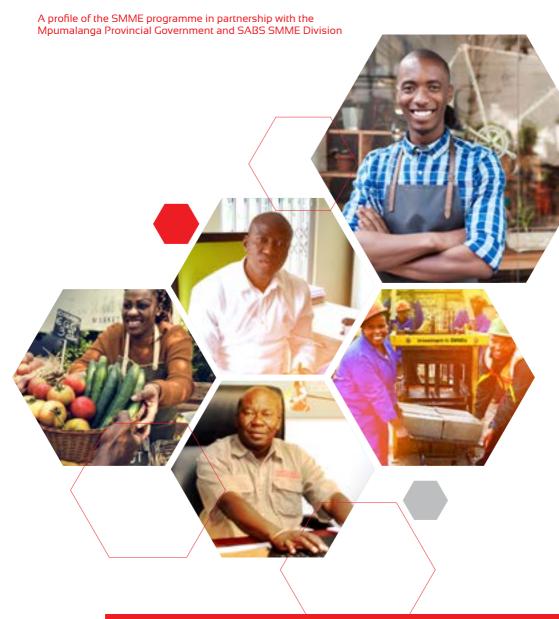
SABS

Growing value in Mpumalanga through investment in SMMEs



Contents

"In South Africa,
it is estimated that SMEs make up 90%
of formal businesses, provide employment
to about 60% of the labour force and
contribute roughly 34% of GDP."

SME South Africa, 27 June 2018 on World SME Day

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1. Abbreviations

MEGA

Mpumalanga Economic Growth Agency

SABS

South African Bureau of Standards

SEDA

Small Enterprise Development Agency

SMME

Small, medium and micro enterprises

The dti

The Department of trade and industry

DEDT

Department of Economic Development and Tourism

2. Introduction

Small, medium and micro enterprises (SMMEs) are the catalyst to achieving economic growth and development in South Africa. In 2014, the pace of developing SMMEs was accelerated through the establishment of the Ministry of Small Business Development.

The Ministry provides support in terms of creating an enabling ecosystem for SMMEs and Co-operatives in terms of policies, access to products and services, financial assistance, education and training to ensure that the sector receives the capacitation required to create jobs and spur growth.

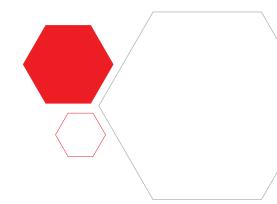
Partnership that is producing successful outcomes

In Mpumalanga the provincial Department of Economic Development and Tourism (DEDT) is responsible for driving all economic development and planning in the province. SMMEs and co-operatives fall within the scope of DEDT. In 2014, DEDT in partnership with the Mpumalanga Economic Growth Agency (MEGA) and the South African Bureau of Standards (SABS) conceptualised and developed - the Mpumalanga SMME development programme which aimed to improve the governance within SMMEs to ensure that the products and services produced by SMMEs would be of an international quality.

Black owned SMMEs were invited to participate in the programme to achieve system and product certification, funded by DEDT. SABS would be the implementation partner to ensure that the companies were brought up to certification standards. SMMEs were selected based on the nature of their work, aligned to the construction, infrastructure and nutrition goals of the province. Most of the SMMEs selected to participate in the programme were of varying levels of operations, ranging from start-ups, to co-operatives to established businesses.

Sustainable development of SMMEs

This publication highlights the value of certification on the businesses; the challenges experienced in getting SMMEs to implement quality systems and achieve product certification; and the value of investing the time and effort to truly develop businesses into successful enterprises. A brief overview of some of the participating SMMEs has been presented to showcase the successes of the DEDT/SABS SMME programme in Mpumalanga.



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Patrick Khumalo

Director: Enterprise Development

DEDT Mpumalanga Provincial Government





The Department of Economic Development and Tourism (DEDT), of the Mpumalanga provincial government is making strides in ensuring that goods and services offered by SMMEs can be procured. The province aims to integrate SMMEs into the formal economy and for the municipality to use their products and services. The focus is on developing SMMEs located in townships and in previously disadvantaged areas, to capacitate them to enable equal participation in formal business opportunities. In order for SMMEs and cooperatives to be considered as suppliers, they need to ensure that they have the relevant documentation, certification and assurance that they are able to deliver what they promise.

