THE STATE OF ENTREPRENEURSHIP IN SOUTH AFRICA

THE KEY ARCHETYPES OF AN ENTREPRENEURIAL CULTURE

3rd Edition
White Paper, Deliberations and Key Findings
Businesses are proud to once again bring South Africa the third State of the Entrepreneurship Whitepaper. Our focus this year was to better understand the potential opportunities and obstacles to implementing a range of entrepreneurial archetypes. Entrepreneurship is a hot topic at the moment as presidents, ministers and big business realise that these heroes on the ground are the true catalysts of global economic growth. As a bank started by entrepreneurs, we pride ourselves in our own ‘owner manager culture’, where we encourage our staff to run and manage their own functional units as if they own businesses.

I believe that it is the culture that sets us apart from our peers, as it allows us to move quicker and be more innovative. FNB Business Banking is committed to offering entrepreneurs “real support”. Our non-traditional approach to banking allows us to decrease the costs of starting and operating a business, and our entrepreneurial platform, BizNetwork, allows us to up-skill our entrepreneurs in running better businesses. I am confident that this Whitepaper is another great contribution to the local and international entrepreneurial debate, and we are incredibly proud to be a key part of this process.

Kirsty Davis
CEO: FNB Business Banking
CONCEPTS

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This paper was a collective effort. It was written to reflect what was said in actual debates of the third State of Entrepreneurship in South Africa conference held on 16 November 2011. It is not a mouthpiece to broadcast the views of Endeavor or FNB. In addition to the main State of Entrepreneurship panel that kicked off the conference, four specialised breakout sessions were held on the models/archetypes of entrepreneurial communities:

- The Silicon Valley Model
- The Mothership Model
- The External Trigger Model
- The Local Hero Model

Each session was duly recorded in audio and video, and in late December 2011, copies of the audio recordings were forwarded to Endeavor South Africa where staff members proceeded to create the first draft of this paper. The Endeavor team listened once more to the audio recordings of each session. Drawing from these materials, session by session, they integrated this content into the paper before you.

Building on the previous two years during which this work has been compiled, it is our hope that the third edition of this paper will achieve its objective of creating a useful collaborative platform for South Africans who are interested in enhancing the level of entrepreneurial activity in the country.
The third annual conference on the State of Entrepreneurship in South Africa was held on 16 November 2011 at the Gautrain Hotel in Johannesburg. This conference was part of a series of activities within Global Entrepreneurship Week (GEW), a global Kaufman Foundation initiative that strives to foster national debates on entrepreneurship around the world. In 2011, it is estimated that seven million people worldwide, from 24 000 organizations, participated in 37 000 activities across 115 countries.

The headline panel of the SAP and FNB-Endeavor conference was preceded by a presentation from Pedro Arboleda to share the outcome of nearly 10 years of research conducted by Monitor Group on how communities, regions and countries can become hubs of high-impact entrepreneurship. The conference was attended by an assortment of policy makers, entrepreneurs, academics and funding providers. Their mandate was to drive a general discussion on entrepreneurship in South Africa with the underlying goal of setting the tone for the four subsequent breakout panels that were to follow later in the day.
ENTREPRENEURSHIP IN THE SOUTH AFRICAN CONTEXT

REALITY AND ASPIRATIONS

South Africa’s performance on the most essential measure of entrepreneurship, the TIA index (Total Entrepreneurial Activity index, percent of the active population who are entrepreneurs) has improved from 5.9% to 8.9% between 2009 and 2010, but is still lagging compared to other emerging economies. Since the mid-1990s, South Africa’s TIA has fluctuated between 4% and 6%, whereas countries like Brazil or Mexico (16% in 2010) have had TEAs twice as large as South Africa’s. The average TIA for low-to-middle income countries has been between 10% and 15% for the past three years.

In the words of Ebrahim Patel, Minister of Economic Development, “we have not created an environment where entrepreneurs can flourish, and at the same time, jobs are being lost on a daily basis”. In fact, despite the myriad news-catching announcements on how government intends to create 500,000 new jobs in the next five years, the reality is that 700,000 jobs have actually been lost since the Zuma administration came into office 26 months ago.

