markets, a position that they maintained even when faced with a hostile environment. Secondly, they demonstrated sophisticated approaches to building and maintaining both domestic and international relationships as part of their strategy to better understand and service the needs of their customer. Thirdly, they used these relationships to elicit knowledge from and communicate with their market - they were then able to add value to their product and service offerings.

Mundin *et al* found that a global company can serve a very small segment in one country, along with several others in the rest of the world such that it is possible to develop economies of scale in production that would be impossible to attain in a single market. Being present in several markets also allows it to exploit market segmentation and increase its revenues. Small companies that have succeeded in crowded markets have placed emphasis more on the marketing and distribution process, rather than on the production processes. Limiting themselves to specific local segments or niches makes them vulnerable to attack by big companies. Delgado *et al* (2001), in their study of Spanish manufacturing firms, found that there is a level of self- selection amongst the more productive firms in the export market. It therefore becomes clear that smaller companies should play an active role in product development to maintain their connections to the high value- added rings of the supply – chain.

Katsikea and Skarmeas (2003) found that highly effective export sales organisations are characterised by higher levels of export sales management

control and organisational design than their poorly- performing counterparts. The export managers themselves display characteristics such as export sales planning, presentation, adaptive selling, sales support and technical knowledge. They are also professionally competent and strongly customer- orientated. Management decisions in the design of well structured export territories and allocation of efficient sales efforts across these territories is crucial to the effectiveness of the sales unit.

Westhead *et al* (2001) investigated the influence of the principal founders on the export propensity of small businesses. The analysis revealed that previous experience in the selling of goods or services abroad was a key influence. These businesses were likely to have older founders with great resources, dense information and contact networks and considerable management know- how. Extensive industry specific knowledge was also a key factor to levitating a business to export. Rauch (2001) notes that previous observations on “co-ethnic networks and business groups” were done informally, rather than scientifically or statistically. Because of this informality, one did not take into account that many of the key decision- makers in a particular industry had shared “ former employee of company X” characteristics that may have contributed to rapid spread in popularity of a particular market or product. These networking members could have thorough knowledge of each other’s characteristics, helping them to match each other or refer each other to external business opportunities. Often a firm looking for foreign buyers or sellers does not belong to an appropriate network. It then has to find an

agent, or “network intermediary” which sells the access to and use of his network, in return for a commission or portion of the transactions realised in this way.

In contrast to the above, Nassimbeni (2001) found that the propensity of small manufacturing firms to export is strictly linked to their ability to innovate the product as well as developing excellent inter- business relations. Efficiencies in manufacturing, communication, marketing design and distribution were not the key drivers. This was corroborated in a study on Japanese firms by Tomuira (2007) who found that although internal Research and Development (R & D) was not the only determinant of exporting, it was strongly related with exports in the science-based sector. The exports of large- sized firms were linked to collaborations strategies in the form of joint projects or operations of subsidiaries overseas, while concentration on R & D and affiliations with business associations were critical enablers for small firms to export. However an environment conducive to entrepreneurship, entrepreneurial ability and technical ability to adapt the technical innovations into sellable products is key to the success of the small firms. (Senker, 1985). Nerkar and Shane (2003) also suggest that new firms that exploit radical technologies with broad scope patents are likely to survive in all industries.

2.6 Entering the foreign markets

Spence and Crick (2001) found that new participants in the export market often entered their choice market in a state of semi- ignorance. Initial desktop research into the target market, followed up by direct experience in that market appeared to

be a favoured route of action. Companies would enter foreign markets using the trade missions or using social networks to make contact with buyers or sellers in that market. Newcomers into the market did not necessarily make appointments prior to the visit, although this was not always the case. Very few businesses utilised the services offered by the Departments of Trade and Industry. At the outset, most companies tended to acquire information during the visit and did not adapt their marketing mix or acquire language skills before going abroad. Once “soft” exchanges of information were made, and a modicum of trust established that the relationship could be long-lasting, the newcomer to the market would exchange “hard” data within the network to establish its position in the market. The businesses often felt the need for follow-up visits to accurately gauge their market. SMEs often used agents to break into the foreign markets because of their relatively low cost and risk (also Rauch 2001). Using agents assisted them into breaking into the local market networks and establish a presence in the country.

3. Research Questions

This research seeks to understand the barriers, if any, facing Cape- Town - based small and medium enterprises from successfully doing business within the rest of Africa, and interacting with their other African counterparts. It also investigates whether SMMEs consider exporting their products at all and which markets they would venture into, should it not be on the African continent

The questions that must be answered are:

- (i) Are there SMMEs in the inks and coatings sector exporting to the rest of the African continent?
- (ii) Are there SMMEs in the inks and coatings sector exporting outside the African continent?
- (iii) What drives SMME investment into the rest of the African continent?
 - a. How important is the industry/ product niche – does it hinder outward looking growth perspective?
 - b. Does the domestic market play a role?
 - c. Do government initiatives play a role?
 - d. How important is the vision of the owner/ chairman?
 - e. What are the fear factors? What role does complacency play? Better a safe harbour?
 - f. Is size a prohibiting factor?
- (iv) Which routes did the SMMEs, which have invested in the continent, follow?

- (v) How successful have these ventures of SMMEs been in terms of percentage turnover?
- (vi) How safe is investment considered into the continent?

4. Methodology

4.1 Introduction

This research is mainly exploratory and qualitative, and is aimed at identifying the obstacles, real or imagined, which exist in the minds of SMME owners.

4.2 Choice of Methodology

Cassell *et al* (2006) define qualitative research in management research as techniques of data collection and analysis that rely on non- numerical data. This focuses on “textual data or images”, while specifically excluding techniques used for quantitative purposes. In their study on supply strategies in small and medium enterprises, Wagner *et al* (2003) argue that the behaviour of owner managers and the development of the SME do not fit neatly into the linear conventional models which are associated with quantitative modelling. “ Actionable knowledge”, i.e. using evidence- based reviews to gain a deeper understanding and insight into the subject under review appears to be suited to this piece of research (Denyer and Tranfield, 2006; Mohrman, 2001). This type of “narrative synthesis” (Hammersley, 2001 in Denyer and Tranfield, 2006) allows one to compile descriptive data from various academic and populist sources, thereby increasing the chances of exploitation to inform policy and uptake in the real world.

4.3 Definitions

Globally SMEs are a clearly distinguishable group, whether in a developed or developing country, with parameters generally being applied in terms of capital investment on plant and machinery, number of workers employed and volume of production or turnover in business. A quantitative definition in each country enables the targeting of specific macro- economic policies to the group. (Hibbert, 2002). For this piece of research, categorisation of small businesses have been done as per the South African government's broad guidelines: micro- enterprises have up to 10 people, small enterprises s up to 50 people and medium enterprises have between 51 and 200 people in their employ (IDC, 2007).

4.4 Tools for Research

The research is not concerned with the testing of hypotheses, but rather connects into existing theory and focuses on building on and localising the available theory. Actual phenomena are studied qualitatively. A causal approach was to followed.

4.5 Data Collection:

Interviews were conducted using a structured questionnaire in an attempt to create standardisation and uniformity with regard to the information being sort. The interviews themselves were relatively informal and lasted between 30 minutes to one hour in duration. Ninety percent of the interviewees themselves were direct

shareholders in the business although they did not necessarily control or inform the growth strategy of the company. One person was a pure employee, but was interviewed in her capacity as ISO management representative.

Special comments/ experiences will be used in the research to add depth to the findings.

4.6 Test Population

Twenty local businesses were identified, based on a South African Paint Manufacturer's (SAPMA) database as well as existing knowledge of businesses within the inks and coatings industry, already known to the researcher. Businesses that had been bought by international companies during the past two years or more, for example TechInk, a digital inks small enterprise which had been bought by the HP group, as well as businesses which had a national and international footprint, for example Barloworld Plascon, were excluded from the survey. A small enterprise such as Neutron Paints was also excluded as it had recently concluded a merger with international company Sigma Coatings - similarly so, Midas Earthcote, a major player in the Cape Market, but which had been sold to Barloworld Plascon.

Although twenty businesses had been targeted, ten were willing to be interviewed. Of those ten, 3 were out of the inks industry. It was found that a great deal of

secrecy exists within the smaller inks industry, accompanied by exceptional wariness towards outsiders seeking information, even if at an objective level.

The survey covered all racial groupings (in terms of respondents within the Cape Town Metropole)

4.7 Limitations of Sampling Methods

Findings may be biased towards experiences within the coatings industry as more responses were garnered there.

The selection excluded SMMEs that merged or entered joint ventures deals with large internationals. This prohibited one from ascertaining the degree of success obtained as an independent SMME both locally and on the export market.

Although age was not a criterion, it was interesting that most SMMEs interviewed had life spans of approximately 10 years. One had been in business for a significant amount of time but did not consider export as a probability for his product. In fact, the business itself had diversified into independent business units such that although two of the business units were involved in significant exportation of their product, the interviewed business unit itself did not export. Unfortunately, included in this survey was a successful SMME, which was thirty- five years old. Age or organisational maturity was not interrogated during this study and may limit the findings herein.

One has not questioned the exportability of the product during this research process - this may be a notable weakness in the conclusions that one is able to draw.

Due to the diversity of the South African people, with its eleven official \tongues, language was expected to be a barrier. However, it was found that Cape Town business is conducted largely in the English language, especially in business - to-business transactions. This would be slightly different to other provinces or industrial regions in South Africa, where although English is the medium of business, negotiations can be conducted in any one of the mother tongues, should there be sufficient understanding amongst participants in the meeting (assumption partially based on experiences in business-to-business meetings with industrial giant Mittal Steel at their Vanderbijlpark operations). However, as one is attempting to ascertain the degree of business interaction with externally focussed entities, English was the language medium used, as this is the “expected” business language.

No limitations had been set on income, although this paper excluded subsistence-level businesses.

4.8 Data Analysis

Each respondent was measured according to the questionnaire (see appendices):

The first section on the questionnaire dealt with determining the age and size of the operation.

The next section dealt with the knowledge base resident within the company, its source and the use of external technology sources.

The third section dealt with the business competitiveness and distribution within its local market.

The fourth section dealt with the company's experience in the export market, both within Africa, particularly in the Southern African Development Community and overseas.

5. Results

This chapter deals with the results of the primary data collected during the interview process.

5.1 Willingness to be interviewed

Interestingly, amongst the manufacturers interviewed, it was found that many shared common origins, in terms of previous places of employment. Players within the coatings industry were well known to each other and often chatted at industry association get-togethers. Similarly, the ink manufacturers were populated with businesses, which had spawned from the larger dominant older players (mainly two parent companies). Opportunities for market share within the inks industry appeared to be much more limited than that for the coatings industry. Casual conversations with non-respondents – mostly from the inks industry - have pointed towards monopolisation of resources within the inks industry. This fear of exposure of growth strategies, despite assurances of confidential treatment of information, may have accounted for the hesitancy to respond to the concepts posed by the questionnaire

The section interviewed may be considered to be fairly representative of the SMMES operating in the inks and coatings sector. The giants known to the broader consumer market consist of a few well-known players, such as Plascon Paints, Dulux (AECI Coatings) and Chemical Specialities in the coatings sector,

and Plascon Inks and Coates Brothers in the inks sector. On the whole, the SMME sector, particularly in Cape Town has had to carve out niche market, generally that which the bigger players refuse to serve. The non- respondents, which made almost made up the known balance of the SMMES in these sectors operate along similar lines in terms of facilities and technologies, to those interviewed, although particular technologies may differ.