The challenges with SMMEs in previously marginalised areas is that they are in varying stages of development. While some had offices to operate from, with employees there were others who were still experiencing challenges with technology and office space. Opportunities to participate in projects were lost to some, as they could not demonstrate the required certificates and systems to verify their work and the quality of projects. The Mpumalanga provincial government was determined to only procure high quality products and to ensure that suppliers met the minimum requirements to deliver professional services.

Developing a comprehensive programme for SMME growth

It was incumbent on DEDT to develop a programme, with the various agencies of government to ensure that a sustainable solution could be realised. "Some of the greatest challenges in procuring services and products from SMMEs and cooperatives was their lack of management systems and no assurance of the quality of the services and products being offered. While DEDT is committed to growing the economy, it also has a responsibility to ensure equal access to the opportunities within Mpumalanga. The Department needed to find a programme that would fast track the development of the SMMEs," explains Patrick Khumalo, Director of Enterprise Development at DEDT.

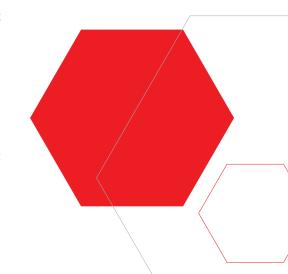
DEDT could not manage the task of developing SMMEs by themselves and looked to other state agencies to assist with developing a programme. The programme needed to address fundamental challenges facing SMMEs which was financial aid, hand on support to develop management systems and access to training or expertise to assist them in growing their business.

Partnering with SABS SMME

The SABS SMME team, with its experience of developing SMMEs to achieve internationally recognised management systems and product certification was the ideal partner to accelerate the development of the SMMEs, to meet the quality measures needed by the provincial government in Mpumalanga.

Other partners such as the Mpumalanga Economic Growth Agency (MEGA), which is the financial and investment arm of DEDT; the Small Enterprise Development Agency (SEDA), the Department of Public Works (DPW) and the Department of Trade and Industry (the dti) provided much needed services, finance and access to equipment - dependent on the unique situation of the SMME.

Since the programme with SABS and DEDT began in 2014, where SABS would develop and implement management systems for identified SMMEs, there have been success stories of government procuring goods and services from these SMMEs. "While the programme is still in its infancy stage, with many hurdles to overcome, we are pleased that the value of good governance and certification is creating immediate financial benefit to the beneficiaries, which in turn boosts the economy of Mpumalanga," says Khumalo.

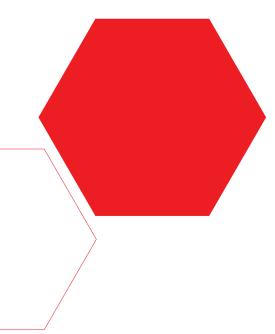


Oversight of SMME development

Deputy Director, Solly Mhaule is responsible for the oversight of the SMMEs to ensure that the development and progress of the companies is on track and to facilitate the relevant assistance to alleviate operational or market challenges. "With a focus on provincial construction projects, SMMEs related to that sector were chosen as beneficiaries for the first phase of the DEDT programme. One of the goals of the province is to ensure that communities directly impacted by infrastructure development are also recipients of economic gain and SMMEs within a 15km radius of construction sites were earmarked to be part of the certification programme. SMMEs that manufacture and supply construction materials for government infrastructure programmes such as human settlements. roads, schools, hospitals and general maintenance of public infrastructure were earmarked for development, in the initial rollout of the programme.

Success stories

This publication is intended to showcase the successes of the SMMEs in achieving certification, the benefits in terms of real growth to the company and to demonstrate the commitment of government to support and invest in SMMEs. DEDT encourages all SMMEs to get certified, to ensure that they have the relevant certificates to provide assurance of quality products and management systems. Opportunities in Mpumalanga are growing and SMMEs who want to be a part of it, need to make every effort to ensure that they are ready to participate.



4. Overview - SABS



Head: SABS SMME Department

The South African Bureau of Standards (SABS) develops, maintains and promotes national standards to help companies become more competitive, support the development of the South African economy, protect consumers through ensuring safe products via conformance testing and ensuring that the South African voice is represented at international standardisation bodies. SABS is integral in the fight against poverty and the drive towards inclusive growth in the South African economy, by South Africans.