Thus, the question of how to drive entrepreneurship and job creation is very much at the top of the national agenda in South Africa, as in many other emerging economies. Aspirations are quite ambitious, but a set of nagging questions remain: namely;

- What is South Africa’s main entrepreneurship problem?
- What issues are preventing South Africa from becoming an entrepreneurial ‘hot spot’?
- Are South Africa’s entrepreneurial obstacles mostly culturally, financially and/or socially based?

MONITOR GROUP STUDY ON ENTREPRENEURSHIP

PREMISE AND QUESTIONS

There are scores of data, reports and opinions available that attempt to explain the world of entrepreneurship and reaffirm the link between entrepreneurship and prosperity. It has thus become quite difficult for decision makers to make sense of all the information available to them.

There are definite opportunities for middle-income countries like Chile, India and South Africa to leapfrog their economies into more and better entrepreneurship. However, the following has been an elusive endeavour for most decision makers.

- Understanding which policy levers are appropriate for each specific region.
- Identifying which idiosyncrasies exist in our environment.
- “Cracking the code” on what it takes to become a high impact entrepreneurial region or country.

Monitor Group’s journey into the world of the entrepreneur began through an inquiry from policy officials in Durban who posed the question: “What leads certain types of high-impact entrepreneurs to settle in specific entrepreneurial ‘hot spots’?” From there, Monitor consultants proceeded to ask this question to a number of entrepreneurs in Singapore, Silicon Valley and Korea, among others, so as to learn directly from their stories and experiences.

Monitor found that entrepreneurial success can be divided into four models/archetypes, which will now be discussed in detail.

AN INTRODUCTION TO THE SILICON VALLEY MODEL OF ENTREPRENEURSHIP

The Silicon Valley Model occurs when entrepreneur-scientists at high-quality universities or research centres create breakthrough Intellectual Property (IP) products and services, and are able to commercialise these products and services quickly and efficiently through the investment and support of competent local Venture Capitalists (VCs). The output of this formula stems from processes of active engagement between local academics and experienced VCs.

This model first emerged in the 1980s and 1990s on Sandhill Road, that legendary piece of real estate at the heart of Stanford University where a number of now world-renowned VC firms power the likes of Yahoo!, LinkedIn and Google.

Because the Silicon Valley Model has created a number of breakthrough companies over the years, many policymakers rapidly become enamoured with this model and want to replicate it in their own communities and cities. What many do not realise is that this model also involves a measure of risk, as it requires significant levels of investment with very uncertain returns, especially when the pre-requirements for this model to work are not present.

Furthermore, regardless of whether the region or community has the right IP assets for this model, the ability to connect these universities / research centres to an efficient local VC community is often difficult because of the ‘chicken-and-egg’ issue of deal flow, meaning that VCs do not originate before there is substantial deal flow, and deal flow cannot come about without a pre-existing VC community. Long-term underlying assets, such as a world-class education system, feeding into the IP community or a super-efficient IT infrastructure, are often also obstacles to making the Silicon Valley Model successful.

AN INTRODUCTION TO THE MOTHERSHIP MODEL OF ENTREPRENEURSHIP

The Mothership Model can be a good alternative to the Silicon Valley Model for decision makers who do not have a Stanford, Harvard or Bell lab, but may have an Intel, Anglo American or IBM in their neighbourhood. The idea here is to lock the executive and entrepreneurial talent that may be resident in anchor firms by allowing them to go out and create highly successful new businesses.

One of the critical success factors for this model concerns mindsets, more specifically, the cultural norms and attitudes in a community regarding business failure. In most high-impact entrepreneurship communities, business failure is often seen as positive and a way to learn invaluable business lessons the hard way. This attitude makes it easier for experienced executives at an anchor firm to say, “I am going to leave my secure job and start my own company. I will start by providing this product / service to the anchor firm, and I will succeed after a number of years because I will intimately understand the type of advanced / specialised product the anchor firm needs.”

One of the most successful examples of an anchor firm entrepreneurship community is known as Research Triangle Park, which encompasses IBM in the cities of Durham, Raleigh and Chapel Hill in North Carolina, USA. Between 1992 and 2000, about 20 new businesses emerged out of IBM’s operations in this region, including entrepreneurial successes such as Red Hat and SAS, which went on to become worldwide powerhouses in their own right.
AN INTRODUCTION TO THE EXTERNAL TRIGGER MODEL OF ENTREPRENEURSHIP

This model is about fate, good and bad, and how local stakeholders can turn fate into an opportunity for greater and better entrepreneurship. The story of a cluster of communication companies in San Diego, California, is a case in point. San Diego initially built the local economy by leveraging their great climate and breath-taking Pacific coast through tourism and their US naval military bases.

