

Results of the Isithebe Business Retention & Expansion Survey

Summary Report
October 2012



ACKNOWLEDGEMENTS

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Participating Businesses:		
Sheckels Trading	Isithebe Transport	Bearing International
Tai Pack	Libra Security Isithebe cc	(Hudaco)
Metalix (PTY) Ltd	SEC Electrical	Cumi Thukela
Pre Eminent Industry	Okapi South Africa (PTY)	Super Luper Clothing
Afripack	Ltd	(HSP Trading)
Style collections Pty (Ltd)	Nampak Liquid	Hambaubuya Trading
Evergreen Bags	Packaging	S.A TOOLS
Chang Hong Trading	Powertans Salesand	Lanxess PTY Ltd
E.J.C Pneumatics T/A	Service	Recycling material
Pneumatic Aid cc	Whirlpool South Africa	specialist
Inkunzi Foundry PTY	(PTY) LTD	Gutter Board Sales
Ltd.	Nu-Lounge Industries	Cosmo Oils (PTY) LTD
Atlas Timber/ Door	V R Plant Maintenance	Kingsgate Clothing Pty
Frames	Rosati Manufacturing cc	LTD
ARM eletrical	P&O Fabrications	RM Cohen cc Trading as
Mandeni Auto Electrical	Eulinda Engineering	Mike's Engineering
Isithebe Armature	Reclamation group PTY	Distinctive choice
winders/ GPR Plastics	Ltd	FNG Tool and Dye cc
Dynamics Fibre	Forgeweld Engineering	Webbing and Sling
Moulding	IPSS Security	Evernu Plastics
SAPPI Tugela	ITB Manufacturing (PTY)	Retoo Clothing
Xin Xin Textile	Ltd	Zikiza Joinery(PTY) Ltd
Industrial consumer	Aranda Associated	Elangeni Oil and Soaps
plastics	Spinners	Kings Park
Josseppy Lounge	Action Building and	Manufacturing
United Nations Breweries	Civils	
Bearing Man Group	Metso Minerals (PTY) Ltd	

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Mandeni Business Retention & Expansion Programme

RESULTS OF THE ISITHEBE BUSINESS SURVEY

BACKGROUND

In 2011 the ilembe Chamber of Commerce Tourism and Industry implemented its first business retention and expansion programme. Following the success of the programme, and recognising that up to 80% of all new jobs are created by the growth of existing business, the Chamber with support from Ithala Bank and funding from the Industrial Development Corporation (IDC), decided to implement a programme in the Isithebe Industrial Estate.

The overall goal of the Mandeni BR&E programme is to stimulate local economic development and create employment opportunities by retaining and expanding existing business. This is done by conducting a confidential survey of local business in order to learn what it is like to be in business locally and to record ideas, concerns, priorities and the obstacles to business growth. The information from the survey is then used to develop proposals for a local action plan and may also provide useful input to the plans and thinking of external role-players.

The Task Team met for the first time on 7 August 2012 to begin planning the programme. The next few weeks were spent determining the scope of the business survey, agreeing a questionnaire, identifying and inviting businesses to participate and recruiting volunteers to conduct the interviews.

The programme was launched on 6 September 2012, and the interviews followed shortly afterwards. A total of 24 people stepped forward as volunteer interviewers and attended one of the two training courses. They went out in pairs and interviewed 59 businesses within the Isithebe Industrial Estate.

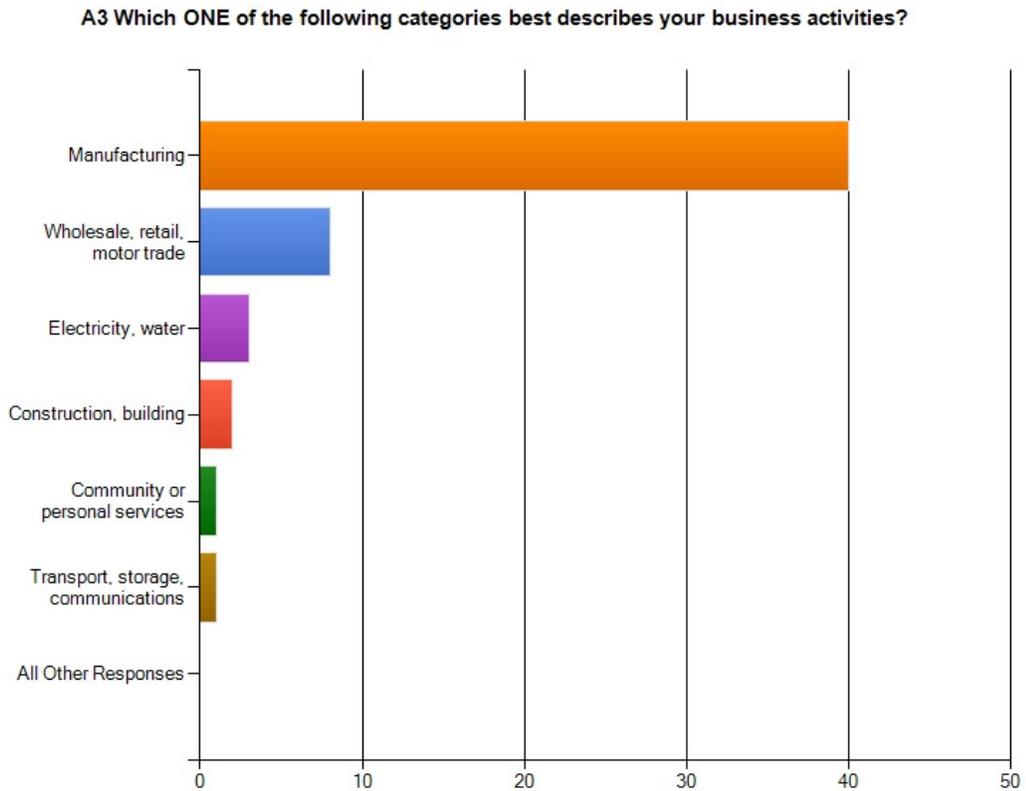
The survey period ended on schedule, 1st October 2012. On 10th October, the Task Team met to review the findings in detail in order to identify the key issues and draft proposals for action which were presented at the feedback event on 24 October 2012.

