

## **Desto (Pty) Ltd**

Desto is the preferred supplier of quality business solutions, with our emphasis on enhancing Human Capital and the Business of ambitious enterprises through quality Education, Training and Development, Consulting Services and Entrepreneurial Ventures focused to benefit our clients, personnel and shareholders.

### **The company's current services/products include:**

- Learnership Training & Implementation
- Short Courses and Skills Programme Training
- Generic and/or specific Fundamental Unit Standards Training
- Course Development Services and Learning Material Development
- Consulting and Recruitment Services
- Project Management

Desto was registered on 17 March 1994, resulting from the amalgamation of different SMME's that combined their strengths in order to supply a better and more cost effective service to their customer base.

### **Our vision**

To be the preferred supplier of quality business solutions within the African context.

### **Our mission**

To provide international de facto standard Education, Training, and Development, Consulting and Support Services, to decision makers who are serious about their business and who place a high value on productivity, cost, knowledge base, and personnel in maintaining a competitive advantage.

### **Our Products**

- Consulting and Recruitment Services
- Education, Training and Development of Human Capital
- SMME Development and Support Services/Entrepreneurial Ventures

### **Unity through Diversity**

Desto's own personnel and its alliances with other organisations and consultants provide it with a wide range of expertise and experience in different technologies and disciplines in order to manage many diverse and unique projects. This allows Desto to make use of the best expertise exclusively for the duration of specific projects which gives an advantage in terms of cost and performance.

### **Company client policy**

- Follow an approach that is beneficial to all parties involved.
- Be professional and ethical at all times.
- Provide total solutions to its clients.
- Provide reliable and upgradable products.
- Provide quality systems.
- Empower the client to function independently through co-operative knowledge/technology transfer.

### **Core Values**

- Integrity
- Professionalism
- Confidentiality
- Efficiency
- Entrepreneurship

### **Key advantages of Desto as Service Provider**

- Dedicated, knowledgeable, competent management team and staff. Sound company track record for over 10 years.
- Expert/practical experience in new venture creation.
- Expert/practical experience in the presentation and administration of learnerships.
- Sound administrative support systems (Great Plains, VIP, LMS, etc) with ISO certification.
- Adherence and commitment to black economic empowerment and employment equity.
- Integrated approach with Higher Education institutions, University of Pretoria and Tshwane University of Technology Pretoria.
- Recognition and adapting to adhere to current standards with the ability to adapt and cater for changing needs.
- Retaining flexible technology options without being locked in a particular "Brand" Supplier. (Desto does not have any affiliations with "brand name" suppliers)
- Dedicated, motivated and experienced staff to manage and implement a successful strategy.
- A company dedicated to the future and growth of the South African potential in its entire people.
- Proven experience of successful design and development of Learnership material.
- Proven track record in providing quality services in ETD Practitioners, as well as Organisational Development.
- Desto personnel have approximately 50 years' joint experience in the Design and Development of Learning Material.
- Several Desto Personnel sat on various Standard Generating Bodies (SGB's)
- Desto systems procedures and services are ISO 9001 quality assured.
- All Desto Project Team Members are either qualified ETD practitioners or registered Assessors.
- Desto has a broad database of experienced Trainers and Facilitators who are available to present Training Courses in all Provinces of South Africa.
- In short, less risk of failure and a high probability of a quality outcome.