In our seven decades of existence, SABS is recognised and acclaimed for integrity, excellence and unwavering in its promise to deliver a quality of life that all South Africans can rely on. With our deep understanding of the South African context, the challenges that small businesses face and the quality requirements that clients require – SABS

has developed several business models to assist government to capacitate SMMEs to ensure that previously marginalised organisations become integrated into mainstream economic activities.

Quality systems provide assurance of governance within an SMME

SMMEs often do not have the required resources to focus on ensuring that they have quality management systems in place, such as ISO 9001 (also known as SANS 9001) or product assurance that is required by suppliers and customers for quality of production and manufacturing standards, thus losing many opportunities to do business. In Mpumalanga, the provincial government has recognised the need to ensure that SMMEs have systems and product certification in place and have partnered with the SABS SMME department to work closely with identified SMMEs and bring them up to certification standard.

ISO 9001 is an internationally recognised quality management system, used to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements. South Africa, through SABS have adopted the standard and is it known as SANS 9001. An organisation that is certified with SABS ISO 9001 provides assurance that a company has been independently verified, at regular intervals, to have the competence to retain the certification. Certification will ensure that organisations have sound governance processes,

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have quality assurance and customer satisfaction as priorities, have revenue and growth targets, relevant regulatory and policies in place as well as to communicate and manage processes and people well.

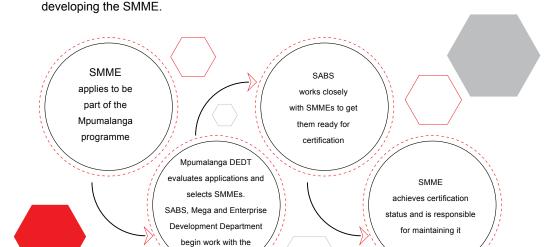
Hands-on consultant services

SABS is an accredited body that offers ISO 9001 training and certification services. SMME department operates as a development and training business development service which involves an extensive consultation process with SMMEs to ensure that they are certification ready. The SMME consultants become integrally involved with the business to understand the context of the business. its operations and assists to re-engineer processes and solve product issues. The SMMEs profiled in this book attest to the invaluable expertise and effort invested by the SABS team and are unanimous that achieving certification would not have been possible in the short space of time, without the assistance of the team. SMMEs are also unanimous in the immediate benefits experienced by becoming SABS ISO 9001 certified and are committed to improving and retaining their quality management systems.

It is important to bear in mind that the SMME department is independent from the certification division, with a clear Chinese wall that separates the functions. When the SMME is ready to apply for certification, an independent auditor conducts the audits and the SMME consultants recuse themselves from the certification process.

developed to meet the provincial goals. and commitment of various provincial stories by some of the more established of Small Business Development.

The SABS SMME department provides services nationally, however the programme for DEDT in Mpumalanga was especially SMMEs in the construction industry were selected and a mix of quality management and product certification systems were introduced. The programme, the first of its kind involved the input, collaboration government entities and we are pleased with the overall rate of success. The success SMMEs are testament to the value of certification on the increased revenue of business and we look forward to a continued partnership with the Department

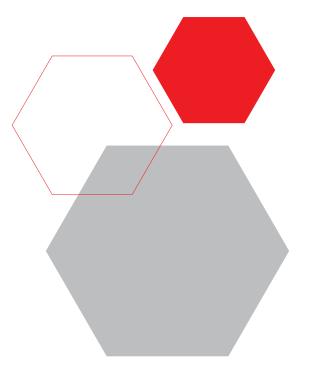


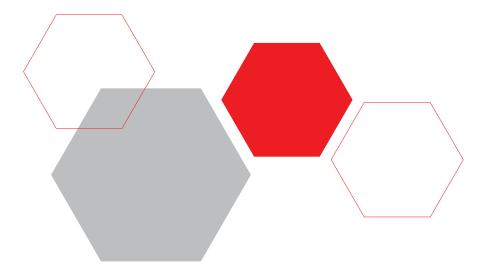
The process flow below, sets out the way in which the Mpumalanga provincial department

selected the SMMEs that participated in the programme and the SABS involvement in

Certification status is dependent on the commitment of the SMME to achieve it. Some SMMEs achieved it in a few month, while others can take up to two years.

