

Entrepreneurship, franchising key to unlocking economic growth

"Recognise us, and the role that we can play in rebuilding the economy," was the message echoed amongst the speakers at the Franchise Association of South Africa's (Fasa) Franchising for Africa virtual conference last week.



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Kicking off the inaugural event, Pertunia Sibanyoni, chairperson of Fasa said, "Fasa's virtual conference could not have come at a more crucial time as the business sector reels from not only the extended pandemic but more recently from the devastating fall-out from the recent riots.

"Everyone in business – whether directly affected or not – will feel the long-term effects of recent events as businesses try to claw their way back to profitability. Fasa felt it was time to bring together all stakeholders to disseminate the challenges and changes and, in the words of John F. Kennedy, "ask not what your country can do for you; ask what you can do for your country."

Over 40 speakers, amongst them, scenario planner Clem Sunter, Pick n Pay chairman Gareth Ackerman, franchise stalwart Eric Parker of Franchising Plus, allied associations and franchisors in various sectors joined Fasa's message to government saying that if South Africa was to successfully recover from the ravages of the past year and a half, it needed to recognise that entrepreneurship, small business and franchising were the keys to unlocking future growth.

"Going forward, everyone must understand that government cannot provide those much-needed jobs. Neither can big business, which is beholden to its shareholders and on a new path of restructuring to fit into the norms of the 4th Industrial Revolution," said Frans van der Colff, fellow at the Henley School of Business.

"What is needed is a mechanism that creates opportunities, especially for young people, with the correct mentorship, education and training. Franchising, which spans every business sector imaginable and has those fundamental structures in place, is the one mechanism that can do just that."



Inaugural Franchising for Africa conference set for August

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To this end, speakers were united in calling for an entrepreneurial and franchise white paper, spearheaded by Fasa, that would bring together government, corporate companies, entrepreneurs and scenario planners to formulate plans to create new businesses that will give opportunities to entrepreneurs to set up viable businesses and create much-needed employment.

According to Clem Sunter, franchising is the ideal mechanism to do this. "We need to think outside the box, create an 'e-stock exchange' where entrepreneurs can crowdfund for their ventures, bring in the banks to set up accessible small business loans, get big business to dedicate a percentage of their supply chain to small business and ultimately merge the township economy into the mainstream economy.

"But, underpinning all this is doing this within the framework of ethical business practices. Franchising has all those checks and balances in place to take some of the risk out of people starting businesses."

Future in the hands of business collective

Echoing these sentiments were speakers from the four business sectors that were highlighted at the conference – those from the restaurant & QSR sector, services sector, FMCG sector and the automotive sector – who said that the future success of their sectors lay very much in their own hands as collectives.

This was made even more evident following the riots and looting that, whilst putting into focus the desperate needs of the population, also highlighted the inadequacies and apathy of government to acknowledge and protect the businesses that keep the wheels of the economy turning.

According to Gareth Ackerman, chairman of Pick n Pay, it took the devastating riots for the government to realise the importance of the value chain created by business, which ultimately keeps South Africa productive, moving, fed and functioning.

"In the same way that Pick n Pay, through its hundreds of franchised stores, has given opportunities for entrepreneurs to own their own businesses and for small suppliers to feed into the value chain, future growth in the economy must happen in the smaller areas and businesses must invest back into communities. Doing that through the franchise business format, where the basic premise is that if the franchisees are doing well and making money, the franchisor will too - that makes for a win-win formula," Ackerman said.



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Tony Da Fonseca, MD of OBC Chicken & Meat, which trades mostly in the townships, and around city centres and taxi ranks, believes that “whilst we need to hold our leadership accountable for not protecting businesses in the riots, unfortunately as the business community we have come to realise that the future is in our own hands.

“This is especially true in franchising where our owner-operators are entrenched in the fabric of the community they serve. So intertwined is that community relationship that in many of the riot hot-spots, local communities prevented these stores from being looted.”

Navigating the new normal

The Franchising in Africa conference, sponsored by Absa, looked at how the franchising business format remained strong even through the pandemic, and how it could change in line with the new normal that lies ahead.

Legal experts in franchising and IP laws plugged the holes that the pandemic opened up on the legal front while franchise experts analysed the lessons learnt and the future of franchising. Alternate forms of franchising, such as social and micro franchising, were discussed as viable solutions to further expand the footprint of franchising.

The banking sector has become more risk-averse in these trying times. However, being in the business of financial lending and whilst looking to mitigate the risks, representatives said the industry will also be open to taking risks to either support existing clients or in financing new business opportunities that will definitely emerge post-crisis.

James Noble, head: wholesale, retail and franchise for Absa Business Banking, said, “As bankers, we have always worked closely with franchise brands, are able to audit their growth and ensure that new franchisees coming into their systems are well-supported and are set up with all the necessary financial supports to be successful. We welcome the initiatives that have come out of this conference and, as Absa, are ready to step up to the plate with funding solutions that can stimulate the growth of the franchise sector.”

Fasa non-profit

To assist franchisors, franchisees and their staff who have suffered over this period, Fasa has registered a Fasa Social Incentive Non-Profit Company to start a concerted media and social media campaign to appeal for contributions which will then be administered and distributed to the most in need.

According to Fred Makgato, CEO of Fasa, “this specific franchise social incentive relief fund will appeal to the business community, entrepreneurs, stalwarts of the industry and the public to join hands with us to protect and assist those of us who have been worst affected.”

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