# Business Development in Uganda: The Birth of Entrepreneurial Success

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**University Honors in Business Administration**

**Specialization: International Business**

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Spring, 2008

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## Executive Summary

Business Partners Ltd. was established as the Small Business Development Corporation in 1981 and re-launched as Business Partners after a change in strategic direction in 1998. It was the first company in South Africa whose mission was centered on providing entrepreneurial assistance, financial and otherwise, to the small business owners of the country. The corporation was a result of collaboration between the big business of South Africa and the government, who both recognized that in order to develop a thriving middle class, Small and Medium Enterprises (SME's) must be supported. After seeing much success and growth in South Africa, Business Partners Limited should begin exploring expansion to other countries and Uganda, a country with a vibrant, underserved and underdeveloped entrepreneurial spirit, especially among the female population, is an excellent prospect.

## Background

Business Partners Limited is South Africa's leading specialist investment company for small and medium enterprises. It provides a full-service offering for entrepreneurs, which includes customized debt and equity investment solutions, property broking, property management, technical assistance, mentorship, consulting and ongoing business support through industry-specific units. Integrated business solutions are individually structured to meet the specific needs of a wide range of entrepreneurs, from single-owner private practices to multi-owner management buy-outs or buy-ins.[1]

The company is also heavily vested in South Africa and has allotted specific funds to benefit the people in the country who are undervalued and underrepresented.

[1] http://www.businesspartners.co.za/

There are funds for eliciting youth interest in business, empowerment, women, tourism, as well as microfinance loans through partnership with Khula Enterprise Finance, Ltd., a South African firm established to facilitate access to finance for small- and medium-sized businesses.[2]

Business Partners Limited (BPL) is not exposed to much competition in South Africa, particularly because of the governmental support. As with many African nations, corruption is a way of life in South Africa and having the support of the one entity that can ruin even the best laid plans is a large advantage. There are many other firms that provide many of the same services BPL does but, because of the economies of scale associated with over 20 years of existence, they have a hard time competing with the resources available to BPL.

Entrepreneurship, though a scary prospect for many, is oftentimes the only option for lots of people. Many South Africans depend on others, or government, to create jobs for them and they go to school to ensure they have the required skills for placement in these jobs. However, the job market is presently unable to accommodate the number of graduates that most South African educational institutions produce per year and entrepreneurship becomes the best possible option.[3] The South African government allots 20% of the national budget expenditures to education and values the importance of having a literate, educated population. However, it relies on companies like BPL to provide job creation, skills development and inner-city regeneration to lower the unemployment rate which stands at 23%.[4] As a result of companies like BPL female unemployment dropped 4% in 2007 and the unemployment rate dropped 2.5% from the

[2] http://www.khula.org.za/
[3] http://www.gradx.net/article/articleview/293/1/101

[4] http://www.southafrica.info/business/economy/development/lfs-280308.htm

previous year. It is easy to see the impact BPL and similar companies have on the economic condition in South Africa and it is easy to see why sharing this winning formula with other African nations is the socially responsible thing to do.

The South African labor force has dwindled over the past few years, probably because of the high HIV/AIDS rates that leave many children orphans and significantly lowers their life expectancies. 71% of deaths among those aged between 15 and 49, are caused by AIDS.[5] The implications of this on the labor force of South Africa is frightening and if BPL wants to be on the forefront of a sustained business model, it should begin to consider other prime markets for this entrepreneurial explosion. Though I do not believe BPL is in any danger of losing its place as an industry leader in the entrepreneurial services arena, I do believe that the labor and employment crises facing South Africa warrant an expansion of the scope of BPL's focus.

BPL has begun to recognize the profit-making potential of broadening its business horizons through expansion. Over the past financial year, BPL has undertaken the roll-out of its internationally-recognized investment model into Africa through wholly-owned subsidiary, Business Partners International (Pty) Limited.[6] With BPL in the business of people, and Africa being a continent suffering from underemployment and unemployment, there are many outlets for increasing the competitive advantage by adopting first-mover advantages in other African nations.

BPL is in a financially stable situation, with 664 investments to the value of R876.6 million (US $115.81 M) approved in the past financial year. This is an

[5] Centre for Actuarial Research, South African Medical Research Council and Actuarial Society of South Africa (2006, November), 'The Demographic Impact of HIV/AIDS in South Africa - National and Provincial Indicators for 2006' [PDF]
[6] http://www.businesspartners.co.za/

improvement of 18.5% over the 2006 numbers which were 633 investments to the value of R740 million (US $97.76 M). 44.6% of these investments were approved for black entrepreneurs, 37.2% were approved for businesses owned and run by women, 8.7% were approved on behalf of the UYF Business Partners Franchise Fund, launched in 2003 as fund for investment in historically-disadvantaged youth in the franchising sector, and 7.2% were approved on behalf of the Business Partners-Khula Start-up Fund, launched in 2006 as a fund for investment in start-up businesses by historically disadvantaged individuals.[7]

Also, BPL's financial indices have been extremely strong with:

- Net profit for the year is R160.8 million (US $21.25 M), an increase of 23.3% from R130.4 million (US $17.23 M) reported in March 2006
- Earnings per share increased by 22.8% from 81 cents (US 11 cents) per share to 99.5 cents (US 13 cents) per share
- Dividends per share increased by 11.1% to 20 cents (less than a US penny) per share
- Profit per employee improved by 21.7% to R536 100 (US $70 849) per employee

The key factors in BPL's investment model that make it transferable to other nations are the industries that the company specializes in providing services to help. BPL invests in entrepreneurs across all of the major economic sectors, with six accounting for the greatest portion of investment exposure.[8] These are:

[7] http://www.businesspartners.co.za/

[8] http://www.businesspartners.co.za/

- Manufacturing
- Travel and Tourism
- Franchising and Retailing
- Leisure
- Professional and personal services
- Marine Fishing

Already having the knowledge of industries that can be found in most, if not all, African nations BPL reduces its learning curve upon expansion and is better able to meet the unique market demands of the country.