SMME





5. Profiles of small businesses

5.1. Mbusi Women and Plant Hire



Mbusi Women and Plant Hire is a small construction company based in Nelspruit. The SMME started in 2002, as a woman owned and run company to participate in the development and construction opportunities in the province. Their focus was on construction opportunities, such as the building of roads and the renovations of schools.

Ethel Shongwe, was acutely aware of the lack of women in the industry and decided she could fill the gap in the market. Relying on her entrepreneurial gut, support from her family and the technical expertise of her mentors, Ethel quit her job as a teacher and began a new career. Within a few weeks of starting her company, she was able to procure contracts for renovation and maintenance work, as well as road construction.

As a small business, Ethel would hire the required technical skills for the duration of the contract, including quality management and assurance. Over the years, with the increasing costs of leasing construction equipment, Ethel realised that it would make more business sense to buy her own equipment and lease them when she didn't need them. This decision helped her to diversify her income stream which was welcome in the months when there was no construction projects.

As the company began to grow and solicit non-government work, Ethel realised the need for a quality management system. Clients would request the assurance of ISO 9001 or a similar management system. Mbusi Women and Plant Hire lost a few contracts as a result of not having the requisite management systems.

While the value of implementing a management system was realised, Ethel did not have the available cash flow, time or relevant resources to assist in organising and structuring a system. Her own research into implementing ISO 9001 left her feeling overwhelmed in terms of the paperwork and systems required.

In 2014, when the Mpumalanga DEDT advertised the programme to assist SMMEs with achieving quality and product management certification, Ethel seized the opportunity. When her company was

selected as a participant, she appointed her son, Milindzisi as the quality and operations manager and tasked him with the implementation of the system. They were grateful that there would be external hands-on support to help with the implementation and development of the system.

The SABS assigned consultant developed the quality system with them, provided assistance to write the relevant processes, controls and procedures and ensured that there was operational compliance to get them certification ready. It is important to bear in mind that the SABS SMME consultant works independently from the SABS Certification Division, to ensure that there is no conflict of interest that may arise during the certification process.



Milindzisi Shongwe

Milindzisi Shongwe shows off the filing system which was as a result of being trained on implementing ISO 9001: 2015. "We had to start from scratch in terms of documenting our company's vision, plans,

resource plans, all our processes, including a customer satisfaction system", says Milindzisi. Organisation of the company's resources and improved customer service has been the most immediate benefits that Mbusi Women and Plant Hire experienced.

Mbusi Women and Plant Hire have been successfully audited by SABS Certification and await being awarded their SABS ISO 9001:2015 certificate. "I thought that the company was doing well, we were organised and efficient – however, during the process of implementing ISO 9001, I was surprised at how many things we had taken for granted. Already, the certificate to provide the assurance that the company is well managed and has quality management systems in place is bringing an increased customer base and I am committed to ensure that we maintain certification status" says Ethel.

The Shongwe family have been able to tender and apply for new work opportunities as a result of their certification status. In order to maintain their SABS ISO 9001: 2015 certification, the company will undergo annual audits and pay an annual fee.

Ethel and her son have also recently started a brick making factory and are currently pursuing a product certification (SANS 1048) to ensure that the quality of the bricks produced are SABS Approved. The brick making business was as a result of noticing that there was a short supply of bricks in the province and was an additional means of increasing revenue.

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5.2 Shamila Trading Enterprises



Shamila Trading Enterprises, based in Rolle Village, in Thulamahase a district in Bushbuckridge is an exceptional example of how a small, struggling business can immediately benefit from SABS certification and product testing.



Shadow Nyathi, established the company in 2003, by using his family land to set up a small brick making operation. His operation only began in 2005 with the

intention of making bricks to build a boundary wall around his land. His boundary wall needed thousands of bricks and he invested in the manual equipment and resources to make bricks. During this process of trial and error, Shadow realised that he could turn brick making into a sustainable business and started to explore quality and standards regarding brick making.