SURVEY FINDINGS

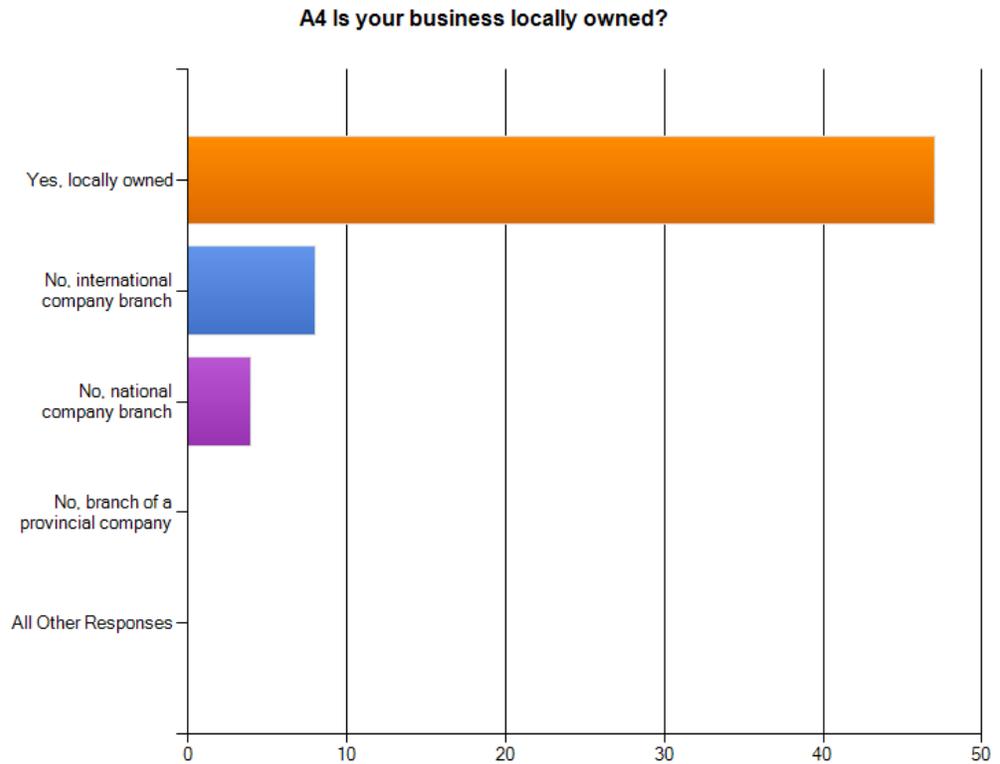
A total of 59 businesses from Isithebe took part in the survey; an impressive sample from approximately 200 operating businesses in the Estate.