5.2 Profiling of Businesses interviewed

Name	Type of Manufacturing	Years in Existence	Number of Employees	Management Level interviewed	Level of Education	Management exposure to previous exports
Classiq Colors	Inks – Varnishes	5	20	MD/ Owner and Ops Manager	Manager and some staff academically qualified and skilled	Not sure
Colortone Paints	Coatings – Wood finishes	10	20	Manager- Shareholder	Management academically qualified, workforce unskilled	No
Duram Paints	Coatings- Waterproofing	20	80	Senior Director	Management and workforce academically qualified	No
Envirotouch	Coatings - Natural/ Organic Decorative	10	5	Owners	Management academically qualified, workforce unskilled	Yes
Mandalay Coatings	Niche Coatings – Fire Retardant and Decorative	10	15	Owner	Management academically qualified, workforce unskilled	No



Marchem Screenprinting and Ink supplies	Screenprinting machinery and ink supplies	12	13	Manger/ Shareholder	Management academically qualified, workforce unskilled	Yes
Marmoran International	Specialist architectural coatings	35	60	Senior Mangers (new and ex-)	Management and workforce academically qualified	Yes
O' Grady's Paints	Both Decorative and Industrial Coatings	20	~ 150 (12 in Cape Town plant)	Ops Manager/ Shareholder	Management academically qualified, workforce unskilled	No
Penflex	Pen manufacturer - some inks manufacturing	15 years	55	Owner	Management and some workforce academically qualified, most labour unskilled	Yes
Turbo Paints	Hardware store- cum- paint manufacturer	15 years (4 manufacturing)	8	Ops Manager/ shareholder	Management academically qualified, labour unskilled	No

5.3 Responses from the questionnaire in terms of research questions

5.3.1 Are there SMMEs in the inks and coatings sector exporting to the rest of the African continent?

Of the ten companies, five of the businesses interviewed were not doing any business outside South African borders. However, this was not cut and dried as one of the non- exporters businesses had supplied product, albeit on a local tender, into Antarctica. Another used an independent agent to distribute his product. This agent may have promoted the product north of the border. Two of the businesses had never had their product used externally, with one of the businesses citing product design as the hindering factor to export. The fifth non- exporter, the hardware store-cum- paint manufacturer had never been exposed to the possibility of exporting - this may have been because he was still in the start- up phase of his manufacturing which he had targeted at his local market.

5.3.2 Are there any SMMEs in the inks and coatings sector doing business outside the African continent?

Two of the exporting SMMES were exporting out of the continent. A further two had made initial forays abroad but had had limited or bad experiences and had stopped for the time – being. However, they had not closed themselves off to exporting off-shore in the future. Only one of the five exporters had not ventured into overseas markets at all. A limiting factor, should that exporter consider venturing abroad, would be his product design (solvent- based wood- coatings) which could incur major

transport costs in terms of legislation surrounding the transport of flammable goods which could price them as uncompetitive in the market which they wished to enter.

5.3.3 What drives SMME investment into the rest of the African continent?

It appears that many export markets were “discovered” almost accidentally, and not as a result of a clearly defined export strategy. Moving into neighbouring countries like Namibia, Botswana and Zambia appears to have been done on invitation by “foreign investors, i.e. Namibian, Botswana and Zambian nationals who had approached the manufacturers, or by piggy- backing on the projects being undertaken by building developers or architects in the neighbouring countries. All initial forays into the markets had been done through either personal contacts or industry- related contacts.

The manufacturers did not voice any concerns about high logistical costs. Neither were they concerned about capital investment as four of the five exporters delivered products directly from their factory door. Only one exporter, Marmoran International, had invested in building manufacturing sites in other African countries. However, even this capital investment gained dividends almost immediately after as the site was either fully paid for by the franchisee or costs partly borne in joint ventures which had been established with nationals in the countries where investments had been made. All the exporters were in agreement that investment by way of selling was easy within Africa as stock was only released once payment had been received; the South African manufacturer did not carry any risk.

Those SMMEs, which have begun exporting, have also seen the benefit of extending their domestic market into Africa. Two exporting manufacturers have products that are mainly aimed at the export market and have minimised their exposure to the vagaries of the domestic market. One exporting manufacturer has a healthy market share in both the domestic and the broader African market, whilst the remaining two, despite having made forays into the neighbouring markets are still proceeding with caution, waiting for work to come to them, rather than aggressively, or pro- actively seeking more opportunities within the continent.

Government export- driven incentives had no influence on the ability to, or propensity for, export. Although one of the non- exporters had participated in a Government- business led trade mission in India, the reality, which had confronted the manufacturer, had stemmed his enthusiasm, such that he returned to concentrate almost solely on his domestic market. One of the exporting ink manufacturers had utilised only one of the export incentive schemes after he first had attended the Industry Trade Fair overseas. However, it appears that qualification for access to these schemes has become too onerous and expensive - driven mostly by the abuses, which had occurred when these schemes had first opened up. The major coating exporter, however, although his ventures had started out through associations with major building contractors/ civil engineers, has won numerous awards from the Department of Trade and Industry (DTI) for export performance. Although this was not interrogated during the interview, one is fairly certain that financial rewards for this type of trading had been given by the DTI.

Eighty percent of the businesses studied had started after 1994. This may have been indicative of the markets, which were opened up after the change in

government. This phenomenon was not interrogated for the purposes of this study, but may prove valuable for later research.

5.3.3.1 How important is the industry?

Businesses in both the coatings and inks sub- sector had exportable products. Barriers tended to be more around product design than the actual sector itself not having a propensity towards export. Certainly within Africa environmental legislative requirements are not yet as strict as in European countries and the United States.

In the coatings sector, technology was not a factor for export within Africa. However, access to product technology became a factor once the market opened up to include overseas countries. No technological innovations were needed in terms of production. However, the very successful exporting manufacturer had repackaged their production technology so that both the product and its manufacturing process became exportable and sold off in the form of franchisees.

In contrast, the need for sophisticated technology within the domestic market has resulted in SMMEs in the inks sector being prepared to meet the rigours required to meet legislation both within Africa and overseas. Two of the three ink manufacturers studied were exporting, with one currently constrained to Africa due to competitive pricing issues.

5.3.3.2 How important is the vision of the owner/ chairman?

Where there was a board of owners, rather than one or two individuals, those companies had actively engaged in some sort of export activity. Those companies

with one or two main shareholders appeared to be constrained by the daily obstacles prevalent in the business.

Four of the five, or eighty percent, of the exporting manufacturing concerns, had senior management who had held management positions in previous companies that had been exposed to exporting or export possibilities. They had therefore been inclined to venture out of the domestic market near the start of their manufacturing life spans. However, the fifth exporter, although enjoying the penetration into the neighbouring export market, was much more cautious in its approach. The fifth exporter, although a trio at shareholder/ senior management level, had no individual or cumulative experience in entering or operating in an export environment.

In all the exporting companies there was a single “export champion” who drove the process and pushed the company along the exporting path. The internal processes and difficulties within the manufacturing concern did not distract this champion. This dedicated person able to see beyond the barriers was vital to ensure export success. In contrast, we have the non- exporter, who despite having being exposed to export possibilities by his participation in the government trade mission, had to balance both the daily concerns in terms of capacity and processing investments required and the ability to see opportunity in foreign markets. As it turned out, he was swamped by the obstacles and lost the drive to export his product.

The case of the non- exporter whose product is not export- friendly is rather interesting: the business had been quite large and diversified. It was then split into separate operating divisions. Two of the three divisions are currently involved in exporting product.

Ignorance or non- exposure was certainly a factor – one of the non- exporting concerns had not heard about government incentives to export product. In addition he had no knowledge of the export opportunities available to him.

In the majority of cases, the decision to export was not made by a single dominant individual, although assigning one person to constantly drive the project assisted in the export success of the ventures.

5.3.3.3 What are the fear factors

The “fear” factors, where they exist, tend to be those borne out of ignorance. One respondent cited an inability to be competitive in his target market - a large capital investment would have been required in order for him to compete successfully. A second SMME responded by saying, “ tell me how to do it, and I’ll do it”. Where tentative forays had been made, it had been made with trepidation, but always the champion of the export initiative was the one who saw things through and by the first successes kept the sceptics going. Certainly those participants in the export market did so well aware of the risks associated with the initiative and attempted to reduce their exposure to those risks.

Those who have sold their product into Africa continually affirm the ease of doing business in Africa, as payment is always cash or bank guaranteed and received ahead of delivery of the order.

5.3.3.4 What role does complacency play? Better a safe harbour?

None of the businesses interviewed were complacent in their ability to maintain their growth trajectories. All considered the niches in which they operated, highly competitive. Particularly the inks market appeared considerably more cut-throat than the coatings industry. All the businesses responding were keenly aware of the importance on keeping up-to-date- with the latest technological advances. They saw using the advances as a means of maintaining their competitive edge as it sharpened their responses to changes in trends in the consumer markets. However, they were careful to choose technologies that were cost- effective.

5.3.3.5 Does the domestic market play a role?

All the SMMEs interviewed had started up initially due to a perceived gap in the market. All of them were keenly aware of the business and consumer dynamics in their operational space. Certainly the competitiveness of the domestic market was a major determinant in the choice of consumer markets to be entered. One of the five business on the export trajectory had set its sights upon the export market from the very beginning as it realised that it would be dwarfed or overwhelmed by the bigger, stronger players. Other businesses utilised opportunities which were offered to them through personal contacts locally or through contacts made by interested outsiders.

Certainly within the ink manufacturing market it appears that the size and degree of competitiveness in the local market could induce the manufacturer to broaden his consumer horizons. However, amongst the coating manufacturers in Cape Town it appears that the local market still has room for growth, such that at least six of the seven coatings manufacturers are concentrating and growing their local market

share. Where at least two of these six companies have entered the export company, this has mainly been due to incidental contacts that have required their products and so broadened their horizons outside the local borders.

5.3.3.6 Do government initiatives play a role?

One would be tempted to assume that the dismantling of Apartheid itself, under the mantle of a new democratic government was the catalyst to business development itself as seven of the ten businesses interviewed had started up after 1994.

At least two of the businesses exporting had participated in an export incentive scheme at some time or another. At least one of the two still continues to benefit and continues to receive numerous awards for its export initiatives. The other had participated in an export initiative at its second foray into the international market. However, it has subsequently found the new qualifying criteria too onerous. He does assert, though, that the tightening up of criteria was largely due to the abuses being perpetrated by the early uses of the scheme. One of the “non- exporters” had also participated in Government trade fair/ delegation in India. Whilst he had gone in with great expectations, the reality that confronted him was one of an exceptionally competitively priced (cheap) export destination. The other businesses exporting did not use the Government incentive schemes - this may simply have been due to ignorance of the full spectrum of help available, or due to the qualifying criteria. This point was not investigated in this research, but must surely prove food for thought in a more detailed study.

