

# How South Africa can help grow artisan-based businesses

Supporting small, micro and medium enterprises (SMMEs) is key to economic growth and recovery but SMME's in South Africa lag far behind their international counterparts when it comes to job creation.

According to the Small Business Institute, 98% of all formal businesses in the country are SMMEs, but they create only 28% of all jobs. Many more businesses operate informally, offering limited security for their owners and less so for their employees, if there are any.



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South Africa has over 150 incubators and business development service providers. A promising sector that is underserved by these organisations are artisan-based businesses: skilled trades such as building, plumbing or carpentry, dominated by SMMEs, characterised by stable market demand and with significant job creation potential.

## Why it matters

This topic was recently discussed as part of the Artisan 4.0 insight Series by BluLever Education, a company focused on vocational and skills-based training for artisans.

“Fewer than 5% of incubators or business development organisations focus on artisan-based businesses,” said Jess Roussos, co-founder of BluLever Education. “As much as two thirds of these businesses are informal. There is a big opportunity for South Africa in supporting the formalisation, stability and growth of these businesses – job creation, economic growth and an increased tax base.”

“This is quite a cycle-resilient market, especially for those artisan-based businesses that serve homeowners or other small businesses. Fixes always need to be fixed, and it is even better to repair than to replace items during a downturn,” added Arjun Khoosal, co-founder of Kandua.com, an online home services marketplace. “Trades are one of the easiest entry points to self-employment and can provide a stable income and decent livelihood with the right support.”

“Supporting these kinds of businesses has broad societal benefits,” said Simphiwe Mntambo, ventures manager at the Allan Gray Orbis Foundation Endowment. “Who benefits when homes are safe and well looked after? When we have an ecosystem of small businesses that are doing well? Or when we have reliable service delivery and maintenance? The answer is that we all do.”

## **How to incubate artisan-based businesses**

### **1. Access to market**

“Artisan-based businesses have different development needs, one important one being access to market,” says Khoosal. “The plumbers, electricians and builders on our platform tell us all the time that the biggest barrier to their success is simple: finding new customers, which is what we facilitate through Kandua.com.”

This sentiment was echoed by Mark Mfikoe, national director for the Electrical Contractors Association: “The oxygen in contracting is not cash, it is profitable jobs.”

### **2. Mentorship**

Mentorship is widely acknowledged as an important aspect of entrepreneurship development but is something that is limited for artisans. “Matching the right mentors with the right mentees is critical: you want someone who understands the kind of business you are in, and who has also made a success of it,” added Mfikoe.

### **3. Business and soft skills**

“Tradespeople cannot rely on their artisanal skills alone if they want to build a stable business,” echoed Khoosal. “Soft skills, business skills, tools and resources for compliance and formalisation are the other side of the equation.”

“Skills development programmes need to be short, flexible enough to accommodate artisans’ work schedules and cannot require costly, long distance travel. Someone should not have to choose between earning a living and attending a training,” added Roussos.

### **4. The right backers**

Many people end up in trades out of necessity and many artisan-based businesses are survivalist entrepreneurs, which does not make them attractive to traditional investors and has often left the incubation of these businesses in the hands of government. “It is unlikely that you’ll find the next tech unicorn or a disruptive innovation amongst these businesses, but that doesn’t make them any less important,” added Roussos.

Mntambo at the Allan Gray Orbis Foundation Endowment emphasised the need for alternative incubation and investment models, and backers with a broader vision: “We need to measure more than the amount invested and the financial return. We need to look at jobs created, or community investment models, and we need supporters with an appetite for impact-creation.”

Carien Engelbrecht, co-founder of the Aurik Group echoed the need to measure impact beyond financials and added that the ultimate goal needs to be to get these businesses to a state of fundability: “It is not about massive upfront investments, but rather access to bridging finance at critical times. Many trade businesses aspire to serve the business to business market where deals are bigger, but payment terms tend to be much longer. When a business is operating in a stable way, has sufficiently increased its turnover and profits and has the right spread of clients, then they can access a cash injection when they need it and take things to the next level.”

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