Between the 1960s and 1970s, leading-edge defence research was conducted in San Diego on behalf of the US Pacific Fleet, which led to major innovations in the area of distance-wireless communications between military ships. Envin Jacobs was one of the hundreds of researchers who worked on these advanced communications projects, but when US military officials in Washington started downsizing military bases and research centres across the country in the 1980s, he was one among several thousand workers who was affected.

In reaction to this adversity, and because shipping communications was all he knew, Jacobs decided to remain in San Diego and founded Qualcomm, a company involved in the manufacturing and selling of ship communications equipment. Having to ensure access to the local pool of engineering talent from places like the University of California in San Diego (UCSD), Qualcomm worked with university officials to set up and fund UCSD Connect, a local incubator group designed to nurture advanced research on communications solutions. By the mid-1990s, the group had helped establish more than a thousand high-impact entrepreneurial local start-ups in that field.

In essence, the External Trigger Model of entrepreneurship takes place when an external event releases an abundance of skilled-experienced workers and / or creates business opportunities in a specific society, sector or region. Of course this model assumes that the community that is affected by the event understands the underlying factors that make new opportunities possible. In the Qualcomm case, for example, Envin Jacobs saw more than San Diego’s natural beauty and tourism opportunities. He noticed that San Diego was ideal to sell sophisticated communications equipment to ships for three reasons:

- San Diego is situated on the coast, meaning that ships are never in short supply.
- He had access to a pool of various engineering talent.
- He had the support of local officials and dynamic local Venture Capitalists to support and finance his new venture.

There is no denying the massive impact that local heroes such as Bill Gates, Earl Bakken and Fernando Fiebich have had on their communities, but replicating the home-grown Local Hero Model of entrepreneurship is a very complex and difficult endeavour. It requires close involvement from savvy local economic development leaders who have the vision and decision rights to leverage the success of these local heroes to ensure immediate benefits to the community.

AN INTRODUCTION TO THE LOCAL HERO MODEL OF ENTREPRENEURSHIP

This model focuses on the local entrepreneur who ultimately builds a large, ground-breaking business enterprise, motivates others and creates opportunities for more entrepreneurship in the community through his story.

Bill Gates had just such an impact with Microsoft in Seattle. A less-known success story is the story of Earl Bakken, inventor of the first cardiac pacemaker (1957) who founded the medical device company Medtronic in Minneapolis, Minnesota in 1949. Earl’s success led to the creation of key institutions in the Minneapolis medical field, such as the founding of the Saint Jude medical device company in 1974, the Medical Alley trade organisation in 1984 and the Globant medical device company in 1994. By 2006, Minnesota had become home to more than 500 healthcare companies, employing nearly 280,000 people. In fact, the world’s top 15 medical device companies, 12 are based in Minnesota.

Chile also produced its own entrepreneurial local hero recently in the form of Fernando Fiebich, a chemist who dreamed and built a large-scale water treatment in which the clarity and cleanliness of the water are maintained through the use of an elaborate chemical solution. Fernando went on to license his chemical formula to developers and distributors worldwide, this on top of the impact he personally had on building Chile’s own local construction industry. Today, his company is valued at $1.4 billion.

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THE SILICON VALLEY MODEL IN SA
Tertiary institutions such as Stellenbosch, the University of Pretoria and the University of Cape Town are making strides in changing the orientation of entrepreneurial education in South Africa, and are laying the foundations of the archetypical Silicon Valley Model (SVM).

Dr Anu Idioka, Head of the Intellectual Property Unit at the Technology Innovation Agency, acknowledges that the skeleton of a SVM exists in South Africa at those universities; however, more can be done to further develop better entrepreneurs. Pierrick Harbit, Head of Doctoral Programs at the University of Stellenbosch, notes that this institution has had to retrofit itself to accommodate a new way of approaching entrepreneurs. Entrepreneurial education is not just about academic teaching, but also driving, supporting and being directly involved in practical hands-on support of entrepreneurs to ensure the successful development of their businesses.