5.3.3.7 Is size a prohibiting factor?

This study indicates that size has no bearing on export capability. The predominantly exporting ink manufacturer narrowly escapes the definition of micro- enterprise, whilst the coatings exporter is a medium- sized enterprise.

Size has not precluded SMMEs from exploring export opportunities. One micro- enterprise, with a total staff complement of five persons, was able to export half a ton of product per month quite easily to the United States. Had repeat- order volumes increased, he may have been forced to increase his manpower - however, this increase would only have happened once a critical threshold had been passed.

5.3.4 Which routes did the SMMEs, which have invested in the continent, follow?

All of the SMMEs studied had been introduced to business opportunities on the African continent via business or social networks. They did not do any initial investigation into the markets, which they were to enter, but relied upon the information garnered through their business contacts.

It was mentioned that to enter certain markets one had to develop relationships with the government officials and other decision- makers in those markets. This was especially true for the major coatings exporter.

The major inks exporter had stressed the importance of attending international industry trade fairs: “We first attended FESBA in Europe. It is THE trade fair in the screenprinting trade and occurs every four years. If you want to be noticed, that’s

where you go.” (Interview Marchem). It was also at an edition of this fair that they had come across an equipment’s manufacturer for which they became the agent - they then modified the machinery to accept the inks which they had manufactured, thus creating a package - receiving commissions from distributing the application equipment as well as direct profits from the use of their in- house ink product.

5.3.5 How successful have these ventures of SMMEs been in terms of percentage turnover?

Three of the five exporters were able to quantify their percentage turnover of export sales and found that these translated into the majority of their sales. Exports for the other two were still considered insignificant although they were tentatively trying to increase market share.

Certainly all five exporting businesses have had export success on the African continent. However, when considering the percentage turn- over of the three bigger exporters, it becomes evident that a foray beyond South Africa’s neighbours (the SADC) is necessary to produce significant market share.

5.3.6 How safe is investment considered into the continent?

The three major exporters are all in agreement that investment into the continent is risk – free. Allusions were made into the large amount of spend available - a sizeable portion through government and other initiative funding by donor organisations. All the businesses operate on a cash- or- credit- only basis.

5.4 Technological Capacity - product and process

Technological use in production processes appears to be industry related. The markets in which the ink manufacturers operated required that they be equipped with the latest technologies in their fields, regardless of whether they were exporting their products or not. Those who exported appear to have exploited the technologies available to their advantage. Particularly the screen- printing inks manufacturer (the major inks exporter) cleverly adapted his home- grown technology (no- doubt formulated using the latest chemistries available) to suit the equipment, which he was importing and distributing onward.

The coatings manufacturers in contrast did not need sophisticated technologies for either their products or processes. However, the company best able to exploit the technologies available was also best placed to export successfully, such that it exported both product and processes.

During the interviews it became apparent that a lot of the access to the technologies resided within the senior management or owners. In most instances the staff was poorly equipped, minimally literate and needed training. Only the major coatings exporter had academically and practically- skilled and experienced employees, which it was able to attract on a consistent basis. Many of the smaller SMMEs complained about the dearth of labour that was suitably qualified. Every one of the SMMEs had developed training programmes for the inexperienced and often illiterate new staff they employed. Two of the businesses interviewed hinted that the standard of education of matriculants entering the job market was exceptionally poor. This lack of transferability may impact negatively on the long- term sustainability of the venture should suitable younger receptacles not be found within the company.

5.5 Technological Capacity - marketing

Ninety percent of the businesses interviewed did not market using commercially accepted vehicles. Most relied upon word –of- mouth marketing to grow their business. They all had websites which were accessible by the general public. At least seven of the company websites gave one a detailed view of the activities of the company, the products that they carried and easy links to contact the sales personnel at the relevant companies. The eighth business (Envirotouch) even went as far as to offer online shopping facilities- this is part of their strategic plan to reach as broad a market as possible. One inks manufacturer, the non- exporter, still had a website under construction at the time of this study. The only exception was the hardware-store-cum- paint manufacturer that advertised in the local papers. However, the difficulty in establishing a website in his case may be that companies trading by the same names - both trading names and commercial names- in other provinces in South Africa also carry the same name and have registered domains on the world-wide web.

5.6 Summary of Results

Only 50 percent of the businesses studied exported a proportion of their products. All of the exporters do business within the African continent, with two of them also doing business outside the continent.

Forays into the South African Development Community (SADC) countries are perceived as being a safe way to test the waters for the more tentative operations.

Those businesses whose senior management have been exposed to export – led growth in previous positions of employment has a greater propensity to exploring the export market for growth opportunities. All the businesses, with “export- driven” management have made positive incursions into the export market. An export champion is required to drive the company along this path. Export- led teams also have less fear in exploring overseas market opportunities.

Only one of the exporting manufacturers has made capital investments outside the country. All the other exporters supply product from their manufacturing sites in Cape Town - this is not considered as too expensive logistically. Only one of the non- exporters mentioned lack of capital or access to finance as a barrier to exporting.

Size, in terms of staff employed, is not a factor in determining export capability.

Being able to package local product technology and processes both seeks to increase profitability as well as cement a presence in the export market entered into. Technology seems to be the greater driver, as those who can fine- tune and exploit their local technologies are best placed to be highly profitable. An awareness of the legislative environment and tailor- making of products to suit that environment is one of the key success factors when entering a new market.

Skills shortages appear to exist within all the markets. Most technologies reside within the senior management. This may be an important factor when considering the longevity of the organisation.

The social and business network is key when entering new markets as all of the exporting producers had entered foreign markets piggy- backing on companies in their networks that were already doing business there. The social network seems to obviate the need for in- depth research into the market by the prospective exporter.

6. Discussion

6.1 Provincial Outlook

The South African Government's Mid-term Review (2007), which notes that there has been growing investment in the private sector over the past five years, is accurately reflected in the activity of cross-section of businesses investigated for the purposes of this study.

This study has produced evidence that the small (even micro-) and medium enterprises operating in the formal sector have access to, and may use modern technology, supporting the findings by Hibbert (2000) and the Industrial Development Corporation (IDC, 2000). Ninety percent of the companies under review were owner-managed or controlled. Unlike the Hibbert (2000) and IDC (2007 findings, it was not only the medium sized enterprises that showed evidence of complex management structures and division of labour - rather the small enterprises that had set steep and high growth trajectories in terms of exporting, as their target, had realised the value of playing to individual strengths within the management team to enable the success of the ventures.

Although the PERO (2007) report of the Western Cape alluded to micro-enterprises being concentrated in households (in the wholesale and trade and services industry), this did not necessarily hold true for manufacturing enterprises.

The proposal to set up innovation hubs within the Western Cape (Western Cape Pero, 2007) appears to have found feet already in the establishment of formal business premises. There is a proliferation of industrial zones in and around Cape

Town (author's own observation). Even the micro- and small businesses that had declined to be interviewed were located in formal business parks, specially tailored to accommodate the size of the ventures.

Establishing linkages between businesses within the same value chain and across those chains, as proposed, may be difficult and would have to be approached with sensitivity and upfront knowledge of the sensitivities within a particular industry.

Highly competitive and monopolistic industries may be resistant to collaboration, both because it could alert bigger players to market competition, which they had been unaware of, as well as the fact that although the technology is cutting edge, there can't be too many variations on it. In contrast, the coatings industry would be more open to establishing pools of industry knowledge. Within the coatings sector, the local South African Paint Manufacturer's Association (SAPMA) is a body which attempts to provide standardised training throughout the industry as well as providing forums where technology suppliers and manufacturers can meet and discuss the latest technological innovations. These forums are generally well-attended by both established and new entrants into the coatings market.

At no stage did the enterprises under review mention capital constraints as a hindering factor to start-up their businesses although all alluded to the hard work and financial sacrifice that they had to endure to keep the business going until the concern became self-sustainable. However, it must be noted that the coatings micro-enterprise had the backing of a silent partner as well as considerable personal savings, which had been sunk into the project. Certainly all the businesses interviewed, although perhaps operating on a shoe-string budget, had the option of accessing credit, albeit not through the formal ending channels. Only one

manufacturer mentioned that cost of capital required had prevented him from further exploring the export markets for selling his product.

A Micro- enterprise Survey (MICA, 2004) noted that lack of skills and educations were perceived as obstacles to business by firms. All of the business surveyed had noted the lack of well - educated and skilled labour available. These had not been short- term impeding factors as all the businesses had engaged in in-house training programmes to train their new employees to function efficiently within the processes of the businesses. The financial impact on setting aside valuable resources to train new staff had not been discussed during the interviews.

The businesses interviewed did not provide evidence for the MICA (2004) survey that in manufacturing micro- enterprises, managers were not well educated and those in black- owned businesses did not have secondary education at all. At least five of the businesses interviewed were wholly or partially black- owned. All the founding members had at least secondary education, with some either having obtained tertiary qualifications before their initiation into the private sector or during the growth of their business. This may be an industry- related phenomenon, as both the inks and coatings industries require a layer of educational sophistication or understanding in order to produce a product that allows them to compete in their market. However, as that education lay in the senior management team, rather than the organisational layers downstream, this could be a disabler in ensuring the long- term sustainability of the venture. Two of the medium enterprises had been in existence for more than twenty years. However, it was instructing to note that they had educated and skilled labour within all layers of their operation.

6.2 The Role of National Government Incentives

Government incentives to export appear not to be well advertised to the private sector. All except two of the exporting manufacturing firms had been aware of or used the mechanisms made available. Certainly strategic market information was obtained through social and business networks rather than obtaining that information from the government one- stop shops. The large coatings exporter had found it to its advantage to utilise the services available and this helped to smooth its entry into many African markets as often high level (government) negotiations (or networking) were required before a site could be set up or a joint venture entered into. However, even in this instance, the first port of call had been due to network- rather than government- related intervention to enter the market.

6.3 Trade between South Africa and the SADC

Most of the manufacturing concerns interviewed had not fully exploited South Africa's position as the dominant force in the Southern African Development Community (SADC). They do however bear testimony to Kabundi and Loots' (2005) study that the value- added goods are exported, rather than the primary commodities.

Whilst it may be true that high costs related to poor infrastructure, lack of transportation and communication networks might be prohibiting factors to intra- regional trade, all of the five exporters (both coatings and ink manufacturers) had negotiated comfortably around those obstacles, negating the assumption that these obstacles may be insurmountable. Rather it appears that as long as willingness is displayed by the buyer to facilitate or accept time- delays caused by transport

restraints the South African manufacturers are willing to engage in trade in the region.

The manufacturers interviewed did not mention whether existing foreign corporations within the SADC region had been a source of competition. This may have been due to the fact that their entry into these markets had not been aggressive and that they had in so doing, managed to evade the notice of the firms already resident there.

6.4 Export Propensity of South African firms

Van Biesebroeck (2005) and Rankin's (2002) findings that trade liberalisation encourages exports can be extended to say that trade liberalisation encourages enterprise development. Certainly at least eight of the ten businesses interviewed had their start-ups after South Africa had re-entered the global arena.

Contrary to van Biesebroeck (2005) assertion, it is not clear that the South African manufacturers in the sectors under interrogation regarded export as a natural extension to growing their business. Only one manufacturer had clearly set the export market as his target market from the very beginning. The other exporters had 'fallen' into exporting by way of business or social contracts, or when it appeared that they had outgrown their market, as in the case of Marmoran International.

