

**Minister of Public Works
Ms Stella Sigcau
22 October 1999**

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Launch of Services for Enterprise Improvement and Business Start-Ups Africa (Seibsa)

“DEVELOPMENT OF BUSINESS AND CONTRACTING MANAGEMENT SKILLS IN SMMEs”

Master of Ceremonies (German Mphahlele), SEIBSA members, representatives of the International Labour Organisation (ILO), representatives from donor institutions, representatives from the construction industry, training providers, distinguished guests, ladies and gentlemen ...

It is indeed a great pleasure for me to be with you today, at this official launch of **Services for Enterprise Improvement and Business Start-ups Africa (SEIBSA)** and the **Contracting Entrepreneurial Training Programme (CET)**.

A primary constraint facing SMMEs is access to training to improve their business skills and develop trade skills within the labour force. Small contractors are often unregistered and unaffiliated to the main employer bodies, limiting their access to the training programmes offered by the current industry training boards. They are therefore searching for other means through which to improve their productivity.

Without access to available training institutions, many sub-contracting firms train their own operatives 'on the job'. However, the erratic availability of construction work diminishes the value of informal, on-the-job training. In contrast to the continuity and depth provided by the old apprenticeship system, it is unlikely that new generations of semi-skilled labour will be sufficiently experienced to pass on adequate skills to their operatives in future. To avoid a progressively deteriorating standard of skilled work on site, industry should encourage training by means of programmes such as the CET.

The appropriateness of current training options should also be considered. The training provided in the construction sector through the Building Industries Training Scheme (BITS) and the Civil Engineering Industry Training Scheme (CEITS) has mainly focussed on providing technical and supervisory skills. A limited scope of managerial training has been undertaken by construction companies or private sector consultants.

Beyond the provision of training and the development of new contracting arrangements, there is the need to take cognisance of business failures. International research indicates that 30% to 50% of small firms fail in their first three years, and only 40% to 45% of firms remain in business after ten years. Since these examples are derived from a relatively sophisticated sample, it is likely that small business development in South Africa may experience a much greater failure rate. I think we all agree that emerging business failures are an occurrence that we can ill afford in this country.

There is also no reason to assume that those SMMEs that survive, will necessarily grow. To quote from the British experiment, the probability that small firms will grow to employ more than 100 employees is between 0,5% and 0,75%.

Being mindful of all these influences in the emerging business sector, we should agree that management skills are the single most impeding factor in the participation of emerging businesses in mainstream economic activities, and we should continue to support and provide training to alleviate the shortfall.

Whilst my fellow speakers will deal mainly with SEIBSA and the SIYB, I trust that you will accept that I focus more on the CET programme and government's commitment to development and growth of the emerging business sector.

The Department of Public Works, in particular, has a deep interest in and clearly identified objectives for the emerging contractor sector. Hence we have located, within driving transformation in the construction industry, a dedicated Emerging Contractor Development Programme (ECDP) to assist emerging contractors to become self-sufficient contractors who can perform in the mainstream construction industry. This programme is available nationwide, with helpdesks to assist participants in all nine provinces.

The Contracting Entrepreneurial Training programme is one initiative of the ECDP, which, jointly with Ntsika and the BCC, addresses needs that can be answered through training. The CET programme involves

organisations that provide management training and mentoring to emerging contractors by conducting Training of Trainers Workshops and other capacity building programmes. CET trainers and User Organisations are trained and equipped to assess the specific management training needs of contractors, to design training programmes and monitoring strategies.

The CET programme provides simple, practical and step-by-step management training to emerging contractors to start, manage and grow their business. It logically fits with the SIYB programme presented by SEIBSA as both programmes were developed in conjunction with the ILO and adhere to similar principles and objectives. Both programmes are modular in nature, affording trainees greater flexibility than standard curricula. We congratulate SEIBSA on agreeing to manage the **Contracting Entrepreneurial Training Programme (CET)**, as SEIBSA is, in our opinion, uniquely positioned to monitor and manage the training provision.

