

New Fasa chair wants to grow and empower SME and franchise sector

New Fasa chair, Akhona Qengqe says growing and empowering the SME and franchise sector will be at the centre of her tenure as chair of the Franchise Association for 2019 and 2020.

In line with results from South Africa's first study on the SMME landscape by The CEO Initiative, which shows that whilst 98,5% of registered businesses in SA are SMMEs, they only create 28% of jobs and that to achieve the NDP target of 6% unemployment and 11-million jobs by 2030, SA needs 49,000 SMEs growing at a rate of 20% per annum.

Highest business failure rate

"Measured against similar emerging economies such as Brazil, Malaysia, India etc, South Africa is said to have the highest business failure rate," says Qengqe. "What is even more concerning is, despite the government's efforts to encourage entrepreneurship, South Africa still has a relatively low number of people involved in a startup or established businesses."

One of the biggest benefits of encouraging SME development is the employment and job creation the franchise sector has created and the role it can play in encouraging entrepreneurship, skills development and job creation. Fasa's 2017/2018 survey showed that the sector contributed R721bn equivalent to 15,7% of the total South Africa GDP through its 865 franchise systems, 45,000 franchise outlets employing close to 400,000 people.

"It has been proved that, as a franchised SME grows it has the potential to employ even more people. For South Africa, with unemployment sitting at 27.5% in the last quarter of 2018 and also having the highest Gini coefficient in the world, any opportunity that creates employment is most welcome."

Big brother role and accessing funding

"When I look at the franchise sector, and specifically the franchise business model," says Qengqe, what encourages me is that it deals directly with the two biggest problems faced by start-ups in our country."

- Firstly, because of the amount of time and effort that has gone into developing a replicable business model, franchisees or would-be franchisees generally receive more support from their franchisors, where they play a 'big brother role', ensuring the success of both franchisee and franchisor in the process.
- Secondly, while there is a plethora of funding vehicles available both from government and other institutions, accessing funding for an independent start-up is probably twice as difficult as it is for a franchise business. Because of its proven track record, funders find it easier to back a franchise business.

"I also look forward to the contribution that the Franchise Association of South Africa will make in supporting up-and-coming franchisors and ensuring that they uphold the highest ethical standards in their business dealings. Fasa is celebrating 40 years this year and I would like to congratulate every one of the founding members who are still in business today. Starting a business is easy, but running a successful business for over four decades is truly remarkable."



Akhona Qengqe, transformation director, KFC and chairperson of Fasa.

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