## Why Uganda?

Uganda, a former British colony that was granted Independence in 1962, is in the early stages of developing its business sector. As a result of colonial rule, Uganda had a plethora of State-owned Enterprises that are now being replaced by Individual and Corporate capitalism. Entrepreneurship is extremely important to Uganda because the colonial governments and Multi-National Corporations were infamous for their capital-intensive companies but, in post-colonial times, labor-intensive work is the only feasible and affordable employment alternative. All these aspiring Ugandans need is a plot of land and demand for their product and they are happy to provide the goods at reasonable prices. However, agriculture is not the only industry in the country and a company like BPL would be extremely useful in opening the eyes of the people to other sector opportunities.

According to Malcolm Harper, there are many reasons why entrepreneurship is expected to play a bigger role in developing countries, like Uganda, than it plays in developed countries like those in the West and, to some extent, South Africa.[9] He suggests that during colonial times (which existed as recently as the 1980s in some African nations) the government was responsible for all economic activities. When the colonial ties were broken, entrepreneurship was a system that was opposite to the State-owned enterprises and the independence gained from the ability to determine self-destiny is irresistible to these newly-liberated countries. Also, with the state enterprises that remain failing miserably, someone must step up to fill the gaps in goods, services and jobs left by the termination of these business operations. Entrepreneurs are the ones that step up and fill these gaps. Thirdly, as stated earlier, the abandon of capital-intensive operations and the embrace of labor-intensive technologies for local entrepreneurs is vital to the future of the economies of many African nations because, with the government disposing of their state-owned businesses, no solitary person will be able to financially maintain these operations. Finally, there are many areas in Africa where access to resources is extremely difficult, if not impossible. It is in these areas that subsistence providing is integral for existence. These people are the ones that are entrepreneurs and contribute a nation-building role to the economy.[10]

The civil wars that erupted in Uganda devastated the economy tremendously. The wars destroyed the state enterprises, as well as the subsistence farming, forcing people to flee the country and populate the urban areas. Almost unique to Uganda's history was the

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[9] Harper, Malcolm. (1991). "Enterprise Development in Poorer Nations." *Entrepreneurship Theory and Practice,* 15, 4, 7-11

[10] Bewayo, Edward. (1995). "Uganda Entrepreneurs: Why Are They in Business?" *Montclair State University 07043*

fact that the civil wars forced a large-scale exodus of the Asian population of Uganda. From early in colonial times, these Asians were the backbone of the trading sector in Uganda and, in their absence, new entrepreneurs had no choice but to fill the gaps in order to maintain the distribution of products and services that the Ugandan people were accustomed to. In 1972, when 60, 000 Ugandan Asians were given 90 days, by former dictator Ida Amin, to leave this was indeed a pivotal initial step in Uganda's tendency towards entrepreneurship.[11] Business and self-employment was reserved for this population of people because they had the business acumen and capital.

Following the dictatorial regime of Ida Amin of the 1970s, and the destructiveness and human rights abuses of Milton Obote of the early 1980s, the relative stability, economic and civil, that the country is experiencing under the rule of President Lt. Gen. Yoweri Kaguta Museveni helps foster the explosion of enterprising initiatives that will further stabilize the country. According to Museveni, modernization of agriculture will help both smallholders and commercial farmers get information and access to broader markets.[12] As proof of his efforts, Uganda has made large strides in privatization, liberalization of the foreign exchange market, industrialization, modernization of agriculture, and the eradication of poverty.

The environment prevalent in many African nations in the late 1990s was characterized by:

- Government hostility to private enterprise
- Stifling Bureaucracy

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[11] http://www.bbc.co.uk/coventry/features/stories/2002/08/ugandan-asian-anniversary-feature.shtml

[12] Yoweri Museveni. (2000). "What is Africa's Problem?" Minneapolis: Minnesota University Press. Pp. 296.

- Insecurity of persons and lack or property rights
- Crumbling infrastructure
- Rampant corruption among officials
- Lack of economic freedom
- Unstable environment
- Elite mentality about wealth creation[13]

However, with democratic leaders like Museveni, who has a broad historical understanding and an intimate knowledge of the problems facing his country, there has been much emphasis placed on correcting each of the societal ills on Ayyitey's list and Uganda, in particular, is an excellent example of a government committed to development and progress.

## Supportive Indicators

Under Museveni's rule and with the support of foreign countries and international agencies, Uganda's economy was rehabilitated and stabilized and initiatives like currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages have been successfully undertaken. Museveni and his dedicated officials appear determined to bring Uganda out of the rut so familiar to African nations and are willing to support initiatives that promote their cause.

Agriculture, the main industry in Uganda employing 82 % of the workforce and contributing 30.2% to the nation's GDP, is avidly supported by the government.[14] The growth potential in this industry is large but funding to facilitate this growth is not readily available. There is still an air of mistrust between the government and the people that is

[13] Ayittey, George. (1998). "Africa in Chaos." New York: St. Martin's Press.
[14] https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html

rooted in the country's colonial and dictatorial ties. Accepting business help from the government, in many people's eyes, is tantamount to relinquishing self-ownership and independence and many Ugandans are not prepared to do this. There is a learning and communication gap between the government and the people that must be filled. Business Partners Limited could feasibly alleviate this issue and really help Uganda's agricultural industry to the next level.