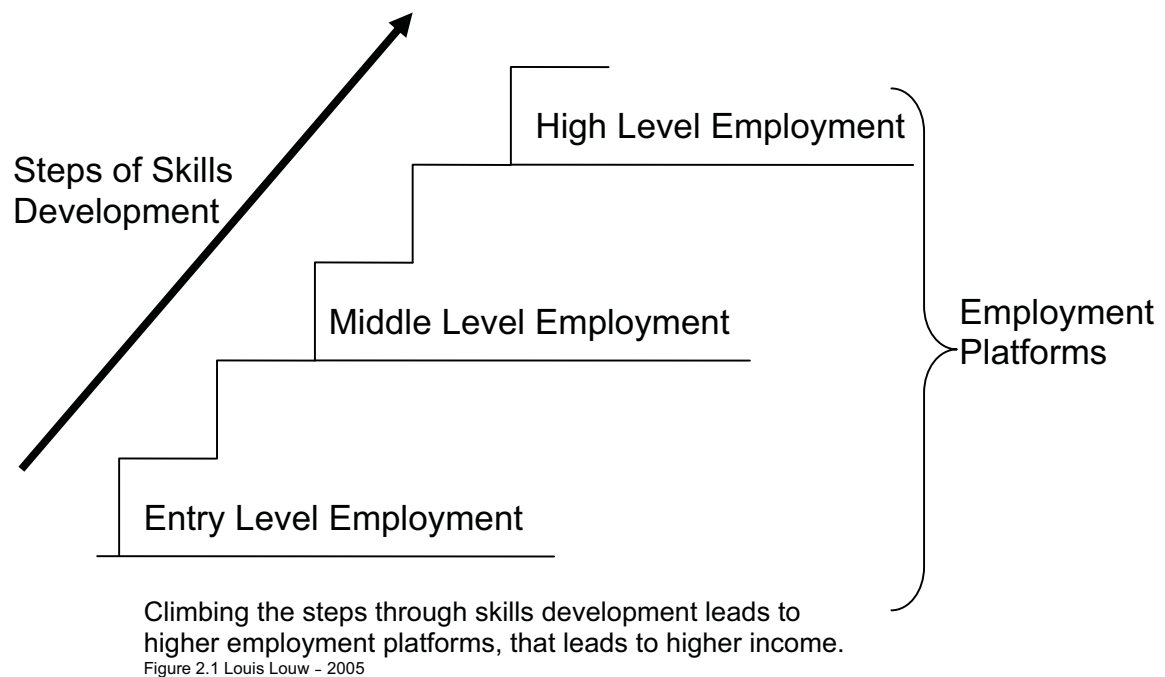
For more information regarding Desto, please visit [www.desto.co.za](http://www.desto.co.za) , or contact Louis Louw at 012-323 1160, or 083 780 2145.

Ladies and Gentlemen, thank you for the opportunity that I have to come and address you at this forum about SMME and Skills Development.

Firstly I want to look at the **ACADEMIC AND REALITY BACKGROUND.**

According to what is mentioned in the Skills Development Act (Act 97 of 1998), employment is the starting point of economic growth. Employment can be seen as the platform that is needed to ensure a sustainable income for an individual. However, without employment, including self-employment, skills development will not lead to a sustainable income. As seen in my Figure 2.1, Skills development through education and training, and even on-the-job training, can be seen as the steps towards a platform of employment. For example, getting onto a lower platform is an indication of a lower level of education. More steps during the skills development process will need bigger investments, but may also lead to a higher platform of employment. A higher platform will therefore be seen as employment with better salary packages, and/or opportunities for better income. It is my argument that the development of skills and knowledge, either through self investment or external investment, allows a candidate the opportunity to rise to a platform of possible employment, or to increase possibilities on an existing platform of employment.

Increasing income through Skills Development (Louw, 2007:10)



However, does skills development in South Africa contributes effectively to this process or does it just contribute to the knowledge base of the people subjected to the skills development?

According to Koen (2006:3), there are mismatches between graduate skills and labour market needs. Cosser (in Koen, 2006:3) says the skills graduates possess do not meet the skills the

economy needs.

According to the media, there are in the region of a million vacant posts in South Africa (Van Tonder, J. et al. 2007:1). These posts are mainly in the science, engineering and technology (SET) fields, where as posts in humanities and arts related careers are very limited due to the abundance of qualified people in these fields (Cosser in Koen, 2006:3).

Bernstein (CDE, 2000) says that business should become involved with Universities to ensure that Universities produce qualified people who will address the skills shortages related to the business industry in South Africa.