SECTION A: Business Structure & History

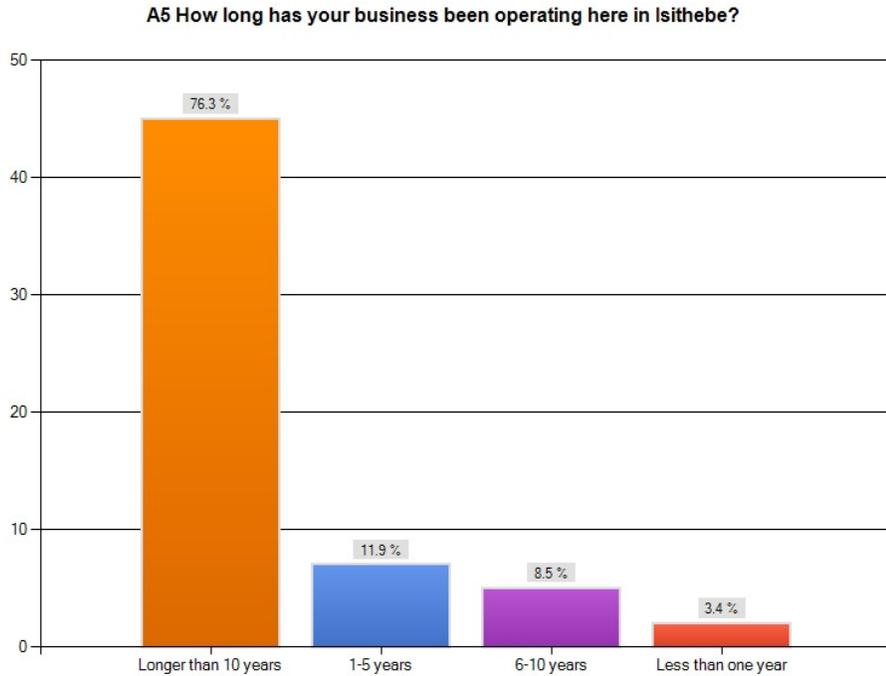
The majority of firms interviewed (72%) are in wholesale retail or motor trade whilst about 15% are wholesale, retail and motor trade. Out of the 59 respondents 3 were in construction and building and one in transport.



Almost 80% of firms are locally owned, with the remainder of the 10% being branches of either national or international companies.

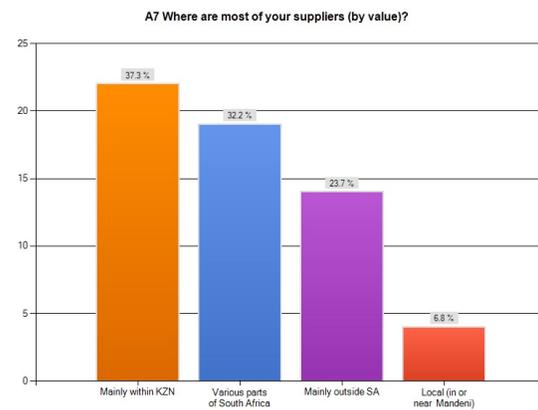
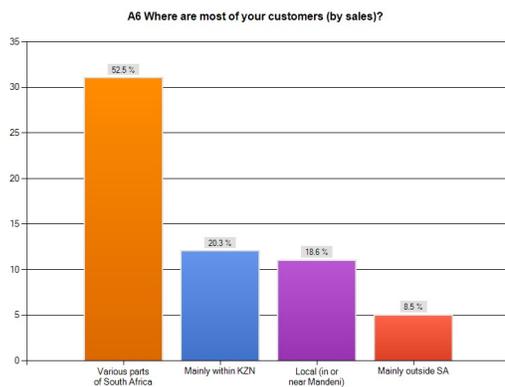


Almost 77% of the respondents are well established having being in Isithebe for over 10 years, with 12% being in existence for about 5 years. Only 2 businesses interviewed have been in Isithebe for less than 1 year.



When it comes to suppliers 37% of those interviewed purchase the bulk of their supplies from various parts of KwaZulu Natal. This is primarily due to the inability to source these locally. Over a third of the businesses source their supplies from various parts of South Africa, and 24% import their supplies from overseas.

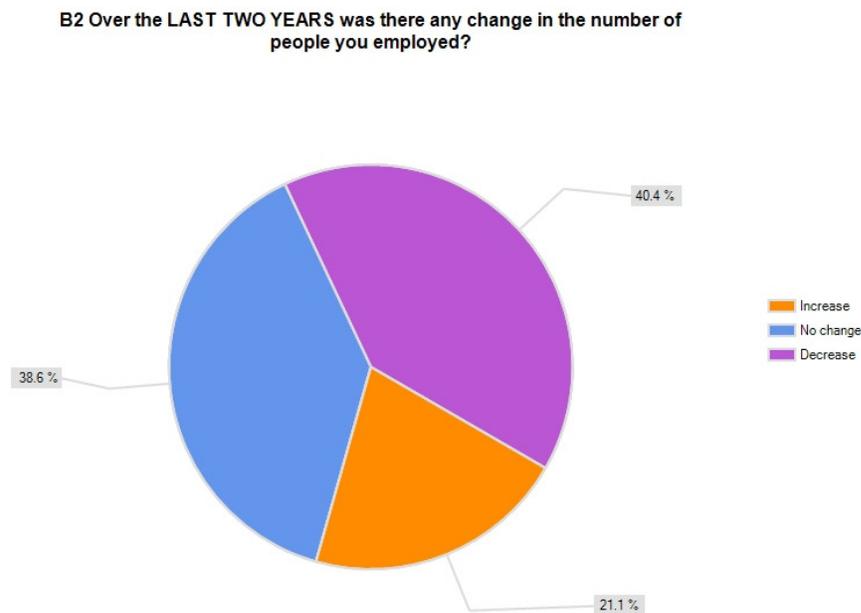
National customers (around South Africa) are the main source of sales for 53% of the businesses surveyed while another 20% focus predominantly on the KwaZulu Natal and an equal amount do business with local customers from in and around Mandeni. Only 8% focus their sales internationally.