In comparison to the USA, South African universities and high schools are not introducing and exposing their students to practical entrepreneurial experiences and the intricacies of the SVM enough, including education on how to protect Intellectual Property. This results in graduates who are not properly prepared to approach funders or commercialise their products. It is essential that entrepreneurs get full support from their educational institutions.

South Africa lacks a professional investor network that is easily accessible to entrepreneurs. A professional investor network includes seed and angel investors who are willing to take high risks on innovative start-ups and Venture Capitalists who can make large investments to ensure the growth and scalability of entrepreneurs. This multi-layered investor network is essential to ensure that risk-taking seed and angel investors are able to on-set to existing Venture Capitalists and recuperate their initial risky investments.

In addition to financing, it is critical that SVM entrepreneurs have access to a network of skilled professionals such as accountants and lawyers. For the SVM to work, especially for early stage entrepreneurs, a community of professionals who are willing and able to give advice to entrepreneurs is critical.

Enterprise Development is a great mechanism to ensure that early-stage entrepreneurs have access to these types of professional services. The Silicon Cape Initiative in the Western Cape is a government-led project encouraging the development of tech start-ups in Cape Town. They are laying down the groundwork for successful partnerships between professional service providers and entrepreneurs, and encouraging the development of a strong SVM ecosystem in Cape Town.

According to Dr Anu Idioka, the inadequate understanding of Intellectual Property rights from both funders and entrepreneurs is one of the critical factors hindering the growth of the SVM in South Africa. This may be because entrepreneurs are unwilling to share their ideas and business plans with funders who they believe will “steal” their businesses.

Andrea Böhmert, Exco Member for The Silicon Cape Initiative, believes that it is critical for universities to have a bigger hand in supporting entrepreneurs in understanding Intellectual Property rights. With the proper support, entrepreneurs will have all the prerequisite information and documentation necessary when approaching funders.

Government also has an influential role to play in policy development and facilitating the process of getting patents for new products and licensing services to ensure that entrepreneurs’ Intellectual Property is protected. Vinny Lingham, CEO of MyCiti.com, believes that government is not currently fulfilling its role but has great potential to lead increased transformation of entrepreneurs’ Intellectual Property into practical and commercialised products.
THE SOUTH AFRICAN FUNDER AND VENTURE CAPITAL COMMUNITY IS SMALL AND CONSERVATIVE

Andrea Bihmert, Exco Member for The Silicon Cape Initiative, asserts that the risk-averse environment in South Africa is hindering the development of the SVM and that there is a direct disconnect between risk appetite and reward. Efficiency-driven entrepreneurs (entrepreneurs with corporate experience that have identified inefficient systems in their previous work environments) are favoured over SVM risk-takers by funders. Encouraging development and greater access to investor networks will boost the development of an SVM ecosystem in South Africa. This can be achieved by focusing on Golden Triangle of excellence.

Universities in Cape Town, Stellenbosch, PortElizabeth, Durban, Johannesburg are hubs where industry-specific investor networks can be established to target SVM entrepreneurs, according to Monitor Group partner Pedro Arboleda. “The majority of people in the Venture Capital community in South Africa have Chartered Accounting backgrounds, meaning that they are inherently conservative and trained to avoid taking risks. These Venture Capitalists do not tend to have entrepreneurial backgrounds and often have no experience in starting a business. Changing this culture within the investor community is necessary,” states Vinny Lingham, CEO of Yalla.com.

HIGH POTENTIAL VENTURES STRUGGLE TO ATTRACT AND RETAIN TALENT

There is currently a shortage of highly skilled management level executives in South Africa, and SVM entrepreneurs struggle to compete with the salaries that large corporate companies are able to pay to individuals with management experience. “It is critical that investor networks also provide additional support services for entrepreneurs such as access to professional services, assistance with identifying and recruiting skilled individuals, and guidance on critical strategic hiring decisions,” states Pedro Arboleda, Partner at Monitor Group.

A clear way to test the success of the development of SVM entrepreneurs is to see how many entrepreneurs leave South Africa and how many are coming back. Government can play an important role in encouraging an entrepreneur-friendly environment by incentivising entrepreneurs to stay in or return to South Africa.