BPL's role would be that of a buffer company. Though its support and backing is governmental in nature, the people that are provided assistance are not readily aware of this fact and, thus, are more trusting of the company. Also, the capitalistic views of the large businesses that also support BPL would be hidden from consumers behind the name, reputation, and experience of BPL. In this manner, communication and education is delivered without skepticism, hesitation or confusion.

There are many transparency issues that are supportive of Museveni's regime changes and are hoping to see Uganda emerge victorious after decades of oppression. The presence of these agencies in Uganda provides a premise for the BPL business plan and paves the way for BPL's entrance to the market. The government and large businesses in Uganda are already educated. These agencies have shown the government the importance of empowering the lower classes in order to see real economic growth. All BPL would have to do in Uganda is show how their strategy, a proven and winning one, can provide the lower classes and small business with the fuel they need to take the nation to the next level.

The United Nations Industrial Development Organization (UNIDO) is supportive of entrepreneurial growth in Uganda and has worked with the Educational sector of the government to implement the teaching of an entrepreneurship curriculum at secondary and vocational schools. The objective of the entrepreneurship curriculum is to enable youths to develop a positive attitude towards entrepreneurship, business and self-employment and to acquire entrepreneurial skills so that they can take up successful careers, of their choice, in business at the end of their course. This was a large move in the right direction for the country because, prior to this, any education on entrepreneurship was minor and was irrelevant to those that live in the rural areas. The ironic thing was that most of the Ugandan population lives in a rural area. Also, any education on life after school in the 'real world' was designed to benefit the government and employers instead of fostering an affinity for job creation and independence.

Education is the prime component of Uganda's poverty eradication strategy and, as with many former colonies, it is believed that through education, human capital is developed which, in turn, empowers the poor people to participate in the national growth process.[15] Part of BPL's formula is mentorship and education and this would be crucial to the company's success. Ugandans are skilled in their businesses, but need education on how to translate their skills into a profitable and sustainable business.

Another transparency agency that is vested in Uganda's Success is the World Bank (WB). WB is recognizing the contribution of female entrepreneurs in Uganda and, in partnership with a commercial bank in Uganda, Nigeria and Tanzania, is helping local women leverage the potential of their businesses. According to the Kampala branch of the East African Business Week newspaper, "These funds secured from WB's private sector arm, the International Finance Corporation (IFC), are being availed to women

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[15] Namuli-Tamale, Sarah. (2002) "A Presentation on Entrepreneurship Education and Training in Uganda."

entrepreneurs in the small and medium scale enterprises at standing market interest rates."[16] What's more, BPL is also committed to this cause with their established Women's Fund that allocates small business help, monetary and otherwise, to businesses owned and operated by women. The similarities between Uganda's economic needs and BPL's business operations truly are harmonious and BPL would be remiss in not exploring this extremely plausible option.

Women produce 50% of Uganda's GDP, own 40% of the country's private enterprises, but only represent 9% of clientele that access credit services.[17] This largely untapped resource is a potentially large target market and represents an excellent commodity for Business Partners Limited to capitalize on upon entry to the industry. Historically, women were the leading business owners in Uganda because they sold excess products or good that were made at home. However, their contribution has been socially undervalued and, as a result, these home businesses have not been given the supported needed for them to transition to become economically viable and sustainable enterprises. With BPL's support of women's empowerment and the promotion of entrepreneurship I am certain that we will see the 'mom and pop shops' move from that of mere convenience to a neighborhood staple.

The founder of Business Partners Limited (BPL), Dr. Anthony Edward 'Anton' Rupert, was committed to, and passionate about, assisting entrepreneurial development in developing economies. As the founder of the Rembrandt Group, he understood the intricacies of entrepreneurship and wanted to share his passions with others. As a young man who was forced to drop out of medical school due to a lack of funds, Rupert was

[16] www.allafrica.com
[17] www.allafrica.com

committed to ensuring others didn't have to suffer for lack of opportunity. It is only fitting to see his dream continues across country borders, to Uganda, and continues to translate his passion into economic growth.

According to the Uganda Bureau of Statistics, Uganda's largest export market is the European Union, the Netherlands to be exact. Uganda has significantly increased its exports over the past years, with growth predicted to continue. With the EU's collective economic state improving, Uganda could benefit from continued focus on this market. Museveni and his officials have proven their dedication to opening new and broader markets for local demand. He recognizes the potential economic gains associated with providing financial outlets for all classes in Uganda and how a small effort on the part of his government could mean significant change for the standard of living across the country.

## Economic Support

Uganda has a relatively stable, steadily growing economy with a Gross Domestic Product (PPP) of $31.47 billion, growing at a rate of 6%.[18] The literacy rate of the population is 67%, with a labor force of 14.05 million people. With 35% of the population below the poverty level, there is a definite need for employment opportunities that pay equitably, and allow employees to adequately provide for their families. BPL has proven its commitment to the lower-income people of South Africa with its numerous

[18] https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html

funds, in particular the partnership with Khula. These funds, exclusively distributed on a need basis, rather than the thoroughness of a business proposition, will undoubtedly provide added value to South Africa's lower classes and, after the expansion, Uganda's. As with most developing countries, there is a need for improving income distribution and entrepreneurship is one such way that affords people control of creating their own wealth. It is this wealth creation that is so attractive to Ugandans, particularly because it is a luxury that was not afforded them until recently. Capitalizing on this nationwide interest would be a fortuitous plan of BPL's and would also provide the nationals with a benefit.