None of the exporting manufacturers had indicated that they had required assistance with the decision to export as well as the initial preparation. However they had been "helped" by the opportunity presented by willing buyers approaching them.

Certainly at least one coatings manufacturer had an export- worthy product but regarded financing as the insurmountable obstacle - whilst he could obtain the finance, he was unwilling to entertain the risk and burden in servicing the debt to be incurred. The screen- printing inks manufacturer found the application for government assistance unwieldy, expensive and unreliable as the qualifying criteria was constantly updated.

The size of the manufacturing entity in these industries had no bearing on the export propensity as micro-, small- and medium- sized enterprises were engaged in export activity. It also appeared that size had no bearing on the degree of export activity involved in as both the medium- sized coatings exporter and the small- sized inks exporter exported their products both locally, within the African continent, and abroad. The size of the firm also did not determine its propensity to export as a medium- sized coatings firm did not consider its product exportable. Although product design was mooted as the reason why the medium sized- firm did not export, this may more honestly been due to a comfortable market position in the domestic market which precluded any research and development activity, in its well- resourced laboratories, in changing the product design to an exportable one.

Perhaps technological efficiency, rather than firm efficiency (Naudé and Serumaga, 2000) should be mooted as a possible reason why the African manufacturing sector has failed to profit from trade liberalisation and SME sector promotions. Certainly the most successful exporting firms interviewed had designed their product offering around technological (process and product) efficiency and were selling these efficiencies, rather than using company internal efficiencies to make it possible for them to export. Karadeniz and Göçer's (2007) study found that a firm's

internationalisation was positively proportional to its intangible assets and inversely proportional to the level of domestic growth. This finding is echoed when one reviews the export behaviour of the successful inks and coatings exporting manufacturers. Both companies had a great deal of intangible assets, resident within the “technology experts” within the company, which they utilised to produce sophisticated export packages. These intangible assets were also located within the networks that the companies were a part of, which facilitated their entry and growth into their target export markets. Both companies also had greater export than domestic profitability. The study did not reveal whether there was a drop in sales as domestic market opportunities opened up. However, the ink manufacturer did allude to the fact that there would be cause for withdrawal as the export markets engaged in more competitive activity within their own locale. He also hinted that the domestic market was opening up and that he saw more growth opportunities locally than years before.

Consistent with Rankin’s (2002) findings was that for most at least two of the five exporting firms, the exported product accounted for less than ten percent of their total production volume. The two most successful exporters may have formed part of Rankin’s forty- five percent grouping that export to the rest of the world. Although much is made about intra- SADC trade, it is interesting that the majority of the exporting companies had looked further afield than the SADC region in promoting their products within Africa. This may indeed be due to the view held by the literature that the SADC market is regarded as an extension of the domestic market. It may also be have been due to the fact that these markets are not regarded as a source of opportunity. Unfortunately this phenomenon was not interrogated during this research and is best left the further study.

2.5 Profiling the capabilities of SMEs to compete internationally

Hibbert's (2000) views that business or social networks are important for entering the export market finds resonance in the experiences of the exporting manufacturers interviewed. Participation in trade fairs as a marketing tool was only successfully exploited by one manufacturer. It held true for ninety percent of the manufacturer's that commercial advertising was considered neither economic nor effective.

Hibbert's (2000) proposition that limited technology may be a disabling factor only holds true in terms of the degree of export success required by the company - if domestic growth is still the driver, the company will export its products within the capabilities currently resident within that business. This capability was not considered a disabling factor. Technology limitations did not translate in to quality limitations as Hibbert asserts. Most of the companies interviewed had obtained or were in the process of obtaining quality management (ISO) accreditation, using the technologies resident within the company, albeit second-hand. Therefore one may consider standardisation of product and process, rather than sophistication of technology an enabling factor. Nonetheless it must be admitted that limited technology may constrain export growth to the less demanding markets.

The two most successful exporters give lie to the some of the findings by Grimes *et al* (2007). Both had demonstrated novel and sophisticated approaches to building and maintaining their international and domestic relationships. Both used their relationships as a source of knowledge and medium of communication of their target market. Only one of the two successful exporters has built a competitive position

across its markets. The other, the inks manufacturer, is in the process of withdrawing from markets that are turning hostile. However, in this case, the withdrawal may be due to immaturity or inexperience of the organisation in dealing with adverse conditions. It appears logical the major coatings exporter had encountered foreign competitive resistance before, but had evolved ways to manage the threats. One would need to follow the progress of this company into the future to determine whether the “pull- out” response is a long- term one, or whether they had learned from the initial “failure” and were better prepared to defend their market share in the foreign market over the longer term.

Delgado *et al* (2001) found that companies, which had succeeded in crowded markets, had placed greater emphasis on the marketing and distribution process, rather than the production process. The Western Cape market itself is very crowded. Small and medium manufacturers have tended to distinguish themselves in terms of the tailor- made service that accompanies their products. Certainly none of the SMMES used advertising as a means to drawing attention to themselves. The study also found that there is a level of self- selection amongst the more productive firms in the export market. One has seen a hint of it with the ink manufacturer, operating in a specific niche, which became vulnerable, to attack once a foreign local player entered the scene. Unfortunately our sample was too small to verify this phenomenon, although one could see that there were certainly factors that influenced the degree of success in the export market.

Earlier in the paper it is stated all the companies exporting had dedicated champions who were able to divorce themselves from the daily operational aspects and drive the export behaviour of the company, echoing Katsikea’s and Skarmeas’ (2003) findings.

The experience of the founding fathers does have an impact on the way the export market is perceived (Westhead *et al*, 2001). Those micro- small and medium enterprises that had people with previous exposure to export- related dealings were less risk averse in venturing into the export market. They leapt first, with the latent knowledge of what the risks were and how to minimise those risks at the outset.

The most successful exporters also bear witness to Nassimbeni's (2001) findings that the export success is related to their ability to innovate the product and develop excellent business-to- business relationships. The success did not lie in the manufacturing, communication and distribution strengths of the company. Both inks and coatings fall into science- based sector, which places heavy reliance on technology for success.

6.6 Entering the foreign market

In terms of choice of market, three of the five exporters and the one non- exporter who had made an initial foray into the overseas market via a trade mission had displayed ignorance about the market that they had entered. Their entry had been based on their contacts with the buyers. However, the ink manufacturer who had targeted the export market from the very beginning to grow his business, had done homework by first selecting the trade fair which would give provide him the greatest exposure, and then going on to learn about his export destinations in the follow- up visits to those destinations. As China was one of his major markets, his business card hints at the “ Chinese- orientation” by displaying his name and position both in English and Mandarin.



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7. Conclusion

The aim of this research was to determine what the level of export activity, particularly within Africa, was of Cape Town- based micro-, small and medium- enterprises in the manufacturing sector of the coatings and inks industry.

International and government agencies have mooted the growth of the small and medium sized enterprise as key to the economic growth of the country. South Africa itself is well populated with micro- enterprises, reportedly located within the retail and services sector. This study has shown that there are a number of manufacturing enterprises located within the micro- enterprise sector. Therefore for the purposes of this study the micro- enterprise has been included.

The export orientation or previous experience resident within the management team factored in the manner in which the export manner was approached. Four of the five exporting companies had initial forays within and outside the African continent with seemingly little regard for risk of failure. It was only the competitiveness within that export market that caused the withdrawal of two of the exporting companies from the overseas markets.

Business or social networking appears to be the main avenue for the SMMEs to enter the local SADC region, the broader African continent and the overseas markets. Confidence in those markets is due to the confidence displayed in the network, rather than objective research having been performed on the markets to be entered.

Government export incentives do not play any role in promoting export incentives. In the main, this is due to a lack of public promotion or furore regarding the incentive

schemes available. Most of the businesses interviewed were ignorant of the options in terms of market information, trade missions, etc available to them. However, before Government embarks on a public road-show, it may be prudent to simplify the qualification process.

The inks and coatings sector, being a science- based sector, is heavily reliant on technology for its success. The key to exporting product appears to lie within the strategic packaging of both production and product technologies, which allows roll-out beyond the domestic market.

The Western Cape government is considering the establishment of innovation hubs to leverage off partnerships between academia and business. This may have to be approached with a fair degree of caution in terms of the selection of aspects that will be made available to the broader community.

Certainly all the businesses studied have the potential for export. If one considers the selection to be fairly representative of the large SMME community in the inks and coatings manufacturing sector, then a great deal of potential and economic growth waits to be unlocked in the manufacturing sector. Certainly size is not a prohibitor although access to information with regards to opportunity is. It is therefore important that the manufacturing SMMEs be exposed to the various government services that carry information with detailed and copious information with regard to opportunities in the foreign markets as well as details on how those markets work. It should be noted that for many decades the South African economy due to the government policy of apartheid was isolated from the world economy. Further SMMEs were not encouraged to trade within the SADC region or export. As we have earlier noted the

majority of SMMEs interviewed were established after 1994 and the statutory demise of apartheid. The fact that 50% of the SMMEs have either attempted export or contemplated it augurs well for the innovative and expansionary potential of the South African economy.

Further in- depth evidence- based research is required to verify the export capability of micro-, small and medium enterprises. Researchers would do well to investigate at which stage in the company's development it exported, what the size of the company was when it exported and whether this really was a significant factor, what the useful intangible assets were and how existing business networks can be used to promote export growth for manufacturers who have not yet been exposed to the possibility.

Although not specifically addressed in this body of research, attention must be given to raising the level of skills (such as literacy, numeracy, analysis) with which the school leaver is equipped. As the majority of the growing workforce will be without some sort of tertiary education, it is important that the new entrants into the broader secondary- schooled workforce be able to quickly grasp (understand) and grow in terms of the processes and products that they will be exposed to in the workplace.

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9. Annexure

Please note that all transcripts are confidential as per the request of the persons being interviewed. Permission to be sought from the author should access to the subjects under discussion be required.

9.1 Transcript Classiq Colors

9.2 Transcript Colortone Paints

9.3 Transcript Duram Paints

9.4 Transcript Envirotouch

9.5 Transcript Mandalay Coatings

9.6 Transcript Marchem Screen Printing and Ink Supplies

9.7 Transcript Marmoran International

9.8 Transcript O' Grady's Paints

9.9 Transcript Penflex

9.10 Transcript Turbo Paints

9.1 Export Initiative Survey

Interviewee: Porsche Grove/ Clinton Miller

Q1. How long have you been in existence?

About 5 years

Q2. What was the driving force in establishing this venture?

There was a need in the market. We have quite a peculiar product which is appreciated in the market we serve

Q3. How old is your manufacturing plant? 5 years

Q4. How old is your manufacturing equipment? A lot of our equipment technology is new since we need to respond to our customers who are using the latest technology. We make overprint varnishes and the market is continuously evolving. We try to keep abreast as far as is economically possible.

Q5. How large is your current manufacturing workforce? We're about 20

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate? We have a mix between certificated and unskilled labour. We regularly send staff on training courses to equip themselves for their various positions. Often they leave after receiving the training.

Q7. What proportion of your technology has been developed in- house? At least 50%.