Many contractors have been unable to participate in programmes and opportunities created with the introduction of the Affirmative Procurement Programme or targeted procurement policies. This was due mainly to lack of skills in tendering. Some of those small, medium and micro enterprises who were awarded contracts, had difficulties in completing their projects on time, to the right quality and within budget limitations - because of a lack of management skills. The **Contracting Entrepreneurial Training Programme (CET)**, seeks to empower the emerging contractors to manage their contracting businesses efficiently to show growth, thereby creating sustainable quality jobs.

In response to the Affirmative Procurement Programme, the success of the SIYB and CET bear testimony to the effective partnering between different stakeholders, in the development of tools and instruments that seek to address the inequalities prevailing in the industry.

Basic business and contracting management is a sustainability factor. Generally, most small and emerging construction businesses are run by persons who have vocational training experience but are unlikely to have received any formal management training.

Specific training needs covered by modules of the CET, directed at enterprise owners and managers, include:

- Basic financial management for small construction businesses
- Estimating techniques and tendering procedures
- Legal aspects of construction works, contract law, and preparing and negotiating claims against contract variation
- Quality assurance and productivity improvement techniques
- Basic contract planning techniques
- Technical drawings and specifications
- Advanced trade/craft skills and specialisation.

Therefore, in the development of this programme, the international expertise of the ILO was teamed with funding contributions from the British Department for International Development (DFID). Our Government, and the Department of Public Works in particular, pledged coordination and exchange of know-how with the Department of Trade and Industry, the Ntsika Enterprise Promotion Agency and Khula Enterprise Finance and also included the participation of recipient organisations such as the Black Construction Council (BCC). All these roleplayers have contributed to the development of a highly relevant CET- where we now have 26 training providers and 47 trainers in the provinces.

The Training and Advisory Focus Group comprising the Department of Public Works, Ntsika, the BCC and the ILO have indeed done an excellent job of bringing together all these roleplayers and harnessing their expertise in the development of the CET.

We know that the founding ideas and operational concepts brought together today in this launch have been tested in implementation, and we trust that a further roll-out will continue in the same spirit of cooperation, interaction, and stimulating feedback to ensure that best practice is followed throughout. The focus of our actions to date has been on enhancing the growth of the emerging business sector to fully participate in economic reconstruction in our country.

I urge the established industry to make use of the CET programme in conjunction with SEIBSA and to provide feedback to SEIBSA for its further development and improvement in order to ensure that we harness all the potential in the country for greater economic growth. The need to foster a continuity of skills cannot be over

emphasised.

The emerging sector has an opportunity to avail itself of the benefits of proven training made accessible in an easy format. The CET is founded on simple methodology, it is cost-effective, interactive to the particular needs of the emerging sector and open to further development, reflecting growth in this sector.

To our funding institutions - thank you for your support. We appreciate your continued assistance in providing training support to the emerging business sector, and thereby opening up further opportunities for sustainable infrastructure development, both physical and social.

We now look forward to SEIBSA promoting the CET to emerging businesses and contractors participating in ECDP to acquire skills to tender, compete and participate in government contracts and those of the private sector. The opportunities have been created, the onus is on you not to let opportunity pass you by.

Government remains committed to providing an enabling environment for the transformation of the construction industry, its development and enhancement of industry performance. To that effect the White Paper: "Creating an Enabling Environment for the Reconstruction, Growth and Development in the Construction Industry", was launched by the Department of Public Works earlier this year. This policy document sets out government's vision for an enabling strategy aimed at enhanced delivery, greater stability and improved industry performance, value for money and the **growth of the emerging sector**.

Conclusion

In the context of what we have discussed, the launch of SEIBSA and the CET today is one more milestone reached in making our nation effective, efficient and productive - and I trust that all stakeholders, in the interest of progressive prosperity in South Africa, will promote enthusiastic participation.

We know that if we do not take on new challenges and opportunities, we will indeed stagnate and that in stead of building a future for our children, we will merely be relating sad memories to them. If our challenge is skills development and access to information and knowledge - let us train our people to explore the unknown and learn to master it!

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