Small business entrepreneurs face the unique disadvantage of being unable to expand their companies because of a lack of available financing. Commercial lenders are hesitant to finance these loans because of the high transaction costs associated with comparably small loans, and governmental aid is largely a stopgap measure as opposed to a sustainable, reliable source. The pinnacle of the problems lies in the lack of education these people have on how to sustain the success of their businesses and commercial lenders are not interested in supporting business ideas that they feel are not adequately thought through. It would be the job, and the current skill set, of BPL to ensure that these aspiring entrepreneurs are given every advantage possible to take their businesses to the next level, including mentorship, business plan assistance, professional skills development, as well as any other applicable proficiencies. This, coupled with interest from transparency agencies, Business Partners Limited would be entering Uganda at a time when entrepreneurship is a noticeably valued and rewarded commodity and, with its track record and experience in South Africa, BPL is more than capable of leading the corporate industry in providing these services.

In the same manner that BPL was the product of the private and public sectors combining in South Africa, this pattern can, and should, be reproduced in Uganda with a similar positive effect. The current trend in Uganda is that governmental support is aimed at companies assisting in developing the lower and middle classes and companies, like Access Bank Plc that is working with the World Bank, are also invested in seeing the growth of this population segment and would make excellent additions to the financiers of BPI. It might seem strange that companies are willing to sacrifice of their own resources, monetary and otherwise, to help a potential competitor but there is mutual gain embedded in this business strategy. Currently, the large businesses can only derive their customers from the middle and upper classes. Although this represents a significant portion of the Ugandan economy, it is clear that the majority of nationals reside in rural, poorer areas. If these companies empower these lower classes and equip them with the tools they need to be successful and profitable in business the result is an increase in disposable income that can be spent in their companies. Also, the resultant increased standard of living experienced by this surge in business profits could potentially allow these businesses to raise their prices and, with everyone's improved financial condition, this capitalistic behavior would not be prohibitive.

With the growing number of entrepreneurs, and the inclusion of entrepreneurial skills in school curriculums, it is inevitable that the coming generation will have an interest in the independence associated with free enterprise and, after watching their parents and inheriting these companies, these up-and-coming entrepreneurs will definitely be well-prepared to take their family businesses to the next level competitively. The trickle-down effect of the education provided in schools, which is only theoretical in nature, coupled with the practical education and skills received through BPL's mentorship and training will be a phenomenon to monitor. The definition of progress is the development towards a better, more complete, or more modern condition.[19] Raising the bar of expectation from one generation to another; from one gender to another; is how countries pull themselves out of precarious positions and it is with initiatives like BPL's business plan that provide the momentum for this change and development.

## Risks

As with many African nations, there is an inherent risk associated with undertaking business ventures. There are many cases where there is the assumption of corruption when big firms work with smaller firms, and in many cases there are no avenues to explore retribution for losses incurred. It would be presumptuous and negligent for BPL, or any company, to enter an African nation and expect that the best laid plans can circumvent the reality of corruption. The fact remains that there will be a certain level of corrupt behavior included in this venture and, to continue in business, BPL would have to chalk it up to the cost of doing business on the continent. However, there are some precautions BPL could and should take to minimize exposure to this. BPL would have to be extremely selective in choosing the partnering investing companies to ensure that, in addition to monetary contributions, the companies don't contribute their negative reputations for negligent or unprofessional business practices. Prior to signing up with any company, BPL should do its own on-site research on these companies and their executives to ensure there is synchrony in business ethics, and to ensure that Dr. Rupert would be pleased with the venture.

[19] http://www.askoxford.com/concise_oed/progress?view=get

Also, with a country like Uganda whose democracy is just over 20 years old, there are many political risks involved. As we have always learned in our academic lives, political issues are the number one business risk in developing countries. In recent years we have seen Hugo Chavez nationalize many of Venezuela's major industries and, with reason, many companies fear the same elsewhere. However, the onus is on BPL's senior teams to trust the current regime and the positive changes they have incited over the past years. Though it is true that many of the supporters of dictatorship are still alive and, in some cases, represent influential people in society, credit must be given to Museveni's proven ability to run a tight, and progressive, ship. Tied to dictatorship is the inference of negligence towards human rights and any tendency towards this system of government could be detrimental to the future of Uganda and its entrepreneurs of Uganda. I think it is safe to say that, with the government's partnership with BPL, we can assume limited exposure, or tolerance, to governmental or corporate corruption.

Uganda's primary export is coffee and with the fluctuations we see in the trading price of coffee we have to note that this affects the volatility of the currency. Coffee represents 20% of all income associated with exports from Uganda. Though Uganda's currency has been stable in recent history it would be remiss of BPI to fail to consider this situation. It is dangerous for any country to depend on a single industry for economic profitability. However, coffee is the only export that Ugandans can rely on its demand. With the government's new emphasis on finding new markets and demand for Ugandan business people I am confident that, in some years, we will be able to diversify the industry mix in the country.