Q8. What proportion of your technology has been obtained through licences with overseas partners? We don't manufacture too large a proportion under licence – less than 40%. However, we have a good relationship with our technology partner who has assisted us in growing the business

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? We sell to agents in Durban and Johannesburg. They then distribute to their respective customers.

Q10. Which local markets do you serve? We mainly serve the South African packaging industry, through out agents

Q11. How competitive is the market niche in which you operate locally?

The market is highly competitive and dominated by a few big players. However we have the scale to be flexible and respond quickly to demands for new products.

Q12. Who drives the marketing decisions?

I do (Clinton Miller) - obviously based on prompts which I receive from customers as well as keeping my ear to the ground

Q13. Do you do business outside the South African border?

No



YES	NO
12a. In which export markets do you operate?	12b. Have you considered exporting your product? <i>Yes, but it's not on the cards</i>
13a. How did the initial foray occur: (i) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets? (ii) "Cold- calling" - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business (iii) By invitation from an overseas or "external" African national who wished to partner with you? (iv) Overseas technology partner drove the move (v) Other (Comment)	13b. Which factors influenced your decision not to export your product (i) Never thought about it (ii) Dangerous/ unstable political climate externally (iii) Dangerous/ unstable political climate locally (iv) Import/ export regulations considered too laborious (v) Unaffordable capital outlay (vi) No guarantee of returns (vii) Don't know how to go about it (viii) Not interested. Local market delivers sufficient value (ix) Other (Comment) <i>Our agents may export product. We merely ensure the local quality. At this moment we're still concentrating on building our business within South Africa. There is a huge market which we still view as untapped.</i>
14. What percentage of your total manufacturing output is	



exported?	
15. What percentage of your export occurs within the SADC region	
16. What percentage of your export occurs outside the SADC region?	
17. Have you made a large capital investment in you export destinations? (i) Established outside manufacturing site (ii) Established your own retail outlets in these markets (iii) Established a service outlet (iv) Other (Comment)	
18. For how long have you been exporting now?	
19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.	

9.2 Export Initiative Survey

Interviewee; Sedick Vardy

Q1. How long have you been in existence?

For the last 10 years. We grew from small beginnings. We are still small but growing steadily. In fact, in the last 2 years we've really seen a lot of growth.

Q2. What was the driving force in establishing this venture?

Aldrin Paints, based in Steenberg, Cape Town had been a leading company in this market. However, there were some financial issues with one of the owners and the plant had to be closed down, with everyone being retrenched. Ismail had been the Sales Manager at the time and I was involved on the operational side of things. We saw a gap, and together with Raymond and his father at the time, we thought why not... how difficult can it be... we'd been doing it for so long... and we did it! Raymond was just out of university then and he was very eager and really drove us.

Q3. How old is your manufacturing plant?

We relocated to this site just over 5 years ago. The premises that we had in Claremont was about a quarter of the size of this one here.

Q4. How old is your manufacturing equipment?

Some we bought cheaply from Aldrin and also picked up one or two pieces here and there. Our equipment is very basic. We really just need blending and high speed mixing. We are lucky to have a good engineering guy who does all our modifications for us and helps us out whenever we need something changed. There hasn't been a need yet to buy anything really expensive, but that may change as our sales are improving, especially the last few months - and it looks like it will be getting better.

Q5. How large is your current manufacturing workforce?

We're about 20 people.

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate?

Most of our guys have been with us from the start. Some came with us from Aldrin days. Most of them are labourers, but we train them. They are willing. We look after them and they look after us. We have a good relationship.

Q7. What proportion of your technology has been developed in- house?

Some of the things we based on our Aldrin formulations - I knew them because I'd worked and been responsible for both the lab and the plant guys. Most of the things we developed ourselves, you know, by playing around with the formulations - paint isn't too difficult. We also had some help with starting formulations of our suppliers, but you know how it is: one still has to do a lot of the legwork yourself.

Q8. What proportion of your technology has been obtained through licences with overseas partners?

We don't have any licensing agreements.

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised?

Well, we mainly supply to the hardware stores and some building contractors buy directly from us. They would tender for a job and we would be involved by fulfilling the specs for the paintwork on the job - mainly the woodwork and of course the metal work. We also supply paint shops and contractors out in Namibia and Botswana. We would send trucks out from our plants, but sometimes the customers come to collect themselves. Ismail, together with Raymond, are responsible for finding new customers. A lot of work comes our way by word of mouth. I handle the operations side.

Q10. Which local markets do you serve?

We're well represented in the Western cape, I'd say - you can even find us in PE and East London. We also sell to one guy in Bloemfontein who was interested. Raymond was just speaking with some guys in Joburg too, so we'll wait and see.

Q11. How competitive is the market niche in which you operate locally?

This market is highly competitive. You get the guys who only come out of the woodwork in Summer, when the high season starts - they offer lower prices which you can't beat and aren't sustainable. They then go underground during the low season months when you still have to keep going.

Q12. Who drives the marketing decisions?

Raymond and Ismail look for the opportunities. They constantly come to me with new ideas, looking for new product - then I must calm them down. Just like now.... Ismail is looking for a new primer even though that isn't our primary market. But he sees it as a way of keeping the customer by seeing to most of his needs in a one-stop shop. But, we can only do so much.

Q13. Do you do business outside the South African border? Yes.

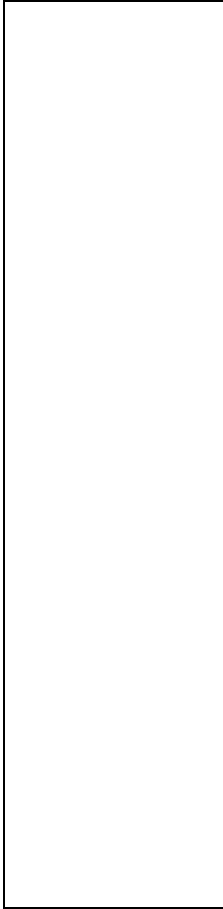
Answered earlier: Botswana and Namibia currently

YES	NO
<p>12a. In which export markets do you operate? Botswana and Namibia</p>	<p>12b. Have you considered exporting your product?</p>
<p>13a. How did the initial foray occur:</p> <p>(vi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(vii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(viii) By invitation from an overseas or “external” African national who wished to partner with you? The Namibian business was because of a guy who had seen our product when he came down to Cape Town on a visit. Raymond is responsible for finding new business in the “export” market</p> <p>(ix) Overseas technology partner drove the move</p> <p>(x) Other (Comment)</p>	<p>13b. Which factors influenced your decision not to export your product</p> <p>(x) Never thought about it</p> <p>(xi) Dangerous/ unstable political climate externally</p> <p>(xii) Dangerous/ unstable political climate locally</p> <p>(xiii) Import/ export regulations considered too laborious</p> <p>(xiv) Unaffordable capital outlay</p> <p>(xv) No guarantee of returns</p> <p>(xvi) Don't know how to go about it</p> <p>(xvii) Not interested. Local market delivers sufficient value</p> <p>(xviii) Other (Comment)</p>



<p>14. What percentage of your total manufacturing output is exported? I'd say, not much.... About 20%</p>	
<p>15. What percentage of your export occurs within the SADC region All of it</p>	
<p>16. What percentage of your export occurs outside the SADC region? Nothing yet</p>	
<p>17. Have you made a large capital investment in you export destinations?</p> <ul style="list-style-type: none">(v) Established outside manufacturing site(vi) Established your own retail outlets in these markets(vii) Established a service outlet(viii) Other (Comment). We don't manufacture anywhere else but at this Ottery site. We supply to a big hardware store in Namibia - this guy has a lot of outlets. We also supply to some hardware stores in Botswana.	
<p>18. For how long have you been exporting now? It's been a few years already. I'd say at least three.</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets. We</p>	

were looking at selling our product in Zimbabwe, but we're just watching the situation there. It's not easy to get your money out although we think that we can make big business there.



9.3 Export Initiative Survey

Interviewee: Ken Greaves

Q1. How long have you been in existence? We've been in existence for over 20 years. As you know, Duram started out as a water-based coatings manufacturer, making water-proof all kinds of coatings. As we grew too big over the years we split up. Zest now manufactures polyurethane linings for Bakkies and Duram Automotive is a joint venture started between Duram and Vorwag, producing Automotive Coatings. Automotive is about 10 years old.

Q2. What was the driving force in establishing this venture? Well, 20 years ago, there was a need for paint. As I mentioned before, when we grew too big, we split and about 10 years ago we became simply Duram waterproofing

Q3. How old is your manufacturing plant?

We moved from Paarden Eiland more than 8 years ago. Our plant burnt down and we relocated to bigger premises in Montague Gardens. It was quite a tough time for us and we lost a lot of market share at the time. You know, the market is quite fickle and very supply driven - and we couldn't supply.

Q4. How old is your manufacturing equipment?

We moved across with lots of our old manufacturing equipment. We've bought in new equipment when we've needed it, but there hasn't really been a big need

Q5. How large is your current manufacturing workforce?

Altogether we're about 60 people

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post-matric qualification or trade certificate? Most of our workforce would be what you call unskilled. We've provided them with training here. Many of them have been with us for years and are really very good. We have sent some of our workers for adult literacy courses. We also encourage people to receive SAPMA training (SAPMA is an industry association which offers a "qualification" in paint - SETA accredited)

Q7. What proportion of your technology has been developed in-house? All our technology has been developed in-house. Obviously we're always keen to hear about new developments from our suppliers. We've also attended the European trade shows in the past just to see what's out there.

Q8. What proportion of your technology has been obtained through licences with overseas partners? *Only Duram Automotive manufactures under license with the joint venture which they established with Vorwag.*

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? *All our sales is done through hardware stores. Most of the smaller contractors get their product through them. We don't deal with contractors too much ourselves.*

Q10. Which local markets do you serve?

We serve the whole South African market. We sell all over the country.

Q11. How competitive is the market niche in which you operate locally?

Water- proofing is a pretty specialised product, so we don't do too badly.

Q12. Who drives the marketing decisions?

Our MD and our marketing department

Q13. Do you do business outside the South African border?

No

YES	NO
<p>12a. In which export markets do you operate? <i>We see Angola as a huge opportunity. However, we've burnt our fingers before. We do have an agent in Namibia who is bedding down the Namibian market before he extends into the rest of the continent</i></p>	<p>12b. Have you considered exporting your product?</p>
<p>13a. How did the initial foray occur:</p> <p>(xi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xii) "Cold- calling" - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(xiii) By invitation from an overseas or "external" African national who wished to partner with you?</p> <p>(xiv) Overseas technology partner drove the move</p> <p>(xv) Other (Comment)</p>	<p>13b. Which factors influenced your decision not to export your product</p> <p>(xix) Never thought about it</p> <p>(xx) Dangerous/ unstable political climate externally</p> <p>(xxi) Dangerous/ unstable political climate locally</p> <p>(xxii) Import/ export regulations considered too laborious</p> <p>(xxiii) Unaffordable capital outlay</p> <p>(xxiv) <i>No guarantee of returns</i></p> <p>(xxv) Don't know how to go about it</p> <p>(xxvi) Not interested. Local market delivers sufficient value</p> <p>(xxvii) Other (Comment) <i>We don't export ourselves, but work through agents in Durban and Johannesburg.</i></p> <p>(xxviii) <i>Our product is mainly water, so from an economical</i></p>

		point of view, exporting the product isn't feasible.
14. What percentage of your total manufacturing output is exported?		
15. What percentage of your export occurs within the SADC region		
16. What percentage of your export occurs outside the SADC region?		
17. Have you made a large capital investment in you export destinations? (ix) Established outside manufacturing site (x) Established your own retail outlets in these markets (xi) Established a service outlet (xii) Other (Comment)		
18. For how long have you been exporting now?		
19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.		