The legacy of apartheid also has a major influence on the ability of many of our children regarding the successful completion of Grade 12 with subjects such as science and mathematics. We therefore sit with a situation where skills development in South Africa does not necessarily address the short comings in our labour market. Where there are vacant posts available, we do not have people with foundational skills to study for qualifications which will address scarce skills. Where we do have enough people with specific skills, there are no vacant posts.

To achieve ultimate success and economic growth through skills development, the path laid out from primary education to tertiary education must lead to the goal we need to achieve in order to be successful. We must therefore develop our Human Capital with a purpose.

“In The Wealth of Nations (1776) Adam Smith formulated the basis of what was later to become the science of human capital” (Fitzsimmons, 1999:1).

The Human Capital Theory as further developed by theorists such as Schultz and Becker in the early 1960's shortly states that skills acquired during education contribute to a person's productivity that will lead to increased earnings (Fitzsimmons, 1999:1).

Schultz (1961:2) states that the development of skills and knowledge, either by funds spent by governments, or individuals themselves, plays a major role in economic growth. Schultz (1961:2) also states that economists realized that people had an important role to play in the wealth of nations, but they did not realize the real impact it has on an economy of a country.

According to Becker (1964:1), most people see capital as money in the bank, or shares held in stocks, or even assembly lines in steel plants. However, the capital related to machines within a production plant can be seen to be similar to Human Capital. More investment in better and faster machines on the production line will increase the production rate. The same can be said concerning people. The possibility that the workforce will become more productive will increase if there is more investment in the knowledge and skills of the workforce. I therefore agree with these theorists that one invests in human capital through skills development. The more human

capital a person owns, the more productive that person can become, which in turn will lead to more income.

Becker (1964:1) states that Education and Training are the most important form of investment in Human Capital. The income received by educated people versus uneducated people is a clear indication that the improvement of your knowledge and skills can be seen as the improvement of a persons own human capital.

However, without employment, skills development may mean nothing. A person with a doctoral degree, but without employment, will not be more productive, and will not earn more money.

Criticisms against the Human Capital Theory are seen in discussions by Brown. According to Brown (2001:11), there is an indication that the Human Capital approach may lead to more unemployment, negatively impacting society, yet still having a positive effect on the economy of the country, as well as only a number of people who achieve personal economic gain from it.

Baptiste (2001:195) also states that there are substantial critiques of the human capital theory. He says that:

“...critics have cited the theory’s overly mechanistic, one-dimensional view of human beings; its narrow understanding of labor; its use of correlational data to establish cause; the inconclusiveness of its empirical evidence; and the insurmountable methodological hurdles associated with calculating returns on educational investment”.

Maglen (in Quiggin, 1999:10) also supports this critique regarding the Human Capital model. He claims that, although the link between education and earnings is well established,

“microeconomic evidence on the link between education and productivity, and between productivity and earnings is weak”.

How should we then ensure that there is a need in the market for specific skills, therefore employment possibilities in such a market? Workforce planning and strategic Human Capital Management, although still unknown in many industries, becomes a reality that we must acknowledge and explore. Workplace Skills Plans and Sector Skills Plans assist in workforce planning.

It is my assertion that Human Capital planning must be done in an organised and structured way, ensuring that skills most needed in the country are developed.

In South Africa, this is specifically addressed through skills development initiatives such as learnerships. Learnerships are developed, and funded according to the real market needs identified in the country. Learnerships in the South African context try to address the complete

picture that is necessary to achieve the outcome of the Human Capital Theory. It not only includes the steps of skills development, but also an opportunity for candidates to experience the platforms of employment through the Structured Workplace Learning that forms part of a learnership.

Effective Structured Workplace Learning is achieved with the help of coaches/mentors, and trainers who visit the learners in the workplaces.

Boud and Garrick (1999:6) mention the following in this regard:

“The workplace has become a site of learning associated with two quite different purposes...

The first is the development of the enterprise through contributing to production, effectiveness and innovation; the second is the development of individuals through contributing to knowledge, skills and the capacity to further their own learning both as employees and citizens in wider society.”