Focusing on exploiting women and their predominance in and contribution to the Ugandan economy is risky. As in the corporate world, there are risks associated with women running businesses, including pregnancy and motherhood. In Uganda, this risk is doubled because of the traditional roles women occupy in many African nations and the pride these women feel to fill these roles. In funding female-owned enterprises, BPI would have to take into consideration the fact that time schedules must be flexible to accommodate the dynamism of rearing a family. However, we do have a precedent on women's commitment to entrepreneurship and business operations. For years women have been running small business out of their homes, selling the excess of any clothing or food they made. These women were able to do this, even in the last stages of pregnancy, because they have been able to work on their own schedules. They also engaged their daughters and other family members in their businesses, not realizing that this is how the spirit of entrepreneurship is passed down. I do not believe that BPL is at significant risk by investing in women empowerment, particularly since the model has been successful in South Africa.

It has long been established that the motivation behind many African entrepreneurial enterprises is not the attainment of wealth, but rather the ability to provide for family. Of course, with the global market we live in, it is inevitable that capitalist motivations have seeped into the Ugandan culture. In lesser-developed areas, there is still a subsistence attitude associated with business ownership but, understandably, everyone is in business to make a profit. With the education the younger generation is receiving there will be a clear trend towards Western capitalist attitudes but in the immediate future BPL would have to educate these entrepreneurs on the benefits of surplus production and the profitability of exporting. For BPL introducing the 'Riches to Rags' mentality, to a developing country like Uganda, could be a beneficial move.

## The Big Picture

Business Partners International should expand its operations from Johannesburg, South Africa, to Kampala, Uganda. In a capital minimizing endeavor, BPI should mimic the strategy it used to enter the South African market, by partnering with local governments and big businesses. This is also a trust and faith-building option because it lowers the learning curve that would otherwise be experienced by doing business in a new country, with an unfamiliar business model.

The anticipated costs of this expansion include the cost of renting a location, employing entrepreneur specialists, and any administrative costs associated with licensing and initial business operations. These costs are what BPL, South Africa is expected to cover for its Uganda sister entity. Of course there will be some expectation on the part of BPL to follow national convention and pay remittances to some people to push business forward but, since this is not an American company, there is no law tied to this. There will also be some costs associated with marketing this new business model and initiative. This would be a new venture for Ugandans and the onus is on BPL to ensure that they market to their audience by educating them on the need this business would fill for them.

As with the South African model, financing the loan requests and training our specialists in Uganda will be covered by investments and subsidies from the government and these big businesses. It is beneficial to all parties involved to develop the lower and middle classes, making them financially contributing members of society. The government is sure to be a willing participant in this venture, especially after the success in South Africa is noted, and especially with the interest and support of international organizations like the World Bank and its International Finance Corporation. Also, the government has expressed an interest in any proposals that would develop the highly disadvantaged lower classes. It is this segment of the population that suffers the most, but is least able to pay for the help they need. They are also not trusting of the government and are hesitant to accept help, citing historical abuse and corruption.

Raising the standard of living of the Ugandan people is a direct benefit to the big business of Uganda, including the tourism, farming, production and manufacturing companies. In these industries, the nationals are the main resource and their contribution to the future successes of these industries cannot be undervalued. Turning these subsistence people into surplus customers provides these big businesses with a new consumer base.

In order to ensure that the underserved female population is able to receive credit services, BPI should transpose its Women's Fund in South Africa to Uganda. This specialized fund is gender-sensitive and BPL's due diligence in providing a relevant financing model for this population segment is thorough, tried and tested.

With BPL's available cash at year end remaining consistently high over the past 5 years, the company is in a stable enough position to consider undertaking and funding an expansion. Also, with the decrease in BPL's borrowings from 2006 to 2007 it is easy to see that the company is not cash-strapped (*See Appendix)*.

The financial counselors that will consult with the small business entrepreneurs will be carefully selected from among the contributing companies. These people will have a vested interest in the success of the program and, with BPL's standard of training, will prove to be an invaluable asset to these entrepreneurs. In addition, BPL would be looking for qualities similar to those looked for in South Africa, including previous teaching experience and a track record of successful leadership.

The learning curve on this expansion is short. With the support of the government and the large corporations, BPL is sure to find a willing market for entry. Since part of BPL's role is to match small businesses with contracts, these connections with the government and established businesses will be valuable. With a Board comprised of all the companies vested in BPL, Uganda's success, selected by the Executive Management team, it is highly probable that we will achieve victory. With the proven success of this business model and the environmental appropriateness of Uganda for this expansion, we are positive that we can see these plans into fruition and profitability for Business Partners Limited.

# APPENDIX

# Memo

**To:** Mr. Mark Paper, Chief Operating Officer, Business Partners International

**From:** Ms. Tameisha Henry

**CC:** Dr. Richard Linowes

**Date:** 5/5/2023

**Re:** Providing Entrepreneurial Services to Uganda's Small Businesses

## Summary

Business Partners International, formerly Small Business Development Corporation, was the first company in South Africa whose mission was centered on providing entrepreneurial assistance, financial and otherwise, to the small business owners of the country. The corporation was a result of collaboration between the big business of South Africa and the government, who both recognized that in order to develop a thriving middle class, Small and Medium Enterprises (SME's) must be supported. After seeing much success in South Africa, Business Partners International should begin exploring expansion to other countries and Uganda, a country with a vibrant, underserved and underdeveloped entrepreneurial spirit, especially among the female population, is an excellent prospect.