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9.4 Export Initiative Survey

Interviewee: Bernard Lembeck and Sven

Q1. How long have you been in existence? Well I started up in 1997. The business in its current format has been going since about 2004 when Sven joined.

Q2. What was the driving force in establishing this venture? I always wanted to come back to South Africa (he had worked in South Africa (for NCP Resins and BASF) seven years prior to the decision to move back). I was just looking for something. I was the MD of

a large wood coatings company. Our company was losing huge market share as European demand changed to organic coatings - our technology was still the conventional type. The company eventually evolved into something very small as the owner did not see a need for change. I then realised that there was an opportunity in South Africa - no South African companies were manufacturing organic coatings - there was just no need for it. The technology was already there as the very first coatings in history were organic. I got into contact with a German paint technologist who had never left South Africa. He was keen and we set up in 1997, officially opening our doors in 1998. Unfortunately my partner wasn't made for self-employment - he needed a regular salary. The first few years were very tough. The South African market didn't wasn't ready for our coatings. Some months we didn't have enough money to get home - just slept in the office building on the floor (in Montague Gardens). We eventually started up a paint contracting company where we cleaned, painted and did maintenance – called Environmental Finishes – our only condition was that you had to use our products for the job. This was how we entered the market. It was very tough as you needed to be on the site to supervise the guys working and I had to be producing paint. My brother was a silent partner in the business – we eventually got my first partner to leave about three years after we started. Sven then joined about five years ago and we've grown from strength to strength since

Q3. How old is your manufacturing plant? We moved to the site in Killarney Gardens about five years ago - we re-launched the business. We had a fire two

years ago when everything built to the ground and we had to build up everything from scratch again.

Q4. How old is your manufacturing equipment? Now, about two years old - but it was all purchased second-hand.

Q5. How large is your current manufacturing workforce? We have 3 people working for us here. It is a simple blending operation really.

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post-matric qualification or trade certificate? Well, only Sven and myself. One of the guys is a good old guy who had real working experience in paint. The newest member has been with us for over a year - he is really eager - he has a matric, but it is a really bad one - all languages - I have had to teach him all the fundamentals about reading and doing basic maths - it was really bad. The third guy can't read, but we've been sending him for adult literacy classes. It really is a problem around here to find qualified people. We've just been looking for a qualified chemist, as we need to do some meaningful research and development now. We found a good (black guy) one - unfortunately we can't afford to pay him the salary he requires - maybe in a few years....

Q7. What proportion of your technology has been developed in-house? Well, the technology is freely available- it's been used in Europe for years - all the ingredients are displayed on the back of the tins in Europe as this is a legislative requirement - it's just a matter of getting the "ratios" right.

Q8. What proportion of your technology has been obtained through licences with overseas partners? We don't. At one stage a company called Milk Finishes, a design house, was also manufacturing their own milk coatings - we found it cheaper just to repackage theirs, rather than keep manufacturing our own.

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? For the Cape Town market we can supply directly from the factory - over the last year we established an online shop where people can buy what they want and we will just deliver. We also sell through some hardware chains like Builders Warehouse. We have some smaller hardware stores in Johannesburg and Durban, which sell our stuff. We also have an agent - a health shop in Kyalami, who tries to sell our stuff. Initially I had tried to sell directly to the end-user. In recent years I have found it better to target the architects who can then specify the coatings for the project - most of our business comes in this way.

Q10. Which local markets do you serve? *we sell in the major South African cities, but you can order from anywhere. Our online shop has allowed people in rural areas to find us.*

Q11. How competitive is the market niche in which you operate locally? *We're the only one, although a new German Organic wood company has been trying to enter the market - their coatings are really good - it's just that he is way too expensive for this market. You have some of the bigger paint companies selling products which they call "natural" or organic", but it isn't the real stuff. I fact the company called "Natural Paints" doesn't manufacture organic coatings at all. All our paints are 100% natural and environmentally friendly. We have even had to check for allergens with some of our raw materials.*

Q12. Who drives the marketing decisions? *We do it together*

Q13. Do you do business outside the South African border? *Yes.*



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YES	NO
<p>12a. In which export markets do you operate? Currently we sell to Zambia and lots to Namibia - through the architects who have specified our coatings</p>	<p>12b. Have you considered exporting your product?</p>
<p>13a. How did the initial foray occur:</p> <p>(xvi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xvii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business.</p> <p>(xviii) By invitation from an overseas or “external” African national who wished to partner with you?</p> <p>(xix) Overseas technology partner drove the move</p> <p>(xx) Other (Comment) Milk Finishes had received an order to supply their product to the United States. Theirs was a primer coat and needed a sealer to ensure longevity of the coating. We supplied the</p>	<p>13b. Which factors influenced your decision not to export your product</p> <p>(xxix) Never thought about it</p> <p>(xxx) Dangerous/ unstable political climate externally</p> <p>(xxxi) Dangerous/ unstable political climate locally</p> <p>(xxxii) Import/ export regulations considered too laborious</p> <p>(xxxiii) Unaffordable capital outlay</p> <p>(xxxiv) No guarantee of returns</p> <p>(xxxv) Don't know how to go about it</p> <p>(xxxvi) Not interested. Local market delivers sufficient value</p> <p>(xxxvii) Other (Comment)</p>

	<p>beeswax topcoat. It was good business - about half a ton per shipment. It all stopped when the guys in the States found a local supply of that product. - Not too hard as these kinds of coatings have been around for ages.</p>
	<p>14. What percentage of your total manufacturing output is exported? A very small percentage at the moment</p>
	<p>15. What percentage of your export occurs within the SADC region Most of it - mostly in SA, although we do supply to Zambia and Namibia for construction projects.</p>
	<p>16. What percentage of your export occurs outside the SADC region? None at the moment</p>
	<p>17. Have you made a large capital investment in you export destinations? No</p> <ul style="list-style-type: none"> (xiii) Established outside manufacturing site (xiv) Established your own retail outlets in these markets (xv) Established a service outlet (xvi) Other (Comment)
	<p>18. For how long have you been exporting now? N/A</p>
	<p>19. Which are the warning signs (besides a drop in profits)</p>

that will encourage disinvestments in those markets. N/A





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9.5 Export Initiative Survey

Interviewee: Galiem Jacobs

Q1. How long have you been in existence?

Just about 10 years

Q2. What was the driving force in establishing this venture?

As you know, we all started out as technicians. I was at Vadek Paints in the old days (pre- 1994) and there was just so far you could go in the company then, as a person of colour. When Vadek went through that bad patch many years ago, they closed down their Cape Town operations and transferred their staff to Johannesburg. I went as well for a brief while but didn't like the set- up. I decided to take the opportunity that became available in the Cape Town market.

Q3. How old is your manufacturing plant?

I decided on this area (Parow) as my base as it is considered an excellent area in the general manufacturing industry. It's close to the airport and centrally located logistics- wise. We were at smaller premises to start with, but have been on our current site for quite a few years already

Q4. How old is your manufacturing equipment?

(Hesitant) Look, our equipment is still good and functional. If we need to, and the sales demand allows for it, we will upgrade or purchase new machinery.

Q5. How large is your current manufacturing workforce?

We're about 15 people at the moment, but it fluctuates

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate?

Look, I believe that people can be trained if they are willing. I must admit that some of my guys have been with me for a very long time.

Q7. What proportion of your technology has been developed in- house?

When I was at Vadek Paints, I worked under an excellent chemist who wasn't afraid to teach and pass on his knowledge. I was able to develop formulations at Mandalay Coatings based on my own technical know- how developed over the years.

Q8. What proportion of your technology has been obtained through licences with overseas partners?

I don't manufacture under license, but I'm always looking for new ideas and advances from my suppliers. A few years ago I attended the European Coatings

show at Nuremberg - it was such an eye opener! You know, European technology is so advanced - we must try to keep in touch and up to date or else we will be left far behind. Definitely the South African market lags behind these guys at the moment.

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised?

We sell mainly to contractors - the guys come and collect or we deliver it to the job site. We have a transport service that we use regularly. These guys are very reliable.

Q10. Which local markets do you serve?

Well, you know, ours is quite a specialised product. We mainly supply contractors who have specific requirements. Quality and customer focus is at the forefront of our operation and that has served us well until now. We don't try to compete in the decorative market where you'll find our Plascon's and Midas Paints, etc.

Q11. How competitive is the market niche in which you operate locally?

Look, our market is very specialised and there aren't too many players. We have the advantage over the bigger guys like Stoncor and Chemspec in that we can easily tailor our product around specific customer needs without impacting too badly on our daily operations. At the moment the market is very quiet. (I asked him whether he was profiting from the building boom which appears to be in evidence throughout much of Cape Town) A lot of these contracts have been won on the basis of people having had old relationships or being willing to grease a few palms. It's still the same people getting the contracts. It is very difficult to break in the (White) old boys club that is very much in evidence here. My BEE status doesn't mean much, unless I want to join in the corruption.

Q12. Who drives the marketing decisions?

I used to do all the marketing before. At the moment I don't really have much time. It is important that one gets out there, however. As much as possible one keeps one's eyes and ears peeled for what is out there. And what is being asked for. We've been quite lucky. We also have only so much that we can do here. I'm not sure that I really want to place money on expanding right now if I'm not guaranteed an excellent return.

Q13. Do you do business outside the South African border?

Myself, no, although those who buy my paint may do so. A few years ago I was invited to be part of the Department of Trade and Industry's trade fair in India. I had

thought that I could sell my product there. But I found that the Indians can make the paint cheaper than it is for me to ship it there.



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YES	NO
<p>12a. In which export markets do you operate? None</p> <p>13a. How did the initial foray occur:</p> <p>(xxi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xxii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(xxiii) By invitation from an overseas or “external” African national who wished to partner with you?</p> <p>(xxiv) Overseas technology partner drove the move</p> <p>(xxv) Other (Comment) Practically - as part of a Government- sponsored delegation of South African businesses who had been asked to showcase their products at an International Trade fair.</p>	<p>12b. Have you considered exporting your product? Briefly, to India.</p> <p>13b. Which factors influenced your decision not to export your product</p> <p>(xxxviii) Never thought about it</p> <p>(xxxix) Dangerous/ unstable political climate externally</p> <p>(xl) Dangerous/ unstable political climate locally</p> <p>(xli) Import/ export regulations considered too laborious</p> <p>(xlii) Unaffordable capital outlay</p> <p>(xliiii) No guarantee of returns</p> <p>(xliv) Don't know how to go about it</p> <p>(xlv) Not interested. Local market delivers sufficient value</p> <p>(xlvi) Other (Comment)</p>



<p>14. What percentage of your total manufacturing output is exported? I don't export myself although my product can be used everywhere.</p>	
<p>15. What percentage of your export occurs within the SADC region</p>	
<p>16. What percentage of your export occurs outside the SADC region?</p>	
<p>17. Have you made a large capital investment in you export destinations?</p> <p>(xvii) Established outside manufacturing site (xviii) Established your own retail outlets in these markets (xix) Established a service outlet (xx) Other (Comment)</p>	
<p>18. For how long have you been exporting now?</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.</p>	

9.6 Export Initiative Survey

Interviewee: Gary Marrison

Q1. How long have you been in existence?