However, as mentioned above, without employment, learning within a structural workplace environment is also not possible. To address this issue, The National Skills Development Strategy of South Africa for the period 1 April 2005 to 31 March 2010 (NSDS, 2005:15) states the following as one of its objectives:

#### **Objective 4**

“Assisting designated groups, including new entrants to participate in accredited work-integrated learning and work-based programmes to acquire critical skills to enter the labour market **and self-employment.**”

Three success indicators had been formulated to determine when this objective has been reached. They are the following:

#### **Success Indicator 4.1**

“By March 2010 at least 125 000 unemployed people assisted to enter and at least 50% successfully completed programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured.”

#### **Success Indicator 4.2**

“100% of learners in critical skills programmes covered by sector agreements from Further Education and Training (FET) and Higher Education and Training (HET) institutions assisted to gain work experience locally or abroad, of whom at least 70% find

placement in employment or self-employment.”

### **Success Indicator 4.3**

“By March 2010, at least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures in operation 12 months after completion of programme.”

Self-employment through SMME development and new ventures therefore plays a very important role in this whole process. Our company further also believes that through SMME development, people do not only have the opportunity to become self-employed, but the opportunity also exists that such a person can become the employer of more employees.

### **ENTREPRENEURSHIP THE DESTO WAY**

Entrepreneurship is a term often used but usually not clearly understood. Without going into technical detail, we should understand entrepreneurship as an attitude in people that indicates their willingness in free and private enterprise to take risks, try or start new things, explore new and untried areas, etc. Society does not always reward entrepreneurship appropriately as they unsettle the placid order of society in their actions. Without them, however, society would have been much poorer. Richard Branson is a good example of this.

Our society as in most other countries is one where we are schooled from an early age to get a good, safe and secure job and not to go out and create work for ourselves. This attitude stifles the creativity and innovation that go hand in hand with entrepreneurship. It would also be commonly accepted that entrepreneurs are born and not made. This is not true as most of the entrepreneurial skills can be learned. Even if these students don't become independent business owners in their own right after learning these skills, they contribute to the economy by supporting entrepreneurs, being receptive to new ideas and working with or for them.

Entrepreneurship is important for societies to generate economic growth and ensure economic and socio-economic development. In South Africa, as is in most developing and many other countries, there is a huge shortage of entrepreneurs, especially in the formal sector. Thus the South African economy performs poorly because only a limited number of people succeed as entrepreneurs. This is where Desto comes in firstly as a facilitator for the transfer of entrepreneurial skills, secondly guidance and advice about the best route to successful business, and lastly using its expertise, experience and networking to establish ventures and to achieve operational success.

It is important to remain aware that training in entrepreneurial skills without accompanying training in business skills will not ensure optimal results and mostly lead to no results. There should, therefore, be a focus on combined training to develop entrepreneurial and business skills. These two aspects are not the same. We have on the one hand the innovative entrepreneur who

identifies a unique opportunity and combines the knowledge and skills of experts to establish a successful business, while on the other hand we have micro-entrepreneurs who defy the odds against them and earn themselves an income, albeit only a living wage. Both need to have business and entrepreneurial skills.

Communities need sustainable economic activities to make them viable for the people to enjoy a better life. This cannot be done without sustainable small and micro businesses to provide in their daily needs and to ensure that the money generated in the community stays there and is not taken to city centres and spent there. Our people need business skills to be able to start up their businesses in these communities and ensure sustained income from them. To this end self employed and unemployed people need business skills to establish SMME to improve the quality of life in their communities. As mentioned, Desto wishes to see all learners become employers, appointing two or more additional unemployed people who were not involved in the training.

There are many ways to develop entrepreneurship and entrepreneurs. Desto is actively involved in various ways, one of them being New Venture Creation in Learnership and Qualification format, which I will now discuss in more detail.

## **NEW VENTURE CREATION LEARNERSHIPS/QUALIFICATIONS**

The New Venture Creation [NVC] Qualifications instituted by the Services SETA forms part of the South African Government's strategy for Skills Development within the broader South African Community. The focus of the Qualifications is twofold, with the academic or institutional part forming one and the practical creation of Small, Micro and Medium Enterprises (SMME) that will contribute to the country's economy, the other. The aims of the qualifications are to:

Implement the NSDS targets as formulated for the next five years.