RECOMMENDATIONS AND INSIGHTS:

- Remodel the way entrepreneurship is taught in schools and universities to offer hands-on, practical teaching experience on entrepreneurship and benchmark how this is done in other countries.
- Create a professional investor network that is localised to specific Golden Triangles where SVM entrepreneurs are located within multiple layers (including seed, angel and Venture Capital funders).
- Create greater access to professional services such as accounting and legal advice for entrepreneurs who cannot afford to pay full price for these services. Enterprise Development is a great mechanism to encourage access to these services for entrepreneurs.
- Encourage government to create an environment that enables entrepreneurs to protect their Intellectual Property fairly and easily, ensuring that entrepreneurs are not scared to share their ideas.
The Mothership Model of entrepreneurship can be defined as large local companies spinning-off smaller entities by helping employees set up new ventures and offering support to these start-ups. It also applies to large companies that support their own smaller suppliers, customers or distributors, either directly or indirectly. This section will highlight the application of this entrepreneurial archetype in the South African context, as well as point out some barriers and offer solutions and insights to the development of this model.
INTRAPRENEURSHIP VERSUS ENTREPRENEURSHIP

Intrapreneurship is the culture of encouraging employees in large corporations to develop their own ideas, innovations and products into solid business plans that benefit both the individual and the companies they work for. Intrapreneurship is very important for the Mothership Model to thrive and is effective in two ways; firstly, it helps identify the entrepreneurial talent within organisations, and secondly, it shifts the mentality of high level employees from viewing themselves solely as managers.

Promoting intrapreneurship has its pros and cons. Corporates need managers to execute, but stand to lose their top talent who possess great industry knowledge and are ripe to lead successful spin-offs. The other major problem in this model is motivation, as the intrapreneur-to-be must give up the security and other benefits of his/her current job in exchange for the inevitable risks of starting a new business.

SUCCESSFUL EXAMPLES OF THE MOTHERSHIP MODEL IN SA

South Africa has many Mothership Model success stories in various industries. The most notable examples are companies like Discovery and ORIFinance who have corporate roots within the FirstRand Group. Additionally, the special regulations and specific components of Broad-Based Black Economic Empowerment (B-BBEE) Codes such as Enterprise Development encourage larger companies to help create majority black-owned small enterprises. Angelo Zimba, Angelo America’s Enterprise Development fund, is one of the most successful Enterprise Development initiatives. To date, Angelo Zimba has invested in over 445 small businesses – generating 16 000 jobs and turning over more than R1.8 billion.

THE MOTHERSHIP MODEL IS DRIVEN BY PERCEIVED BENEFITS FOR CORPORATES

The Mothership Model is anchored by talented executives within large corporates who have an entrepreneurial edge. These managers come across good ideas regularly and weigh them on financial return analyses such as Return on Investment (ROI) or Weighted Average Cost of Capital (WACC). The managers have to evaluate their own risk mandates in the boundaries of their companies. First and foremost, all prospective projects must be financially attractive. Other developmental or social benefits are usually overlooked in this process. To entice corporate managers to spin-off new divisions within their companies, would-be-entrepreneurs are required to demonstrate the benefits for the corporates.

COMPETITION BETWEEN ANCHOR FIRMS AND ‘CONNECTED’ SMALL ENTERPRISES CAN BE A CHALLENGE

A new enterprise is usually supported by the mothership because of the quality of the entrepreneurial talent and the perceived differential value to its operations. While in most cases the objectives of the new venture are outlined, they are not always adhered to. Because new entrepreneurs have the expertise and contacts to offer the same products and/or services the mothership desires, there is often a temptation to do so. The disruption in this relationship usually stems from one party being seen to be in competition with the other; more specifically, when the spin-off is directly competing with the mothership. It is imperative that there is clarification of focus between the objectives of both the mothership and the spin-off.

CORPORATE PRINCIPLES AND PROCEDURES CAN BE A HINDRANCE TO NEW SPIN-OFF VENTURES

Although most successful large enterprises started with founding entrepreneurs and a start-up entrepreneurial culture, this reality is often altered as organisations grow and become more formalised.