In 2011, Shadow began to make commercial bricks for sale. His first project started when he had to supply 3500 bricks for 250 houses in a nearby housing development project. This project spurred him to invest in bigger manual presses and more labour to meet the production expectations.

There was a lot of construction and development happening in the village and within Bushbuckridge, with roads and shopping centres being built. When a KFC was being developed, less than a kilometre away from the plant, Shadow applied to be the brick supplier and was confident he would get the work as he was the closest supplier. To his surprise the contractors wanted system and product certification to verify that his company could supply the relevant products. While Shamila was able to supply sand and crusher to the site, it was a harsh awakening that the company needed to formally acquire certification for its products and its management systems - if it was to participate in business opportunities at its doorstep.

Shamila began the journey towards certification in 2014, through the DEDT programme. "It was not an easy journey as every process needed to be documented controls needed to be implemented and it became very clear that certain skilled resources needed to be employed, if the business was to grow. It was also frustrating to stop doing business and to think about the operations," recalls Shadow. Fortunately, the hands on assistance from the SABS SMME consultant made the journey easier. Shamila had grown from 2005, from one employee producing a few hundred bricks a month to fifty employees producing hundreds of thousands of bricks in a month.

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SABS SMME consultant. Suren Naidoo makes regular visits and follow ups with the SMME to ensure that the documentation and processes are in place. Pictured at the back is Obed Gininda, Business Development officer from Mega. The team usually travel together to check on the progress of the SMME and to encourage them to stay on track with the certification process. Mega is the financial arm of the provincial partnership to ensure that SMMEs are capacitated to participate in the economy as full partners. With the quality systems in place, SMMEs like Shamila can qualify for finance from institutions like Mega

Each of the product categories have been tested by SABS and the company was awaiting the results of the certification status at the time of going to print. As a result of the certification process, Shamila will now be able to bid for more projects, sell their tested bricks at retailers and grow their operations to supply bricks throughout the province.

Shadow has plans to expand the plant, buy more equipment and trucks and most importantly to hire more people from Rolle Village to economically empower them.



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5.3. Honesty Trade



After working as a sandblasting technical operator for 15 years, Lazarus Magagula decided in June 2011, that he was going to start his own business. Mr Lazarus Magagula started Honesty Trade in June 2011, with 3 employees, a few essential tools and equipment and just one bakkie.

Most of his work was in the nearby Eskom plants where the machinery required abrasive blasting, sandblasting or coating and Honesty Trade was able to grow at a slow rate. In 2014, a few international companies advertised that they were looking for new suppliers and while Lazarus applied for the opportunity, he was told that he needed to get SABS ISO 9001 certification in order to be loaded onto the supplier database Fortunately, for Honesty Trade the Mpumalanga DEDT was offering SMME support and his company was selected. The process towards SABS ISO 9001 certification began in 2015. He was assigned a SABS SMME consultant who had to guide him every step of the way.

"I was running my business, earning a living, paying my employees, I did not think about having a business profile, having a filing system, record keeping and ensuring that my processes are documented. I would not have had the time or even know where to start to do all of this. Of course, I see the benefit and I know it is needed, but without the help of sabs, I would never have completed it," said Lazarus. Honesty Trade was the first SMME in the province to successfully achieve SABS ISO 9001: 2015 certification, which happened in 2017.



Achieving certification has had an immediate impact for Honesty Trade, as the company was added to the vendor/supplier lists of two international companies in the area and secured good contracts for their anti-corrosive work. As a result of SABS ISO 9001: 2015 certification, Lazarus now regularly applies for tenders throughout the province and is being awarded the contracts. He has noticed the immediate

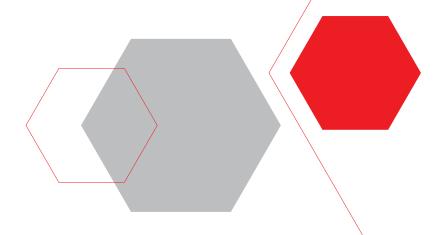
difference from having the certification to before, with more successes and more interest in the work that the company does. The company currently has 6 vehicles, with equipment for each of the vehicles, 8 full time employees and many contract workers that work on various projects.