SECTION B: Employment

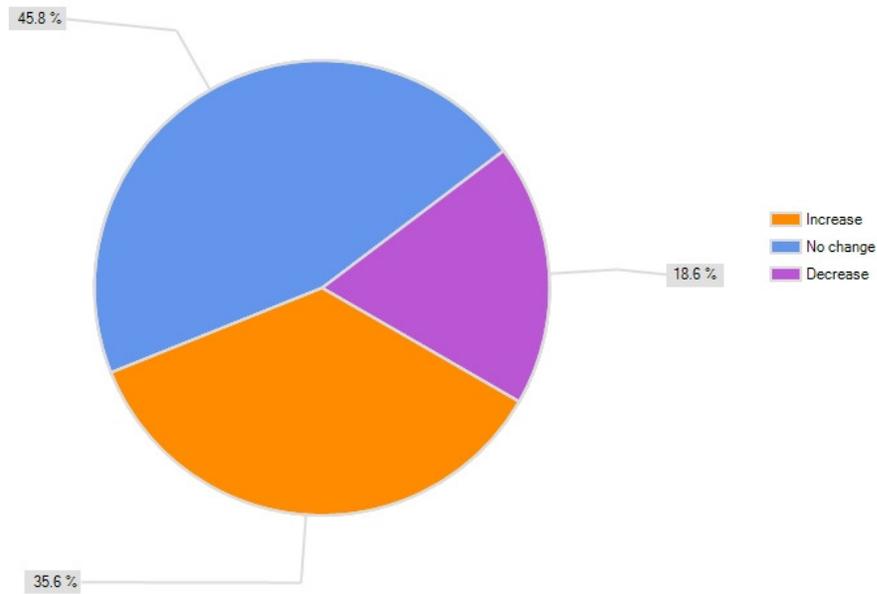
Between them the businesses surveyed employ 4831 men and 3633 women, i.e., a total of 8464. Of these 85% are full time, 7% part time and 8% are casuals or contractors.

In light of the recession 40% of the respondents said they had decreased the number of people employed over the last two years while almost the same amount 38% said there had been no change in numbers. The reasons cited include economic restraint conditions, or closure of specific company departments, and poor labour relations. A quarter of respondents (21%) have increased the number of people employed mostly due to business expansions, and increased production demands.

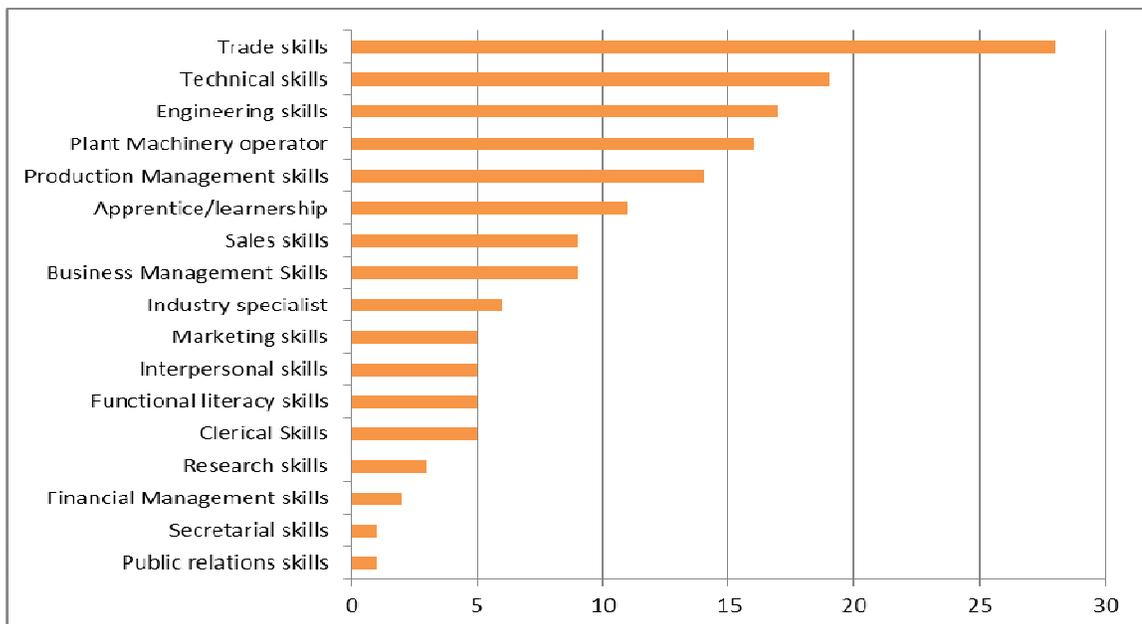


More optimistically, 36% of businesses interviewed expect to employ more people over the next two years, while about 46% expect their numbers to remain the same due to projected business growth and expansion. Only 18% expect to reduce the number of people employed. The reasons cited for a future decrease include increased competition, employment and labour concerns and uncertain economic times.