Reduce the unemployment rate in South Africa.

Increase the skills level of the potential business people in different sectors.

Present additional training that will allow sustainability for new entrepreneurs as business skills alone will not ensure sustainability.

Contribute effectively in eradicating unskilled business people within South Africa.

Introduce learners to relevant business management that will increase their skills and production level in their business environment.

The following are some of the aspects included in the academic part of the course:

1. Self Motivation, Goal Setting and Time Management
2. Financing in a New Venture
3. Innovation and Creativity
4. Marketing Products and Services in a New Venture

5. Planning in a New Venture – How to set up a Business Plan
6. Using Resources and Productivity Concepts
7. Team Work and Quality Practices
8. Business Ethics
9. Negotiation Skills

Desto has been actively involved in New Venture Creation from 2003 when it presented its first learnership. It is fully accredited with the Services SETA to present NVC on NQF level 2 and 4. It has presented the learnership for Services SETA, Vodacom, ISETT SETA [CSIR], merSETA and MAPPP SETA in groups ranging from 25 to 100, in total more than 250 learners. This number included about 100 disabled learners. From this group we are able to trace more than 25 businesses still in operation and providing an income for its owners and employees. There might be more but due to changes in telephone numbers we can't contact many of them any more.

The NVC Qualification is aimed at:

People with existing businesses or business ideas; who are already in formal or informal business without any or few business skills. They all follow the same theory training and practical schedule but the emphasis is on the practical to enhance existing businesses and improve sustainable incomes. Any funding will be aimed at expanding/consolidating their businesses and not at starting up new businesses.

People with no business ideas, usually unemployed people who want to be in business and need business skills. They will do the same theory and practical as 1 above but with the emphasis on starting their own businesses in the practical period. They will require funding for start up capital and probably continued mentoring after the practical period, to enhance sustainability.

The academic phase of NVC is relatively simple as it consists mainly of classroom instruction. As with most unit standards and learnerships, only 30% of the total credit time may be spent in the class, the rest must be in the workplace. Learners thus have to spend most of their time in starting up their own businesses. This is the crucial part as this will determine a viable business with sustainable income.

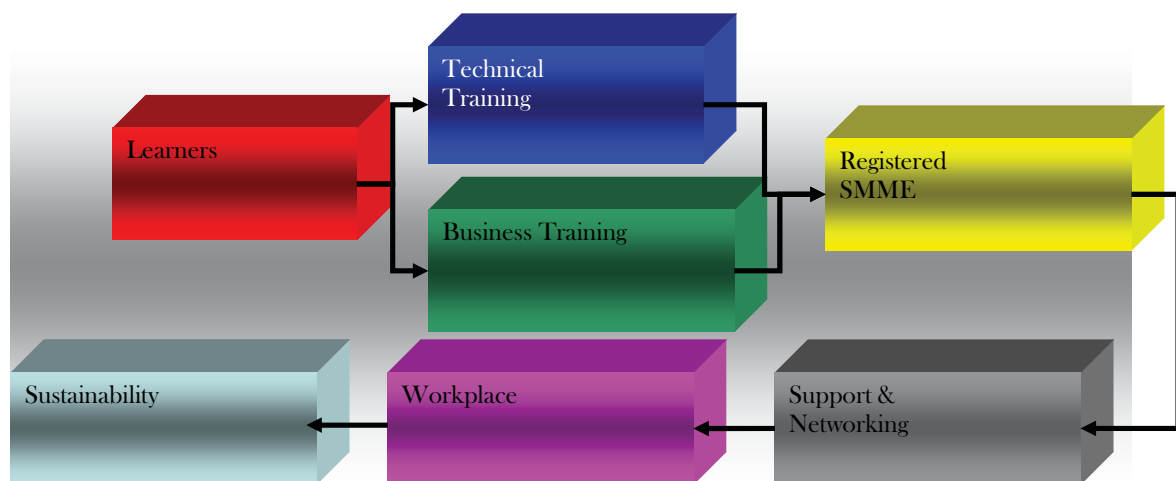
Business support must form part of any workplace phase.