We played around developing product in a garage for about a year. We've formally been in business for about 12 years.

Q2. What was the driving force in establishing this venture?

Well, I was the technical director at a large adhesives manufacturer (unnamed) and my brothers and our partners were involved in various industries. Over those big family lunches one day we realised that there was a huge gap in the screenprinting market, which wasn't being capitalised upon by anyone. This was our opportunity. We immediately fleshed things out and got cracking.

Q3. How old is your manufacturing plant?

We've been at this site for just over 10 years

Q4. How old is your manufacturing equipment?

We have manufacturing equipment (for the dyes) and the screenprinting machinery for which we are the agents. Most of our equipment is the latest, state-of-the-art. We need to have what our customers will use in order to provide them with the most relevant training. Some older machines are kept here in order to train and service those customers who haven't switched over to the newer machinery yet.

Q5. How large is your current manufacturing workforce?

13 people

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post-matric qualification or trade certificate?

Skill at this company is in terms of work experience. I started out with 3 staff from my previous company - together they had more than 30 years experience in coatings-related manufacturing environments

Q7. What proportion of your technology has been developed in-house?

One of the very first things that we did was to develop our own in-house technology which has been wildly successful. In fact these products are used almost exclusively on the machines which we sell.

Q8. What proportion of your technology has been obtained through licences with overseas partners?

We are merely the agents for the screenprinting equipment. We have a long and good relationship with the suppliers of the equipment. We also try and keep up to date with the latest trends in technology

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised?

We do have contracts with a freight and logistics company which handles the actual export of product for us. However, we offer our own “in- house” training and serving on the things that we sell. I often go along with the machinery to install and train the new users. We distribute from South Africa. We don't have any retail outlets.

Customers generally would come to us directly.

Q10. Which local markets do you serve?

At least between 20 – 30% of our market is local, i.e. South African. As you know, the textile industry has been in sharp decline over the past 15 years. I believe that the trough has been reached and levelled out, and in fact, one is seeing a slow recovery. For the past few months we have been selling about one machine a month. This translates into 3000 garments per day....

Q11. How competitive is the market niche in which you operate locally?

Well, we realised that we didn't want to get beaten up by the local big players in the market, so we deliberately decided to set our market away from their prying eyes. We operate within Africa. In fact, I was in Kenya last week, installing the machinery, which we distribute, and training the client on how to use our dyes (inks) with the machine. We also export to China and India. We have agents there. However, that situation may change very shortly as a large Indian competitor has entered the market, setting up their own manufacturing site, and producing a product similar to ours. Copycatting is a huge problem in those markets.. We'll never be able to match those prices now. Although they've barely started, we've already seen a drop- off in the amount of product being sent to China.

Q12. Who drives the marketing decisions?

This has largely been driven by market need. My brother actually makes those decisions. He has a BCOM marketing and economics degree..

Q13. Do you do business outside the South African border?

Yes

YES	NO
<p>12a. In which export markets do you operate? <i>Within Africa, China and India</i></p>	<p>12b. Have you considered exporting your product? <i>From the very beginning</i></p>
<p>13a. How did the initial foray occur:</p> <p>(xxvi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xxvii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(xxviii) By invitation from an overseas or “external” African national who wished to partner with you?</p> <p>(xxix) Overseas technology partner drove the move</p> <p>(xxx) Other (Comment) <i>We first attended FESBA in Europe. It is THE trade fair in the screenprinting trade and occurs every four years. If you want to be noticed, that’s where you go.</i></p>	<p>13b. Which factors influenced your decision not to export your product</p> <p>(xlvii) Never thought about it</p> <p>(xlviii) Dangerous/ unstable political climate externally</p> <p>(xlix) Dangerous/ unstable political climate locally</p> <p>(l) Import/ export regulations considered too laborious</p> <p>(li) Unaffordable capital outlay</p> <p>(lii) No guarantee of returns</p> <p>(liii) Don’t know how to go about it</p> <p>(liv) Not interested. Local market delivers sufficient value</p> <p>(lv) Other (Comment)</p>
<p>14. What percentage of your total manufacturing output is</p>	



<p>exported? Between 70 and 80%</p>	
<p>15. What percentage of your export occurs within the SADC region A good proportion</p>	
<p>16. What percentage of your export occurs outside the SADC region? I wouldn't have the numbers, but certainly a good proportion</p>	
<p>17. Have you made a large capital investment in you export destinations? No</p> <p>(xxi) Established outside manufacturing site</p> <p>(xxii) Established your own retail outlets in these markets</p> <p>(xxiii) Established a service outlet</p> <p>Other (Comment) We do have agents in India and China.</p>	
<p>18. For how long have you been exporting now?</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.</p>	<p>As I said to you previously, we've pulled out of China. India may be next as there is a local guy who is copycatting our product on a major scale. We don't have any problems in Africa: we are always guaranteed our money as payment is upfront. They don't even expect credit as they know they won't get it. We only ship equipment and product once the money is in our bank accounts. So yes, Africa is our best market.</p>

9.7 Export Initiative Survey

Interviewee: Hawa Khan (Secondary: Johan Batiste)

Q1. How long have you been in existence? *About 35 years*

Q2. What was the driving force in establishing this venture?

Well, Marmoran makes specialised coatings - quite different to the flat Plascon type coatings

Q3. How old is your manufacturing plant? *Gosh, this plant has been here for yonks. I couldn't tell you just how old it is.*

Q4. How old is your manufacturing equipment? *The equipment is old but suited to our needs. They do buy in equipment when it can't be fixed. We've also tried to make the formulations as efficient as possible to minimise handling and processing*

Q5. How large is your current manufacturing workforce? *Lansdowne is our head office - I'd say we're about 60 people based here. We also have blending sites situated in the rest of Africa, in Ghana, Nigeria.... Then of course, there is Malaysia, Dubai, etc. Our sites in foreign markets may be Marmoran franchisees or joint ventures that were entered into – some countries insist that a portion of the ownership and running sits in local hands.*

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate? *Well, quite a large percentage of Marmoran staff is "academically" skilled. Management also encourages people participating in courses like SAPMA and they've got adult literacy classes running for those who need it.*

Q7. What proportion of your technology has been developed in- house? *All our technology has been developed in- house. Of course, we depend on our suppliers to help in keeping us up to date with what is out there.*

Q8. What proportion of your technology has been obtained through licences with overseas partners? *We don't manufacture under licence but we do give out licences to manufacture - we train all our franchisees in all their methods. They buy the plant and our equipment and we train them on how to use it and into the "Marmoran way" of doing things. We train them in things like our quality procedures and processes and so on.*

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? *To a large extent we do control our distribution network. The basis are*

made in bulk in Lansdowne and then sent to our blending plants where they are situated.

Q10. Which local markets do you serve? Well, we serve the whole SA market - our product isn't retail- driven. Rather it is targeted at the bigger construction products. We work a great deal through architects and the bigger building contractors like Murray and Roberts.

Q11. How competitive is the market niche in which you operate locally? We were quite fortunate that our previous MD was good friends with the head of Murray and Roberts at the time, so a lot of our business is really by way of the large construction firms. Our products are also quite specialised, so there isn't really too much competition in this market.

Q12. Who drives the marketing decisions? The management team, guided by the previous MD - he was quite a dynamic guy who had built up a lot of connections over the years. There have been quite a few changes at Marmoran in the last two years or so; the management team has been "refreshed" - with one or two old faces and lots of new faces.

Q13. Do you do business outside the South African border?
Yes, our main business is export related.

YES	NO
<p>12a. In which export markets do you operate? <i>We can serve markets all over the world, although our sites are predominantly within Africa, the Middle East and Asia.</i></p>	<p>12b. Have you considered exporting your product?</p>
<p>13a. How did the initial foray occur:</p> <p>(xxxi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xxxii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(xxxiii) By invitation from an overseas or “external” African national who wished to partner with you?</p> <p>(xxxiv) Overseas technology partner drove the move</p> <p>(xxxv) Other (Comment) <i>Gavin, our previous MD, was pretty dynamic and well connected. We got into many markets by coatings large developments – mostly on the back of the big local construction</i></p>	<p>13b. Which factors influenced your decision not to export your product</p> <p>(lvi) Never thought about it</p> <p>(lvii) Dangerous/ unstable political climate externally</p> <p>(lviii) Dangerous/ unstable political climate locally</p> <p>(lix) Import/ export regulations considered too laborious</p> <p>(lx) Unaffordable capital outlay</p> <p>(lxi) No guarantee of returns</p> <p>(lxii) Don’t know how to go about it</p> <p>(lxiii) Not interested. Local market delivers sufficient value</p> <p>(lxiv) Other (Comment)</p>



<p>houses. Gavin also was head of the Chamber of Commerce at one stage. (NB! The walls at the head office are decorated with awards from the DTI for being leaders in export performance).</p>	
<p>14. What percentage of your total manufacturing output is exported? I'd say that 90% of our product is exported</p>	
<p>15. What percentage of your export occurs within the SADC region Quite a bit - these are serviced from here</p>	
<p>16. What percentage of your export occurs outside the SADC region? The larger percentage – as I said before, we have blending sites in Ghana, Nigeria, Egypt, United Arab Emirates, Malaysia, India, etc</p>	
<p>17. Have you made a large capital investment in you export destinations? (xxiv) Established outside manufacturing site (xxv) Established your own retail outlets in these markets - No (xxvi) Established a service outlet Other (Comment) We've set up blending operations in a few key countries from which we can serve the regional countries around it. This hasn't been too much of a capital investment</p>	<p>Thing about exporting in Africa is that you have to be able to speak to politicians and those who are well- connected politically. Lots of deals seem to happen around the influential few. It was exceptionally rife in Nigeria - I didn't like it, but we still entered into a joint venture there.</p>



<p>as the franchisees buy the equipment and “operating instructions” from Marmoran - we receive our money (or credit notes) upfront.</p>	
<p>18. For how long have you been exporting now? Almost 10 years already</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets. Africa is a pretty good market to be in at the moment. There is a lot of money around. I suppose if a venture isn't doing well, we may think of pulling out – if it becomes too expensive for us. In fact, we're looking at Mauritius right now but haven't decided if we need to put a manufacturing base there yet.</p>	



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9.8 Export Initiative Survey

Interviewee: Raj Dwarika

Q1. How long have you been in existence? **Over 20 years**

Q2. What was the driving force in establishing this venture? **Bill O' Grady, the founder, saw a need which the conventional paint companies, being largely decorative- paints based, wasn't meeting. O' Grady's moved to take the gap in the highly industrial market**

Q3. How old is your manufacturing plant? **This plant in the Strand is about 10 years old. Our other sites are a bit older**

Q4. How old is your manufacturing equipment? **We don't really need very modern equipment. As our volumes grow, we will consider the purchase of new machinery**

Q5. How large is your current manufacturing workforce? **The site here in the Strand only has 12 personnel, but we have a total workforce of more than 150 people countrywide - I don't have the exact figure - you'd have to ask HR.**

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate? **For certain functions like engineering maintenance, we do have qualified personnel. Finding qualified paint personnel is more difficult as there is a lack of available skill in the industry. However, we've invested a lot of time and money in upgrading the quality of education of our staff. It's a bit of a 50- 50 situation as people don't always stay once they've been trained.**

Q7. What proportion of your technology has been developed in- house? **Most of our technology has been produced in- house although we do produce one or two products under license**

Q8. What proportion of your technology has been obtained through licences with overseas partners? **I'd say less than 20%. We've also adapted quite a bit of the technology to suit our local conditions, so they're really not the formulations which we were originally sold.**

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? **We have our own shops (the big employment numbers), but we also work on tendered contracts and supply to hardware stores**

Q10. Which local markets do you serve? **Mainly the heavy industrial market like the mines and ESKOMs, but we also carry a small line in decorative paints, mainly in the Cape.**

Q11. How competitive is the market niche in which you operate locally? We're quite fortunate that we're one of the big payers in our niche. Our product is backed up with strong after-sales technical service that has helped to build our name.

