

# Spend your enterprise development funds wisely

Contributions should help beneficiaries to survive, says BEE expert

## WORKPLACE STAFF

**W**HAT IS enterprise development supposed to be and do? The definition in the Broad-Based BEE Act states that it is: "Establishing or expanding a beneficiary's operational and financial capacity."

Gail Styger, a social economic and enterprise development specialist and co-founder of the Wot-If Trust, suggests that the definition should read: "Ensuring that a beneficiary enterprise is financially viable and sustainable."

This is business 101, yet we have all seen the statistics about the failure rate of small and emerging businesses, Styger says.

"What if we can impact this statistic if the companies I am referring to, and the many others out there, spent their 3 percent of net profit after tax on enterprise development with a little bit more foresight and forethought?" she asks.

In terms of the beneficiaries, there are many small businesses that could do with financial assis-



**BE STRATEGIC:** Gail Styger urges companies to use their enterprise development spending to help small black-owned businesses become financially viable and sustainable.

tance, expert guidance or "services in kind".

They need help with articulating their business models, testing their financial assumptions, establishing effective governance structures, setting up systems and processes, websites and marketing content and material, developing skills, getting contracts in place and lots more.

Styger says that if companies

want to ensure that they are making a difference, they should start by considering that one of the biggest mistakes to avoid is handing over a lump sum.

"I have seen enterprise development funds cover three months of cash flow before the inevitable demise of the business. I have seen the business owners suddenly drive fancy cars and their homes suddenly decorated with expensive fur-

niture. I have seen beneficiaries' teams fight about how funds will be divided among them."

Enterprise development funds should be seen as an investment in a small business, and the donor company should ask some pointed questions about how their investment is going to be used.

Key questions that enterprise development contributors should ask potential beneficiaries include: how do you make your money; explain your business model; what will you do with the money if we give it to you and, if we didn't give you money, but offered you expertise, where would you need it?

Styger is in the business of enterprise development and works with emerging township businesses, primarily in Diepsloot. It's not easy, but she says that the experience is worthwhile.

"Walking the journey with a young entrepreneur with a good idea, providing guidance and input, channelling enterprise development funds into crucial equipment purchases, skills development initiatives, systems implementation and marketing activities and seeing small but significant successes in a short time, are very rewarding."

Verification agents are not

concerned with what enterprise development funds are spent on.

Their primary requirement is to see that contributions go into registered black-owned businesses.

Styger says contributors will not be able to ensure that they establish or expand a beneficiary's operational and financial capability as intended by the BEE Act if they don't see enterprise development funds as investment equity that needs to show a tangible return – at least for the beneficiary.

"Don't always give them money, give them expertise and support – ensuring that the enterprise is made more sustainable through your support is crucial."

If companies are going to do enterprise development they should ask the same questions as if they were an investor.

Styger believes donors should demand a return from beneficiaries – which is growing social capital – and hold the enterprise accountable for delivering on their investments.

Companies should look for the emerging gems in the townships to support through enterprise development and, as with every new venture, to expect challenges.

● Visit [www.wot-if.co.za](http://www.wot-if.co.za) for more information