B3 Over the NEXT TWO YEARS do you expect any change in the number of people you employ?



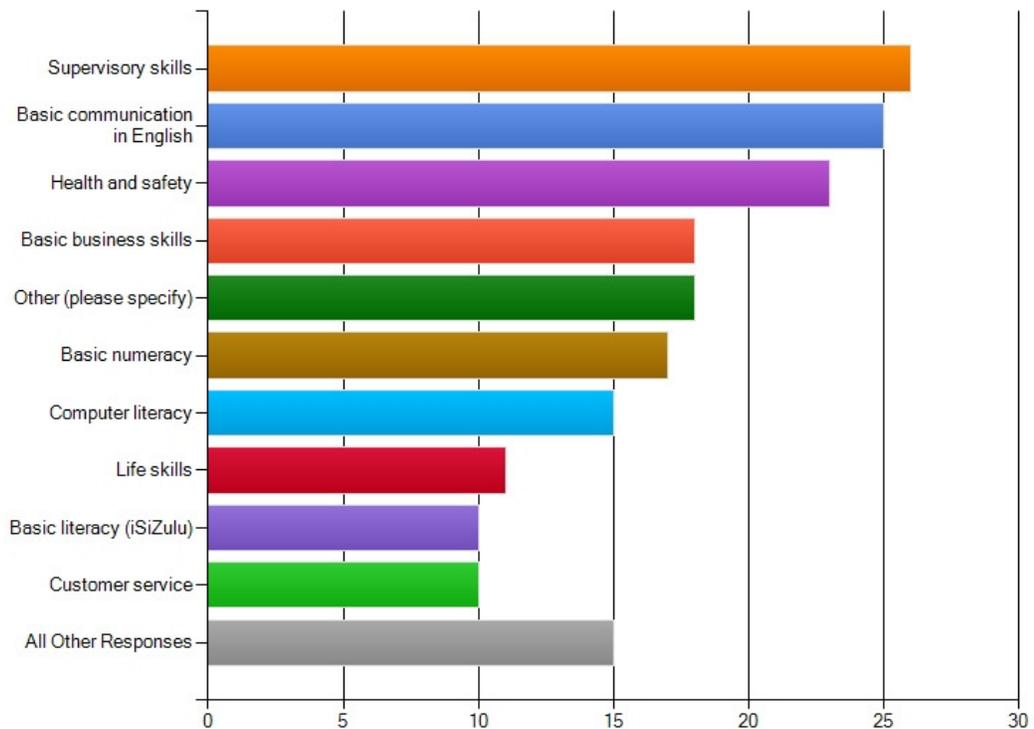
When asked what skills they would look for if they were recruiting in the near future, half the businesses would like to employ people with trade specific skills followed by third wanting technical skills and plant machine/operator skills. (This issue is raised later when a few respondents raised the need for the local FET college to supply relevant skills.) Next in importance were apprentice skills.



Of those interviewed almost 71% indicated that they had difficulty in recruiting certain skills and listed 34 different occupations ranging from financial management skills to marketing to plumbers. Several complained of difficulty in finding competent technical skills, as indicated above.

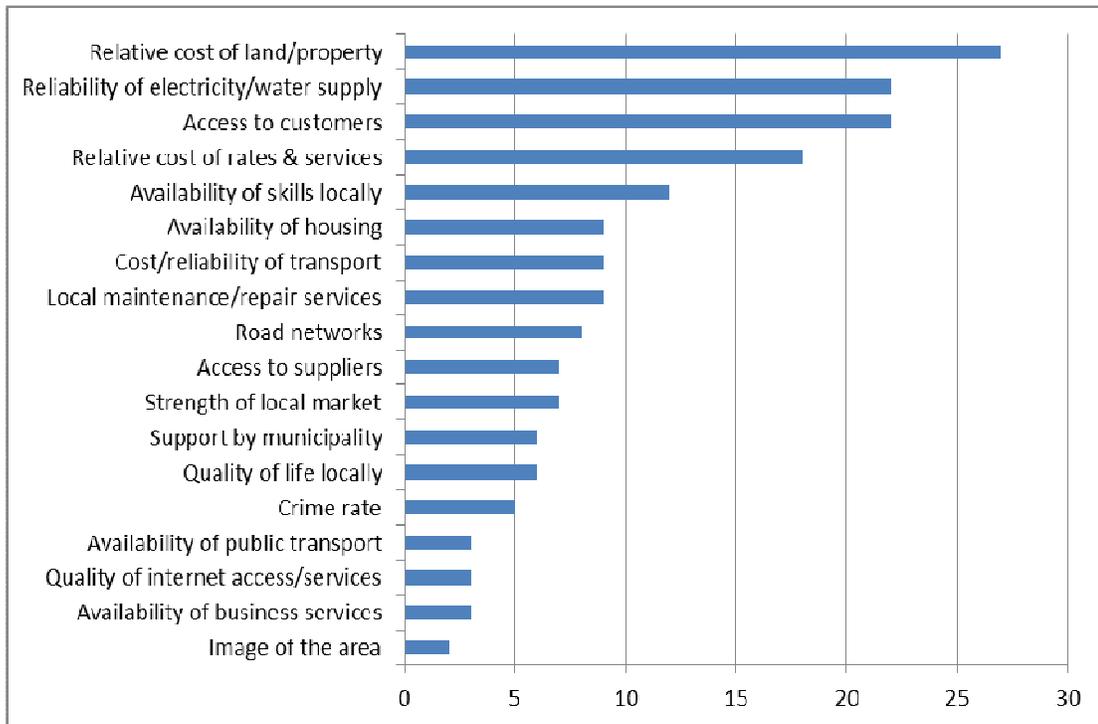
Supervisory skills were mentioned most frequently (47%) as being in need of improvement followed by Health and safety. Basic business skills were also highly required training needs.