## Background

Business Partners Limited is South Africa's leading specialist investment company for small and medium enterprises. It provides a full-service offering for entrepreneurs, which includes customized investment solutions, property broking, property management, technical assistance, mentorship, consulting and ongoing business support through industry-specific units. Integrated business solutions are individually structured to meet the specific needs of a wide range of entrepreneurs, from single-owner private practices to multi-owner management buy-outs or buy-ins.[20]

Uganda, a former British colony that was granted Independence in 1962, is in the early stages of developing its business sector. As a result of colonial rule, Uganda had a plethora of State-owned Enterprises that are now being replaced by Individual and Corporate capitalism. Entrepreneurship is extremely important to Uganda because the colonial governments and Multi-National Corporations were infamous for their capital-intensive companies but, in post-colonial times, labor-intensive work is the only feasible and affordable employment alternative.

The civil wars that erupted in Uganda devastated the economy. The wars destroyed the state enterprises, as well as the subsistence farming, forcing people to flee the country and populate the urban areas. Almost unique to Uganda's history was the fact that the civil wars forced a large-scale exodus of the Asian population of Uganda. From early in colonial times, these Asians were the backbone of the trading sector in Uganda and, in their absence, new entrepreneurs had to fill the gaps.

[20] http://www.businesspartners.co.za/

Following the dictatorial regime of Ida Amin of the 1970s, and the destructiveness and human rights abuses of Milton Obote of the early 1980s, the relative stability, economic and civil, that the country is experiencing under the rule of President Lt. Gen. Yoweri Kaguta Museveni helps foster the explosion of enterprising initiatives that will further stabilize the country.

## Supportive Indicators

Under Museveni's rule and with the support of foreign countries and international agencies, Uganda's economy was rehabilitated and stabilized and initiatives like currency reform, raising producer prices on export crops, increasing prices of petroleum products, and improving civil service wages have been successfully undertaken.

Agriculture, the main industry in Uganda employing 82 % of the workforce, is avidly supported by the government. The growth potential in this industry is large but funding to facilitate this growth is not readily available. Business Partners International could feasibly alleviate this issue and really help Uganda's agricultural industry to the next level.

The United Nations Industrial Development Organization (UNIDO) is supportive of entrepreneurial growth in Uganda and has worked with the Educational sector of the government to implement the teaching of an entrepreneurship curriculum at secondary and vocational schools. The objective of the entrepreneurship curriculum is to enable youths to develop a positive attitude towards entrepreneurship, business and self-employment and to acquire entrepreneurial skills so that they can take up successful careers, of their choice, in business at the end of their course.

The World Bank (WB) is recognizing the contribution of female entrepreneurs in Uganda and, in partnership with a commercial bank in Uganda, Nigeria and Tanzania, is helping local women leverage the potential of their businesses. According to the Kampala branch of the East African Business Week newspaper, "These funds secured from WB's private sector arm, the International Finance Corporation (IFC) are being availed to women entrepreneurs in the small and medium scale enterprises at standing market interest rates."

Women produce 50% of Uganda's GDP, own 40% of the country's private enterprises, but only represent 9% of clientele that access credit services. This largely untapped resource is a potentially large target market and represents an excellent commodity for Business Partners International to capitalize on upon entry to the industry.

The founder of Business Partners International (BPI), Dr. Anton Rupert, was committed to, and passionate about, assisting entrepreneurial development in developing economies. As the founder of the Rembrandt Group, he understood the intricacies of entrepreneurship and wanted to share his passions with others. It is only fitting to see his dream continues across country borders, to Uganda, and continues to translate his passion into economic growth.

According to the Uganda Bureau of Statistics, Uganda's largest export market is the European Union, the Netherlands to be exact. Uganda has significantly increased its exports over the past years, with growth predicted to continue. With the EU's collective economic state improving, Uganda could benefit from continued focus on this market.

## Economic Support

Uganda has a relatively stable, steadily growing economy with a Gross Domestic Product (PPP) of $31,47 billion, growing at a rate of 6%. The literacy rate of the population is 67%, with a labor force of 14.05 million people. With 35% of the population below the poverty level, there is a definite need for employment opportunities that pay equitably, and allow employees to adequately provide for their families. As with most developing countries, there is a need for improving income distribution and entrepreneurship is one such way that affords people control of creating their own wealth.

Small business entrepreneurs face the unique disadvantage of being unable to expand their companies because of a lack of available financing. Commercial lenders are hesitant to finance these loans because of the high transaction costs associated with comparably small loans, and governmental aid is largely a stopgap measure as opposed to a sustainable, reliable source. Coupled with interest from transparency agencies, Business Partners International would be entering Uganda at a time when entrepreneurship is a noticeably valued and rewarded commodity and with its track record and experience in South Africa, BPI is more than capable of leading the corporate industry in providing these services.

In the same manner that BPI was the product of the private and public sectors combining in South Africa, this pattern can, and should, be reproduced in Uganda with a similar effect. Governmental support is aimed at companies assisting in developing the lower and middle classes and companies, like Access Bank Plc that is working with the World Bank, are also invested in seeing the growth of this population segment and would make excellent additions to the financiers of BPI.

With the growing number of entrepreneurs, and the inclusion of entrepreneurial skills in school curriculums, it is inevitable that the coming generation will have an interest in the independence associated with free enterprise and, after watching their parents and inheriting these companies, these up-and-coming entrepreneurs will definitely be well-prepared to take their family businesses to the next level competitively.

## Risks

As with many African nations, there is an inherent risk associated with undertaking business ventures. There are some cases where there is the assumption of corruption when big firms work with smaller firms, and in many cases there are no avenues to explore retribution for losses incurred. BPI would have to be extremely selective in choosing the partnering investing companies to ensure that, in addition to monetary contributions, the companies don't contribute their negative reputations.