Desto sees business support in the practical establishment of new or improvement of existing businesses as an integral part of the Qualifications, following the initial academic phase. The NVC Qualification provides the learners with business knowledge and skills that will improve their opportunity of business success. The business support then subsequently provides the development that will improve their core competencies and upgrade their managerial capabilities

for them to become competitive businessmen. The support is part of the mentoring that takes place after the academic phase.

Entrepreneurship skills will not ensure a sustainable business if the learner does not have a product or service to sell. Any business will involve funding to some extent. This funding is usually a major hurdle for the learners as they usually don't have a credit rating sufficient for funding from a major institution. Many of them only open their first bank account when they are forced to for the payment of their monthly stipend they receive for being part of the learnership as an unemployed learner. Through negotiation with the DTI, UYF as well as other funders, Desto assists the learners through mentoring to obtain access to such funding.

The approach explained is the one usually followed up to now. Desto, however, has developed an integrated approach with a greater probability of success which includes not only the NVC learnership, but also shorter skills programmes out of the NVC Learnership as well as other qualifications to ensure an integrated solution.



This approach breaks away from the tradition to focus on entrepreneurship **education and co-operative** training. As not everybody will be or become an entrepreneur with or without the training, it is not necessary that all learners do entrepreneurial training. We therefore combine these two after separate training [entrepreneur training and trade or worker training] to ensure that each new business has all the necessary skills that will help such a business to become sustainable, ie entrepreneurs and 'workers', employers and employees. All people involved become shareholders in such a new business ensuring that they all have a vested interest in the success of the business. The intention is to establish businesses from groups of learners by training in such a way that it combines entrepreneurial and practical skills.

Desto foresees that this method of training will lead to the creation of sustainable businesses for the unemployed or already self-employed in different business environments and that the

sustainable businesses will address community needs and will stimulate local economic growth.

Desto views the following as very important for the success of the training:

The appointment of mentors to assist learners after completion of the theoretical phase.

Training other learners in practical skills such as cabinet making, brick making, IT technical support etc.

Sourcing learners with specific skills or who are already involved in a start-up business.

Sourcing unemployed graduates who can apply their tertiary education to ensure a service or product that can be sold.

Combining Entrepreneurship learners in SMME's with other Desto Learners who already attended practical training.

Establishing co-operatives where different established SMME's support each other.

Sustainability can be improved by continued business support after the training has been completed, as part of a new project. Sustainability will also be improved if the right mix of entrepreneurs and skilled people are combined to form more sustainable businesses. Success of the training will provide future participants with the motivation to join the programme, funders to continue to provide funding and the local community to welcome such entrepreneurs and businesses.

#### **INVOLVEMENT OF ESTABLISHED BUSINESSES AND INDUSTRY**

What can establish businesses and industry do to assist in the establishment of such new SMME's?

1. Determine which minor functions of a business can be outsourced to SMME's.
2. Identify accredited training providers who can become involved in the training of not only entrepreneurial skills, but also practical skills and life skills.
3. Assist such learners through financial and structural support, and by outsourcing work to such newly established SMME's.
4. To ensure structured input and mentorship, as well as quality services rendered by the SMME, bigger businesses supporting the SMME's can take up initial shares, which can be carried over as progress is taking place.
5. Assist SMME's in rural areas to become the set-off point for your products.
6. Make infrastructure such as empty standing government buildings available to such SMME's for a certain period, to allow them the opportunity to grow to self sustainability.
7. Adopt SMME's and contribute towards their development through sponsoring funding for mentors whom can continue to guide such SMME's to self sustainability.

These are just a few things that can be done to assist with the establishment of SMME's. It is however very important that any involvement should be aimed at the complete process, and not only at certain parts of the process.