Q12. Who drives the marketing decisions? It used to be mainly Bill O' Grady. However, we've recently become BEE-compliant. It was quite a big thing. In fact that was when Bevan (the new Group Financial Director) came on board). The main shareholder is a consortium led by a Ghanaian national. One of the things which we plan is to leverage our BEE status to attract contracts on the continent.

Q13. Do you do business outside the South African border?

Not yet.

YES	NO
<p>12a. In which export markets do you operate? No, currently only manufacture and sell locally. Although do have outside buyers interested who buy from the local guys.</p>	<p>12b. Have you considered exporting</p>
<p>13a. How did the initial foray occur:</p> <p>(xxxvi) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets?</p> <p>(xxxvii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business</p> <p>(xxxviii) By invitation from an overseas or “external” African national who wished to partner with you? This <u>is</u> how we intend to the market. As I said before, we’ve just partnered with an “African” consortium as a means to expanding the O’ Grady’s brand. Bill O’ Grady’s shareholding has been reduced significantly.</p> <p>(xxxix) Overseas technology partner drove the move</p> <p>(xl) Other (Comment)</p>	<p>13b. Which factors influenced you your product</p> <p>(lxv) Never thought about it</p> <p>(lxvi) Dangerous/ unstable pol</p> <p>(lxvii) Dangerous/ unstable pol</p> <p>(lxviii) Import/ export regulation</p> <p>(lxix) Unaffordable capital outl</p> <p>(lxx) No guarantee of returns we’ve entered into a new</p> <p>(lxxi) Don’t know how to go ab</p> <p>(lxxii) Not interested. Local ma value</p> <p>(lxxiii) Other (Comment)</p>
<p>14. What percentage of your total manufacturing output is exported? At the moment, none, except what is bought through outside agents</p>	
<p>15. What percentage of your export occurs within the SADC region Currently nothing</p>	
<p>16. What percentage of your export occurs outside the SADC region?</p>	
<p>17. Have you made a large capital investment in you export destinations?</p> <p>(xxvii) Established outside manufacturing site</p> <p>(xxviii) Established your own retail outlets in these markets</p>	

<p>(xxix) Established a service outlet</p> <p>(xxx) Other (Comment)</p> <p>Future business at O' Grady's will look different. The investments at every export destination will be decided upon according to its merits.</p>	
<p>18. For how long have you been exporting now?</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.</p>	

9.9 Export Initiative Survey

Interviewee: Asher Saban

Q1. How long have you been in existence? *A long- time - at least 15 years*

Q2. What was the driving force in establishing this venture? *It is a family business. We thought good money to be made... and my brothers have been making inks in Lebanon before we came to South Africa*

Q3. How old is your manufacturing plant? *This one is about 5 years old*

Q4. How old is your manufacturing equipment? *Some of it is very new - we employ the latest so that we can be very efficient. Some of it we had before. You will see that we do a lot of assembly in making up our pens. We also buy in inks and try to manufacture some ourselves to cut down costs, you know.*

Q5. How large is your current manufacturing workforce? *We have about 55 people at this site - and then we have more at our head office*

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate? *We look for skilled workforce all the time, but in the Cape that is hard to find... and also for them to stay working for you. Good people are hard to find. We continually train and people leave...that's just a fact of life*

Q7. What proportion of your technology has been developed in- house? *Well, I'll say 50 - 50*

Q8. What proportion of your technology has been obtained through licences with overseas partners? *Like I said, 50 – 50. Some things we just import and put together. Others, we try as far as possible to manufacture ourselves*

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? We do, but our products are displayed anywhere, like in Pick 'n Pay and some shops buy from us

Q10. Which local markets do you serve? We sell in the whole country

Q11. How competitive is the market niche in which you operate locally?

Everyone needs pens. I would say that I am the only here in Cape Town manufacturing these types of stationery. A lot of product is imported, but we are proudly South African

Q12. Who drives the marketing decisions? I do. I attend the shows just to keep up to date with what is happening outside. And of course, I talk to my customers.

Q13. Do you do business outside the South African border?

Yes, in the past I have tried to get some contracts in the UK, but that failed, so at the moment I'm still struggling to get back.



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YES	NO
<p>12a. In which export markets do you operate? I've tried selling product in the United Kingdom. I won a contract about 4 years back to supply to a big chain store. Unfortunately the ink in the pens that we supplied dried up and the whole shipment had to be pulled off the shelf, taken back from the customer and replaced - at our cost - cost me over a million rands. At the moment it is very hard to break in. But I am always looking. We've also tried selling in the Middle East, but we can't match their prices over their.</p>	<p>12b. Have you considered exporting your product? Yes</p>
<p>13a. How did the initial foray occur:</p> <ul style="list-style-type: none"> (xli) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets? (xlii) "Cold- calling" - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business (xliii) By invitation from an overseas or "external" African 	<p>13b. Which factors influenced your decision not to export your product</p> <ul style="list-style-type: none"> (lxxiv) Never thought about it (lxxv) Dangerous/ unstable political climate externally (lxxvi) Dangerous/ unstable political climate locally (lxxvii) Import/ export regulations considered too laborious (lxxviii) Unaffordable capital outlay (lxxix) No guarantee of returns (lxxx) Don't know how to go about it (lxxxi) Not interested. Local market delivers sufficient



	value (lxxxii) Other (Comment)
<p>national who wished to partner with you? We don't partner with anybody. But we do have interest from parties from other African countries that come here to buy our product and then sell it in their own countries.</p> <p>(xliv) Overseas technology partner drove the move (xlv) Other (Comment)</p>	
<p>14. What percentage of your total manufacturing output is exported? I'd say 60: 40 or 70: 30 because a lot of it is sold to other businesses in Africa</p>	
<p>15. What percentage of your export occurs within the SADC region I can't say off- hand</p>	
<p>16. What percentage of your export occurs outside the SADC region? Quite a lot because we sell throughout the continent</p> <p>17. Have you made a large capital investment in you export destinations? No. They buy from here</p> <p>(xxxi) Established outside manufacturing site (xxxii) Established your own retail outlets in these markets (xxxiii) Established a service outlet (xxxiv) Other (Comment)</p>	



<p>The buyers come and buy from here. They pay and we send out the orders.</p>	
<p>18. For how long have you been exporting now? For almost ten years</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets. Look, we must check if the market wants our products. We must find someplace else if they don't</p>	



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9.10 Export Initiative Survey

Interviewee: Marwaan Jabaar

Q1. How long have you been in existence? My father- in- law started the store about 15 years ago. We've got tired of the prices we were being charged so we started manufactured some products for ourselves for the last 4 years - and it has done quite well.

Q2. What was the driving force in establishing this venture? Well, we are a hardware store. This shop was owned by my father- in law. I was a teacher before. I gave up teaching and came to Cape Town with my wife, and joined my father- in- law in trying to grow the business. My father- in- law used to work at Plascon Paints. We thought that we could start manufacturing the product that we buy from the big paint companies, ourselves - they always make huge margins on the stuff that they sell us.

Q3. How old is your manufacturing plant? It's about 5 years old

Q4. How old is your manufacturing equipment? We don't have a lot of equipment. Just a small set of mixers. We got a good engineering guy to modify some old machinery which we bought.

Q5. How large is your current manufacturing workforce? We're about 8 people all the time in the shop. By I get in more casuals when we get busy, to help at the back with the paint making and packing.

Q6. What estimated percentage of this workforce is made up of skilled labour, i.e. a post- matric qualification or trade certificate? Look, none of us are qualified in paint-making. We rely a lot on my father- in law, and I try to read up what I can and also get as much assistance as I can from our suppliers.

Q7. What proportion of your technology has been developed in- house? I would say that all our technology has been developed in- house.

Q8. What proportion of your technology has been obtained through licences with overseas partners? None

Q9. Do you control your own retail and distribution network, or is this outsourced or franchised? Yes. We have two more stores which we opened in Cape Town (under my wife's name). We also sell directly to contractors. I often go onto the sites and do problem solving when I'm needed.

Q10. Which local markets do you serve? At the moment we are based in Cape Town and surrounds, but we plan to expand if all goes well. (very religious guy)

Q11. How competitive is the market niche in which you operate locally? **VERY competitive.** But we've got a loyal clientele and word is getting around. We make sure that we only sell a quality product and our "brand" is growing. People trust us. They've seen that they can use our product and it lasts.

Q12. Who drives the marketing decisions? **Mainly me,** because I do see our customers the most. But I also rely heavily on my father-in-law's instincts, as he knows the business. He has been in it for many years.

Q13. Do you do business outside the South African border?

No



YES	NO
12a. In which export markets do you operate?	12b. Have you considered exporting your product? Not yet
13a. How did the initial foray occur: (xlv) Theoretically, after reading about the various government trade agreements or reading about the potential for doing business in African or Overseas markets? (xlvii) “Cold- calling” - sent a sales manager over to make initial contact with counterparts/ check- out physical infrastructure development and potential for doing business (xlviii) By invitation from an overseas or “external” African national who wished to partner with you? (xlix) Overseas technology partner drove the move (l) Other (Comment)	13b. Which factors influenced your decision not to export your product (lxxxiii) Never thought about it (lxxxiv) Dangerous/ unstable political climate externally (lxxxv) Dangerous/ unstable political climate locally (lxxxvi) Import/ export regulations considered too laborious (lxxxvii) Unaffordable capital outlay (lxxxviii) No guarantee of returns (lxxxix) Don't know how to go about it (xc) Not interested. Local market delivers sufficient value (xci) Other (Comment) We'd love to export..... if you show us how.....
14. What percentage of your total manufacturing output is exported?	
15. What percentage of your export occurs within the SADC region	



<p>16. What percentage of your export occurs outside the SADC region?</p>	
<p>17. Have you made a large capital investment in you export destinations? (xxxv) Established outside manufacturing site (xxxvi) Established your own retail outlets in these markets (xxxvii) Established a service outlet (xxxviii) Other (Comment)</p>	
<p>18. For how long have you been exporting now?</p>	
<p>19. Which are the warning signs (besides a drop in profits) that will encourage disinvestments in those markets.</p>	



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