Also, with a country like Uganda whose democracy is just over 20 years old, there are political risks involved. Many of the supporters of dictatorship are still alive and, in some cases, represent influential people in society. Tied to dictatorship is the inference of negligence towards human rights and any tendency towards this system of government could be detrimental to the entrepreneurs of Uganda.

Uganda's primary export is coffee and with the fluctuations we see in the trading price of coffee we have to note that this affects the volatility of the currency. Coffee represents 20% of all income associated with exports from Uganda. Though Uganda's currency has been stable in recent history it would be remiss of BPI to fail to consider this situation.

Focusing on exploiting women and their predominance in and contribution to the Ugandan economy is risky. As in the corporate world, there are risks associated with women running businesses, including pregnancy and motherhood. In Uganda, this risk is doubled because of the traditional roles women occupy in many African nations and the pride these women feel to fill these roles. In funding female-owned enterprises, BPI would have to take into consideration the fact that time schedules must be flexible to accommodate the dynamism of rearing a family.

It has long been established that the motivation behind many African entrepreneurial enterprises is not the attainment of wealth, but rather the ability to provide for family. In lesser-developed areas, there is still a subsistence attitude associated with business ownership. With the education the younger generation is receiving this attitude will soon be changed, but in the immediate future BPI would have to educate these entrepreneurs on the benefits of surplus production and the profitability of exporting. For BPI, introducing the 'Riches to Rags' mentality to a developing country like Uganda could be a beneficial move.

## The Big Picture

Business Partners International should expand its operations from Johannesburg, South Africa, to Kampala, Uganda. In a capital minimizing endeavor, BPI should mimic the strategy it used to enter the South African market, by partnering with local governments and big businesses.

The anticipated costs of this expansion include the cost of renting a location, employing entrepreneur specialists, and any administrative costs associated with licensing and initial business operations. These costs are what BPI, South Africa is expected to cover for its Uganda sister entity.

As with the South African model, financing the loan requests and training our specialists will be covered by investments and subsidies from the government and these big businesses. It is beneficial to all parties involved to develop the lower and middle classes, making them financially contributing members of society. The government is sure to be a willing participant in this venture, especially after the success in South Africa is noted, and especially with the interest and support of international organizations like the World Bank and its International Finance Corporation.

Raising the standard of living of the Ugandan people is a direct benefit to the big business of Uganda, including the tourism, farming, production and manufacturing companies. Turning these subsistence people into surplus customers provides these big businesses with a new consumer base.

In order to ensure that the underserved female population is able to receive credit services, BPI should transpose its Women's Fund in South Africa to Uganda. This specialized fund is gender sensitive and BPI's due diligence in providing a relevant financing model for this population segment is thorough, tried and tested.

With BPI's available cash at year end remaining consistently high over the past 5 years, the company is in a stable enough position to consider undertaking an expansion. Also, with the decrease in BPI's borrowings from 2006 to 2007 it is easy to see that the company is not cash-strapped.

The financial counselors that will consult with the small business entrepreneurs will be carefully selected from among the contributing companies. These people will have a vested interest in the success of the program and, with BPI's standard of training, will prove to be an invaluable asset to these entrepreneurs.

The learning curve on this expansion is short. With the support of the government and the large corporations, BPI is sure to find a willing market for entry. Since part of BPI's role is to match small businesses with contracts, these connections will be valuable. With a Board comprised of all the companies vested in BPI, Uganda's success, selected by the Executive Management team. With the proven success of this business model and the environmental appropriateness of Uganda for this expansion, we are positive that we can see these plans into fruition and profitability for Business Partners International.

# BALANCE SHEET

as at 31 March 2007

| | Notes | GROUP 2007 R000 | GROUP 2006 R000 | COMPANY 2007 R000 | COMPANY 2006 R000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **1 557 633** | 1 228 741 | **1 511 857** | 1 211 571 |
| Investment properties | 3 | **267 760** | 224 474 | **235 080** | 202 287 |
| Business investments | 4 | **1 122 658** | 938 900 | **1 124 674** | 937 104 |
| Investments in associates | 5 | **37 978** | 25 770 | **1 877** | 1 894 |
| Property and equipment | 6 | **16 369** | 16 132 | **2 535** | 2 345 |
| Investments in subsidiaries | 7 | **-** | - | **34 823** | 45 789 |
| Defined benefit pension fund surplus | 15 | **112 868** | | **112 868** | |
| Deferred tax asset | 8 | **-** | 23 465 | **-** | 22 152 |
| **Current assets** | | **538 620** | 601 598 | **525 951** | 597 852 |
| Inventories and assets held for resale | 9 | **3 518** | 6 331 | **3 518** | 6 331 |
| Short-term portion of business investments | 4 | **242 439** | 199 447 | **241 780** | 199 026 |
| Accounts receivable | | **12 048** | 8 973 | **6 940** | 8 425 |
| Deposits and bank balances | 10 | **280 615** | 386 847 | **273 713** | 384 070 |
| **Total assets** | | **2 096 253** | 1 830 339 | **2 037 808** | 1 809 423 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **1 942 977** | 1 714 395 | **1 891 532** | 1 697 453 |
| Share capital | 12 | **178 835** | 178 835 | **178 835** | 178 835 |
| Treasury shares | 12 | **(29 033)** | (46 626) | | |
| Fair value and other reserves | 13 | **80 770** | 1 615 | **80 856** | 1 615 |
| Retained earnings | | **1 712 405** | 1 580 571 | **1 631 841** | 1 517 003 |
| **Non-current liabilities** | | **56 885** | 40 910 | **60 044** | 40 910 |
| Borrowings | 14 | **289** | 599 | **289** | 599 |
| Post-retirement medical aid obligation | 15 | **43 983** | 40 311 | **43 983** | 40 311 |
| Deferred tax liability | 8 | **12 613** | - | **15 772** | - |
| **Current liabilities** | | **96 391** | 75 034 | **86 232** | 71 060 |
| Accounts payable | | **31 213** | 24 613 | **23 344** | 20 832 |
| Provisions | 16 | **37 260** | 33 592 | **36 605** | 33 592 |
| Current tax liability | | **27 893** | 16 713 | **26 258** | 16 520 |
| Shareholders for dividend | | **25** | 116 | **25** | 116 |
| **Total liabilities** | | **153 276** | 115 944 | **146 276** | 111 970 |
| **Total equity and liabilities** | | **2 096 253** | 1 830 339 | **2 037 808** | 1 809 423 |