B6 Do any of your employees need to improve skills in areas such as the following?

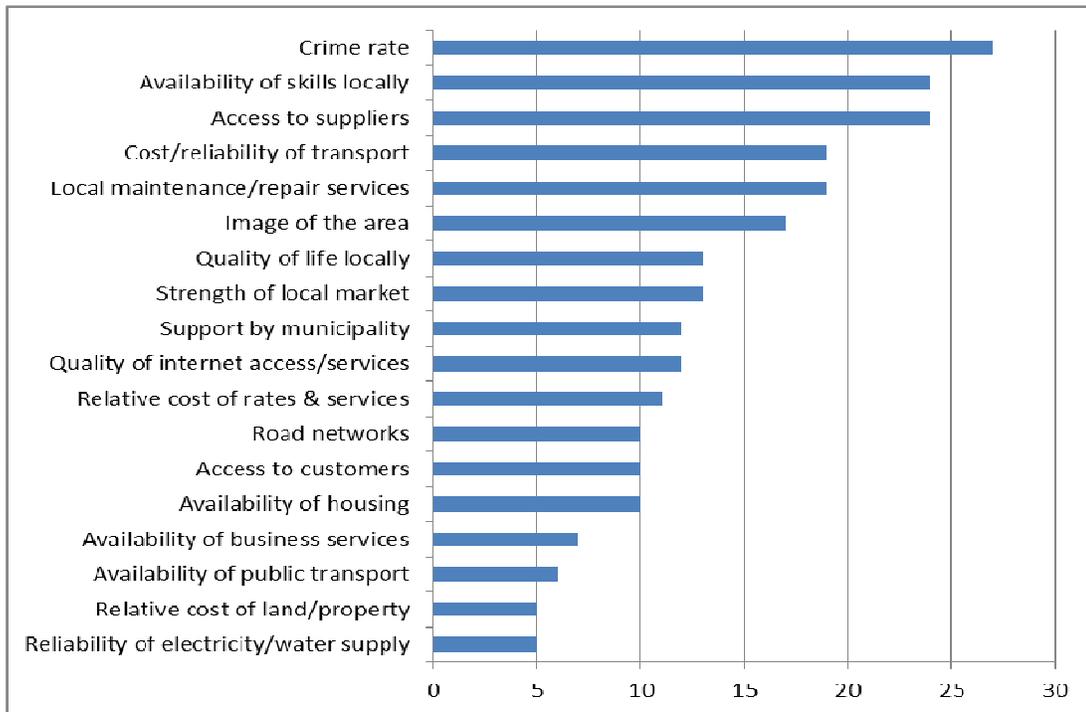


SECTION C: Business Environment

Relative cost of land and property was cited by 44% of businesses interviewed, as the main advantage of doing business in Isithebe, whilst 40% feel that reliability of electricity and water and access to customers are the main advantages.



The most frequently (47%) mentioned disadvantage was high crime rate. Next on the list for an equal number of respondents (42%) of businesses was availability of skills locally and access to suppliers. The cost and reliability of transport and access to customers were also disadvantages for many businesses in Isithebe.



With the onset of an oppressive economic climate, 45% of businesses said sales had decreased over the last two years. The majority of businesses however have optimistic outlooks for the future with 49% expect sales to increase over the next 2 years. About 32% had their sales remain constant over the previous two years with almost the same (35%) expecting the same going into the next 2 years. Of the 59 respondents 16% anticipate a decline in sales for the next 2 financial years.

SECTION D: Business Opportunities

The vast majority (96%) cited “availability” as the reason for purchasing from outside of Mandeni. Most of these products are specific raw materials needed in manufacturing, but a vast number also cited the need for stationery. Other products that they would like purchase locally or have a bigger pool to source from include basic hardware and fresh produce.

There was a strong opinion about on what new businesses might succeed in Isithebe. The most frequently mentioned was a stationery and general office equipment store, as well as a restaurant and take away store. Other suggestions were businesses who sell electrical components, and a major logistics/transport hub.