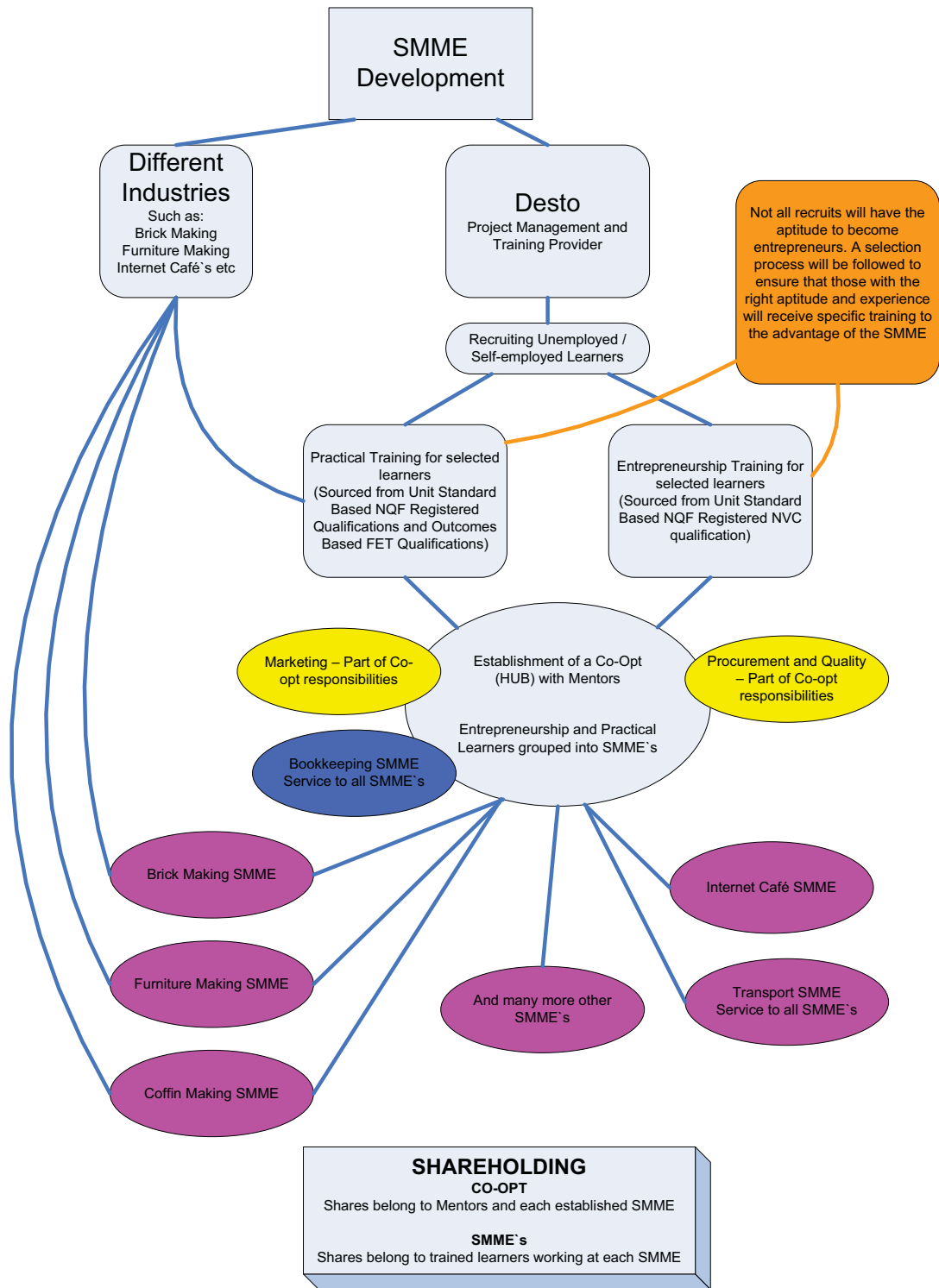
Skills development does not necessarily leads to better productivity and increase earnings. Skills development & employment or self-employment opportunities might lead, with the necessary support from businesses and industry, to better productivity and increased earnings.