# CASH FLOW STATEMENT

for the year ended 31 March 2007

| | Notes | GROUP 2007 R000 | GROUP 2006 R000 | COMPANY 2007 R000 | COMPANY 2006 R000 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Cash received from clients | | **343 000** | 291 803 | **330 694** | 284 906 |
| Cash paid to suppliers and employees | | **(165 044)** | (150 821) | **(157 061)** | (149 065) |
| Cash generated from operating activities | 28.1 | **177 956** | 140 982 | **173 633** | 135 841 |
| Finance cost | | **(276)** | (55) | **(76)** | (52) |
| Taxation paid | 28.2 | **(35 903)** | (37 887) | **(35 486)** | (37 638) |
| Dividends paid | 28.3 | **(29 078)** | (25 794) | **(32 281)** | (28 641) |
| **Net cash generated from operating activities** | | **112 699** | 77 246 | **105 790** | 69 510 |
| **Cash flow from investing activities** | | | | | |
| Capital expenditure on | | | | | |
| – investment properties | | **(24 387)** | (10 760) | **(13 397)** | (10 439) |
| – property and equipment | | **(1 568)** | (1 669) | **(1 495)** | (1 669) |
| Proceeds from the sale of | | | | | |
| – investment properties | | **10 928** | 15 055 | **8 028** | 10 555 |
| – property and equipment | | **216** | 174 | **216** | 174 |
| Business investments advanced | | **(629 185)** | (496 148) | **(628 849)** | (496 148) |
| Business investments repaid | | **395 449** | 315 956 | **380 394** | 314 818 |
| Investment in subsidiaries | | | | **10 966** | 9 223 |
| Proceeds from sale of other investments | | **25 123** | 12 831 | **25 123** | 12 831 |
| Dividends received from other investments | | **4 493** | 12 707 | **2 867** | 14 883 |
| **Net cash utilised in investing activities** | | **(218 931)** | (151 854) | **(216 147)** | (145 772) |
| **Cash flow from financing activities** | | | | | |
| Long-term borrowings | | **–** | (8 200) | **–** | (8 200) |
| **Net cash utilised in financing activities** | | **–** | (8 200) | **–** | (8 200) |
| **Net decrease in cash and cash equivalents** | | **(106 232)** | (82 808) | **(110 357)** | (84 462) |
| **Cash and cash equivalents at the beginning of year** | | **386 847** | 469 655 | **384 070** | 468 532 |
| **Cash and cash equivalents at the end of year** | | **280 615** | 386 847 | **273 713** | 384 070 |

# INCOME STATEMENT

for the year ended 31 March 2007

| | Notes | GROUP 2007 R000 | GROUP 2006 R000 | COMPANY 2007 R000 | COMPANY 2006 R000 |
|---|---|---|---|---|---|
| Revenue | 18 | **300 239** | 263 802 | **293 020** | 261 723 |
| Other operating income | 19 | **81 754** | 57 317 | **83 441** | 51 564 |
| Operating expenses | 20 | **(186 360)** | (162 186) | **(178 576)** | (159 281) |
| Profit from operations | 21 | **195 633** | 158 933 | **197 885** | 154 006 |
| Finance cost | | **(276)** | (55) | **(76)** | (52) |
| Income from associated companies | | **19 255** | 12 651 | | |
| Profit before taxation | | **214 612** | 171 529 | **197 809** | 153 954 |
| Tax expense | 23 | **(53 791)** | (41 131) | **(50 781)** | (34 843) |
| **Net profit** | | **160 821** | 130 398 | **147 028** | 119 111 |

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 March 2007

| | GROUP 2007 R000 | GROUP 2006 R000 | COMPANY 2007 R000 | COMPANY 2006 R000 |
|---|---|---|---|---|
| Actuarial gain / (loss) on post-retirement benefits | **(1 050)** | 1 675 | **(1 050)** | 1 675 |
| Initial recognition of pension fund surplus | **112 868** | | **112 868** | |
| Gain / (loss) on available for sale instruments | **(210)** | 229 | **(210)** | 229 |
| Foreign currency translation gains / (losses) | **(86)** | | | |
| Deferred taxation on items above | **(32 367)** | (552) | **(32 367)** | (552) |
| Net income / (expense) recognised directly in equity | **79 155** | 1 352 | **79 241** | 1 352 |
| Profit for the year | **160 821** | 130 398 | **147 028** | 119 111 |
| **Total recognised income for the year** | **239 976** | 131 750 | **226 269** | 120 463 |