SECTION E: Future Plans

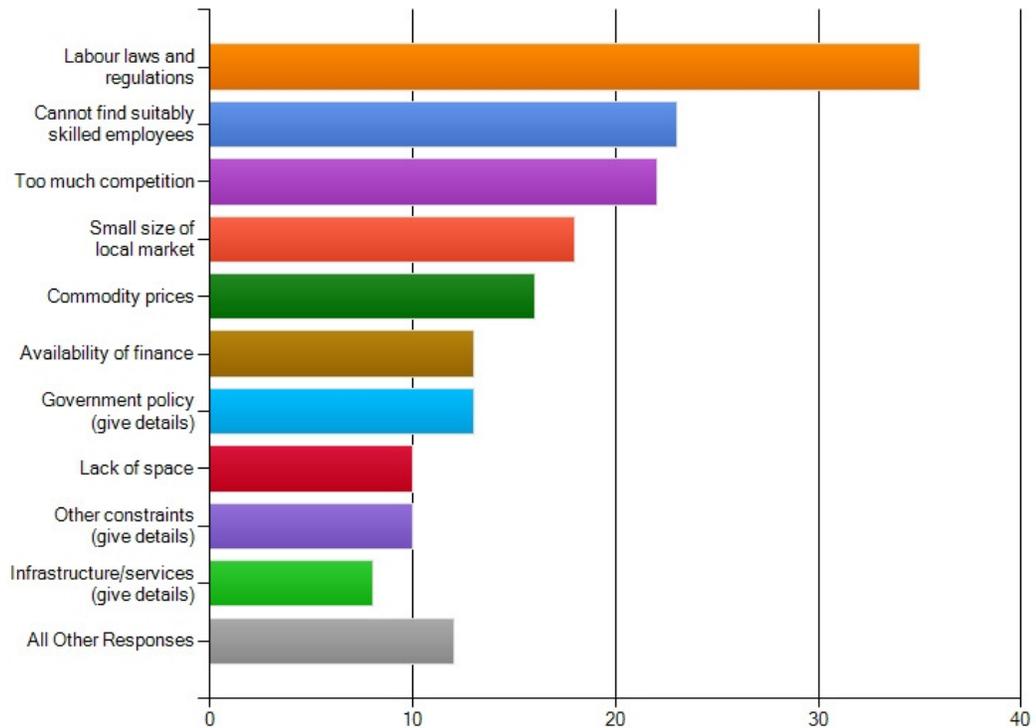
The majority of businesses (46%) have not considered selling or moving their businesses out of the area over the last two years. However, 9 (15%) of the businesses interviewed have considered closing in that time, and a further 13 respondents (22%) have considered selling, and 30% have considered moving outside of Mandeni.

Those that had considered selling their business cited retirement as well as poor market conditions as their reasons. Space and labour issues were the reasons for 15% of businesses wanting to close. High transport costs and the need for bigger premises were the reasons for 30% of businesses considering moving.

On the other hand 70% of business people say they have plans to expand or change their businesses. Some intend to acquire bigger premises or open new company branches; many are diversifying into new products or services.

The most frequently mentioned constraint to expansion was labour laws and regulations (63%), followed by the inability to source suitably skilled employees (41%). About 40% (22 respondents) said their main problem is too much competition whilst 32% said the local market is too small.

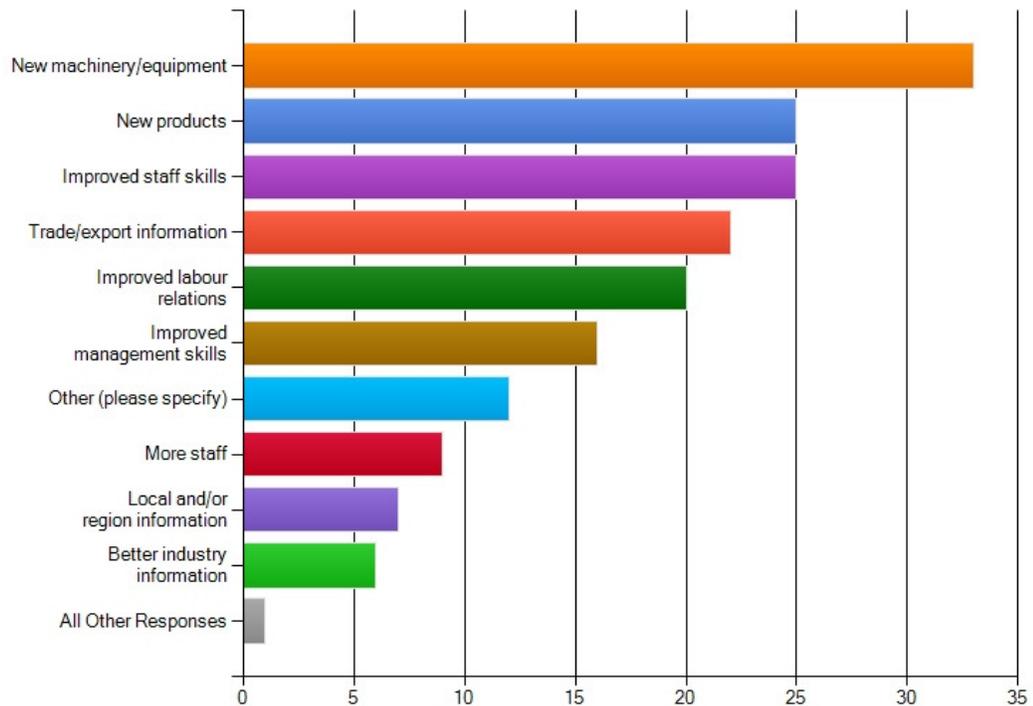
E3 What are the major constraints to expanding your business? (Please tick up to FOUR)