Honesty Trade moved into bigger premises in 2015, with ample secure parking for the fleet of vehicles, customers and for potential customers.

Lazarus Magagula is proud of the way his business has grown and he knows he can grow it further. Without the help from DEDT and SABS, he believes he would not have been able to grow as quickly and as thoroughly as he has. Honesty Trade proudly displays the South African and SABS flags in front of his building and is so proud to be one of the first companies to have achieved SABS ISO: 2015 certification (at the time companies were converting from the 2008 version to the 2015 one).







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5.4. Mr Brick

Mr Brick Site in Secunda with the unique maxi bricks, made of the waste fly ash product.



Mr Brick is a business venture, formed by 5 small enterprises which includes a local co-op, located in Secunda. The company was started and began operating in April 2016, when it was awarded a tender for the use of the waste fly ash by product from the nearby Sasol plant. The fly ash was to be used in the recipe to make various bricks.

"In addition to disposing of the harmful fly ash and turning it into a useful product, it was important that the local youth be involved in the company, be active in the management of the company and that business skills be shared," said Bayanda Maseko, the managing director of the company. Each of the companies in the consortium has a specific focus and tasked with sharing the skills and developing the people within the consortium, one looks at the engineering aspects, another ensuring that local people are employed, one the business management, the other the operations and one looks at administration and marketing.

The company produces maxi bricks and hollow blocks. Since production began in 2016, sales were limited to the local market. While they had the capacity to produce more, there was insufficient demand. The consortium was losing out on clients and tender opportunities as the products were not tested and there was no quality or environmental systems in place. Without the relevant certification and quality systems, big clients were reluctant to procure products as there were challenges with loading them as suppliers.

Through the DEDT programme, SABS SMME became involved in ensuring that the consortium could reach certification status. One of the initial problems that needed to be resolved was the testing of the bricks that Mr Brick was producing. While the bricks were being sent to a local laboratory for testing, the results of the testing was not valid. The laboratory was not accredited by SANAS and the sampling was not correctly checked, which jeopardised the company attaining a quality management system.

At the time of producing this booklet, Mr Brick was still in the process of getting their bricks tested at a SABS testing laboratory and attaining their SABS ISO 9001: 2015 certification. Bayanda believes that once the certification is obtained it will bring in a range of multinational clients. He is confident that his recipe for bricks, which uses harmful waste products in a much needed product will reshape the industry.

5.5. Inhlaba Bricks



Inhlaba Bricks was started in 2004 by a few community members, in a small township located in Piet Retief, Mpumalanga. The community consisted of mainly unemployed people and they formed a co-operative to apply for a manual brick making machine, sponsored by the department of trade and industry. Once the machine was delivered, the co-operative set up shop in a yard that was shared by a local church.

The company struggled to take off. They were beset with leadership struggles, money problems, location issues, storage challenges and acquiring the necessary ingredients to make bricks for sale. The co-operative applied for assistance from DEDT and was selected as a recipient of the development programme in 2014. In 2015, the SABS consultant who was assigned to Inhlaba Bricks worked many hours to ensure that the business basics were in place.

SABS intervened and assisted them to make bricks to the relevant SANS. Once the recipe was correct, the co-operative was able to supply bricks to the local communities and developers who were building RDP houses in and around the Mkhondo area.

The company is currently producing a few hundred bricks a month for a local RDP site, however is missing out on opportunities as a result of not having their bricks tested, or having SABS ISO 9001 certification. While progress has been made in improving the operations by designating a manufacturing area, documenting processes, setting up operating systems, plans to build storage facilities, the company is still at the beginning phase in terms of becoming certification ready.



Members of the co-operative, pictured with the SABS SMME consultant who has been assisting them since 2015.

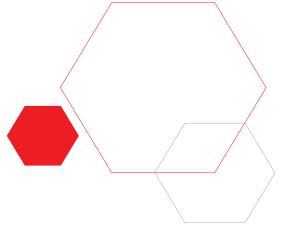
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Currently the 5 members of the co-operative do the work, manage the company and share the profits.

The company expects that once they achieve their certification they will be able to secure additional projects and increase their revenue. While they do not have a lot of equipment or assets, they do believe that they can participate in the local construction opportunities as the government is developing the township areas in Piet Retief.



