

Established small businesses in Gauteng's townships are doing well despite a myriad of challenges.

A new research study, by University of Johannesburg's Centre for Small Business Development (CSBD) and Business Leadership SA, shows that SMEs which have been in operation since 1994 seem to be stable and flourishing.

The study looked at businesses in Soweto, Alexandra, Tembisa and Sebokeng.

While the study covered businesses in all sectors, the most popular operating spheres included retail (22%), services (20%) and tourism and leisure (20%).

Established, opportunity-driven businesses are also quite profitable and most entrepreneurs expect revenue to increase in future.

In contrast, necessity-driven businesses tend to go belly up fairly quickly and mostly include those operating in the food and beverages sector and hair salons.

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CSBD researcher Esther Njiro says the study also showed a clear correlation between the level of entrepreneurship of the owner-operator and the sustainability of the business.

Importantly, however, the study did not find a correlation between sustainability and the legal nature of the entity, as only 54% of the businesses were registered.

"There is very little difference between registered business and informal businesses," Njiro says.

Historically, many township businesses would not have been registered due to apartheid laws. But one would expect an increase in registered businesses post 1994: "I would guess that people do not see any value to being registered. There is no incentive and they do not believe that government-support-initiatives are of value to them besides business basics such as company and tax registration."

Njiro could not ascertain if unregistered, non-tax-paying businesses were more competitive than their registered peers as most business owners do not know their competitors' legal status.

In addition, business owners believed that government-support initiatives such as municipal Integrated Development Plans needed to be drafted with their consultation and with their specific township in mind.

This factor is important as the vast majority of businesses are run from private homes - something that limits growth. "All fingers point to the fact that people are not willing to put money into the revitalisation of neglected retail or manufacturing hubs for small businesses," she says.

What separates successful, small township-based businesses from failed enterprises are not much different from anywhere else in the country. This includes good customer service (32%), competitive prices (20%), quality of offerings (16%), good community relations and support (14%), satisfied clients (14%) and commitment or dedication to the business (10%).

Reasons for failure were also not unique to these areas: a lack of budgeting skills (28%), unprofessional business plans (24%) and a lack of practical skills needed to run a business (22%).

Competition, especially from new shopping malls, was cited as an important growth limitation factor. Foreign nationals operating in the townships also received quite a bit of negative attention