I thank you.

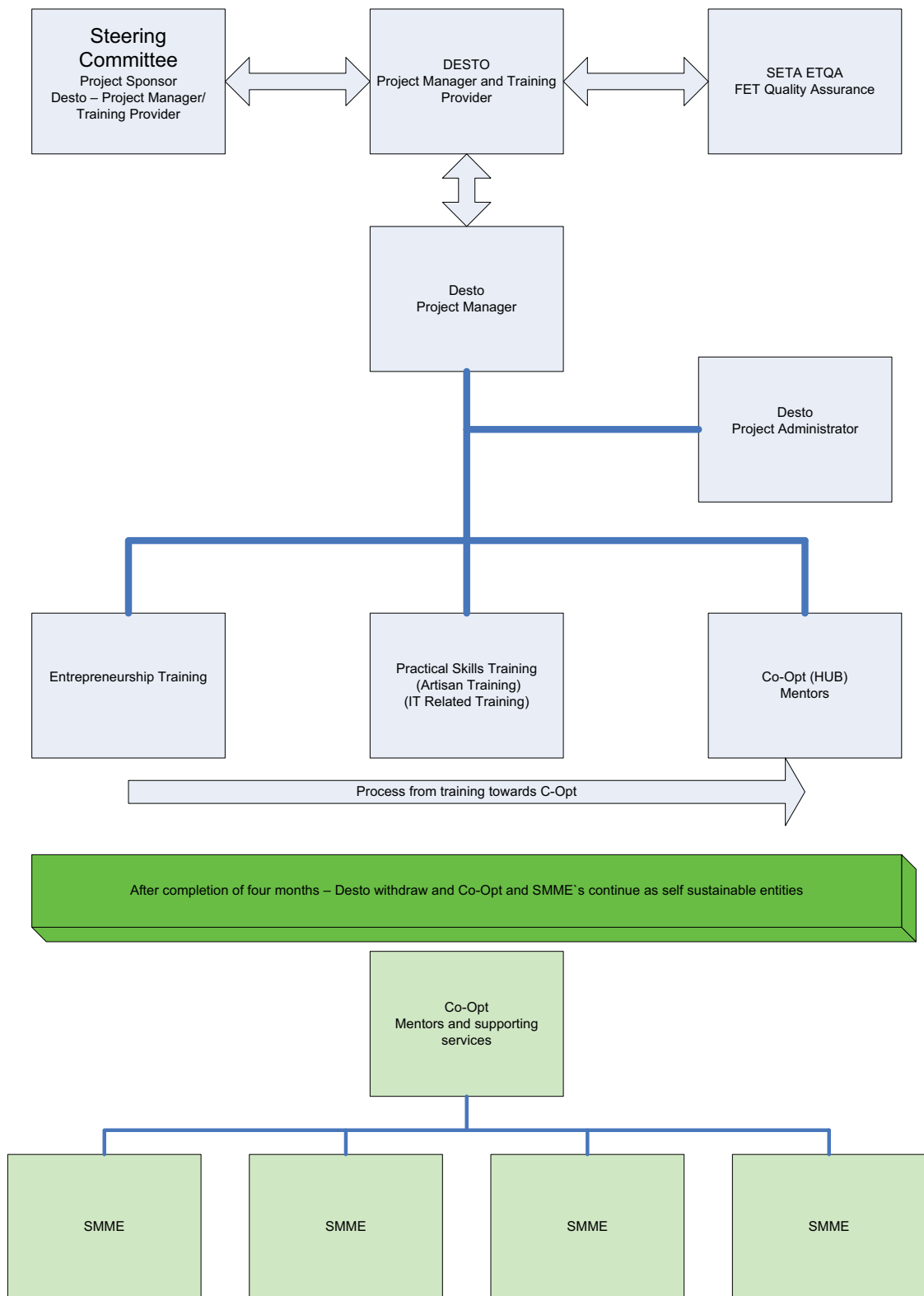
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Desto Intellectual Property (2008)



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