Some of the houses that Inhlaba Bricks built.



5.6. Mpuluzana Trading



Pearl Mpuluzana and McDonald Ngwenya

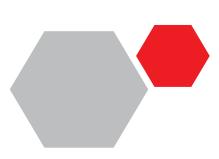
Mpuluzana Trading is a company run by a young husband and wife team. Pearl Mpuluzana and McDonald Ngwenya began their construction company in 2011. They started with just one truck and used to collect and dump construction waste for a site in Mbombela, operating out of their home. While in the industry and still learning about the various opportunities, the couple were aware of the opportunities to lease equipment and specifically to the construction industry. They did not have capital or experience to help them, however they did apply for provincial funding to acquire construction equipment, through the dti.

By 2014, a short time later, they had secured several contracts within the municipality for waste removal, provision of equipment to various construction sites and even for delivery of construction materials. The demand for their equipment and services was growing faster than they could manage. The couple realised that

they need to get their quality systems in place and to achieve certification, if they were to get more streamlined and to benefit from the larger contracts. Fortunately, it was in the same year that DEDT offered the SMME development aid to SABS ISO 9001 quality management certification and Mpuluzana's application was successful.

The SMME consultant that was assigned to Mpuluzana found the task to getting the company certification ready, relatively easy. The company already had several operating systems and processes in place and it was a matter of organising and categorising the information and systems. In a few short months, the company applied for certification and has successfully completed their SABS ISO 9001: 2008 certification (the company is currently awaiting the SABS ISO:2015 transition certification).

"While we were operational, getting contracts and able to grow slowly, it was only during the process of getting ready for certification that we realised how important it was to have clear roles and responsibilities, systems for processes and to ensure that we dedicated time to quality assurance and customer satisfaction. Getting this certificate and the SABS ISO flag makes us proud as we now know that our small business can compete with the bigger players," said Pearl.



In 2018, Mpuluzana has offices in prime property in Nelspruit, 10 tipper trucks, 1 excavator, 1 TLB and 3 4-tonne flatbed trucks. They employ teams of local people, depending on the work they have. The couple intend on getting more contracts, expanding their fleet and doing more work across the province. They believe that with the SABS ISO 9001 certification they will be able to get bigger contracts from the various multinationals in the province.



From left to right:

Surendran Naidoo, SABS SMME consultant; Dumisani Mngadi,SABS Head of SMME Division; Mcdonald Ngwenya, founder of Mpuluzana Trading; Pearl Mpuluzana, owner and MD of Mpuluzana Trading and Charles Shongwe, Assistant Director: DEDT Enterprise Development.



6. Conclusion

The stories of the SMMEs showcased in this booklet indicate the varying levels of development that an investment of time and money can produce. One of the common trends that emerged from the SMMEs was that they would have never pursued certification if left to their own devices, in that they were content with the pace of their progress and would not have invested the time and the money into achieving certification.

There are several challenges that SMMEs face, with the most common being access to funds, finding the right human resources to assist in getting the administrative tasks done, time to focus on developing the business or ensuring that the operations are streamlined. Most SMMEs, especially start-ups just focus on getting the job done and in covering their expenses. The problem though is that SMMEs often miss out on lucrative opportunities and contracts because they do not have systems, standards or even administrative controls in place.

Through the help of DEDT and its partners, the SMMEs applied for assistance and committed to the process of achieving SABS ISO 9001 certification. While some of the SMMEs were able to attain certification status with relative ease, there are some that are struggling with getting their product formula's tested to the minimum

specifications. Irrespective of which end of the spectrum the businesses where, it was unanimous that the intervention by the Mpumalanga province was a huge success and that the hands on assistance by SABS was greatly valued.

The SMME sector is the biggest contributor of employment and economic sustainability in the country. Developing and capacitating the sector remains an important priority of the South African government. SABS is hopeful that the initiative by the Mpumalanga province will be used as a benchmark for support provided to SMMEs. Standardisation is a key factor in improving market access and enhancing business competitiveness for SMMEs, to which management system certification, product testing and certification, and appropriate training are important pillars to business sustainability.

SABS will continue to seek partnerships and support initiatives that promote standardisation and the development of the SMME sector.

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