SECTION F: Supporting Environment

Most interviewees see new machinery and equipment (56%) and improved staff skills (43%) and new products (43%) as the key to improved performance in the year ahead. Improved labour relations (34%) would also help. Other ideas include trade information and improved management skills.

F1 What do you think would help to improve the performance of your business over the next 12 months? (Tick whichever apply)



When asked if they would like to receive information on various topics, interviewees expressed most interest in information on incentives (53%), tender opportunities (45%), skills development levy (31%), BEE certification (31%) and legislation affecting business (31%).

More than 70% of the people interviewed said they were not experiencing a problem with any level of government. Among the remaining 30% the most frequently mentioned problems are related to the local department of labour, labour unions and labour laws.

SECTION H: Local Business Organisations

Most businesses (68%) would be interested in a local broadband network provided it was reliable and affordable. Almost 80% of businesses would be interested in contributing their BEE scorecard points towards a local joint social initiative in Mandeni.

The majority of respondents (40%) belong to the Ilembe Chamber of Commerce Tourism and Industry (ICCTI). Other active business organisations in the area include the Durban Chamber of Commerce and Industry, the National Small Business Chamber as well as Business Against Crime.

About 70% of those interviewed felt that they received a benefit from their association. Networking opportunities were indicated as benefits although a number of respondents expressed an interest in local meetings (as the meetings are currently held in Ballito).

The most important issues that would ensure that Isithebe is a better place to do business, as indicated by the respondents, is to improve the image of the area through cleaning, landscaping, and repairing roads and pavements. To curb the rising crime rate was also mentioned as well as more networking and improved relations between businesses as well as between business and government.

SECTION I: Overall

Finally, 83% of people felt the questionnaire helped them express their opinions but 14% were not sure and 7% said it was not helpful.

Many concluded their interview by emphasising points that had been made earlier but several people pointed out the need for more regular solid waste removal and to pay more attention to the general image of Isithebe.

KEY ISSUES

- Labour laws and regulations are seen by 70% as a constraint to growth.
- Businesses supplying goods and services to factories in Isithebe are facing a declining market as firms close or relocate.
- The availability of artisans and skilled machinists is a constraint to growth.
- Access to suppliers, maintenance, repairs, service and spares is a disadvantage.
- Transport is increasingly costly; road transport is the only option since the rail service was withdrawn.

RECOMMENDATIONS FOR ACTION

In evaluating proposals for action the task team gave priority to ideas that:

- were likely to find local champions and active supporters;
- would be relatively easy to fund or obtain resources for;
- could be implemented without delay and show tangible results within six months;
- were achievable and realistic particularly in respect of the time, energy and skills available to implement them.

The task team consequently recommend that immediate attention should be given to the following and that a broader programme of action could follow at a later stage.

Recommendation 1: Skills

Following the result that many businesses struggle to find suitably skilled staff locally, it is recommended that an action group be set up to meet with the local FET college to establish ways of meeting business requirements in terms of skills availability. It is then suggested that the possibility of setting up a skills training centre in the Isithebe Estate be explored (specifically aimed at providing electrical skills).

Recommendation 2: Labour

As it is a sensitive issue, it is suggested that a group of industrial stakeholders initially meet to discuss the labour challenges they face and come to a common understanding on the issues. Following this, an action group should meet unions to continue discussion and find solutions. Should it be deemed necessary, funding should be sourced to appoint a mediator to facilitate discussions.

Recommendation 3: Quality of Life

Emerging from the survey was a need for more schools, housing and social facilities in order to attract and retain skilled staff. It is proposed that the Chamber initiate a market research study to establish the need for these facilities.

Recommendation 4: Image of the Area

A number of organisations such as Ithala and the municipality have plans and budgets in place to begin cleaning the Isithebe Estate and Mandeni town. The municipality's Food for Waste aims to collect solid waste from the area, recycle and landscape the municipal area. Isithebe have a landscaping plan for the entrance of the town to improve the estate's image. It is proposed that these plans should be better communicated to business and an implementation guideline given.

Recommendation 5: Networking

To improve relations between businesses as well as between business and the municipality, to host bi-monthly networking events where the Chamber and other active organisations can share concerns, progress and information on various issues affecting business in the area.