The fundamental culture of many corporates, which includes strict and rigid policies and procedures, is often a hindrance to the success of new spin-offs. The corporate mentality is inherent to many executives and often creates a lack of entrepreneurial thinking within an organisation. This is often a source of conflict between entrepreneurs who start new spin-offs and the managers of the mothership. The “incubation” period of the new spin-off should take place in an environment that allows for cautious risk-taking, flexibility and leadership.

ENTERPRISE DEVELOPMENT PROVIDES A UNIQUE OPPORTUNITY FOR THE MOTHERSHIP MODEL IN SA

As much as the Enterprise Development aspect of B-BBEE Codes help to foster the emergence of black-owned businesses, more could be done by the corporate community to foster smaller enterprises in general. For instance, large corporate entities benefit when smaller companies in their supply chain are strong and competent, regardless of how “black” their ownership structure is.

In that vein, corporates could and should go beyond the mandate of the B-BBEE Codes by supporting all supply-chain entrepreneurs that have the potential to grow and create jobs. It is thus in the interest of large corporates to finance support structures and fund vehicles, that are accessible to all deserving companies in their supply chain, not just EE-eligible ones. Employees within the corporate who see in charge of the support and funding structures should also be entrepreneurial themselves, which is often not the case – to the detriment of both the corporate and its supported entrepreneur.

RECOMMENDATIONS AND INSIGHTS:

• B-BBEE reform of Enterprise Development should focus on creating and nurturing more spin-offs through mechanisms such as Enterprise Development funds, contributed by both government and corporates.
• More communication is necessary to highlight the important and possible impact of broader Enterprise Development so as to encourage a paradigm shift in government. The shortcomings of B-BBEE Codes need to be addressed, especially concerning its focus on ownership. Initiatives that call for reform of government policies that are beneficial to all entrepreneurs are also necessary.
• The success of Corporate Social Responsibility (CSR) must be replicated within the business environment as it relates to increased corporate partnership with and support of small businesses. CSR has become an accepted spend in corporates, an ideal that many corporates participate in to varying degrees.
• From an outsider’s perspective, there is greater collaboration between large and smaller businesses in South Africa than in many other countries, which is encouraging. This presents a platform for the promotion of greater participation. The focus should be on elevating sectors of the economy that create the most jobs.
• The rules of engagement between the mothership and spin-off have to be clearly defined, so as to not create competition.
• B-BBEE Code reform needs to focus on greater policy harmony, whilst business leaders are also encouraged to engage with government on the challenges they face with implementing the Code. It is important for both government and business to work together to ensure that the framework is driven by the needs of the market, whilst maintaining the broader goal of economic transformation.

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• The rules of engagement between the mothership and spin-off have to be clearly defined, so as to not create competition.
• B-BBEE Code reform needs to focus on greater policy harmony, whilst business leaders are also encouraged to engage with government on the challenges they face with implementing the Code. It is important for both government and business to work together to ensure that the framework is driven by the needs of the market, whilst maintaining the broader goal of economic transformation.
Although many types of positive and negative events can trigger opportunities to foster an entrepreneurial community, the participants in this discussion on South African External Triggers chose to focus on Broad-Based Black Economic Empowerment (B-BBEE).
IS B-BBEE AN EXTERNAL TRIGGER FOR ENTREPRENEURSHIP IN SOUTH AFRICA?

Israel Noko, a lawyer and B-BBEE consultant, believes that B-BBEE legislation is indeed an external trigger that can foster economic transformation through entrepreneurship. He states that there is a need for B-BBEE to be rolled out differently, with more positive links to educate young entrepreneurs. This will in turn promote the creation and development of small and medium-sized businesses in South Africa.

The participants made the argument that South African corporations that abide by B-BBEE Codes currently do so primarily because they are compelled to by government, yet it is estimated that R22 billion goes unspent every year. The reason for this is that corporates currently act on compliance rather than business incentives. One such clear business incentive that corporates should embrace is in investing in smaller black-owned businesses, so contributing to the expansion of the South African “economic pie.” This will lead to more customers and more disposable income, which in turn will equal more corporate profit.

IS B-BBEE CREATING A BARRIER FOR ENTREPRENEURS?

Ideally, Enterprise Development funding should encourage more young people to become entrepreneurs. In reality, this resource is often unpredictable and inconsistent because of confusion, misunderstanding and conflict within corporate about business incentives for Enterprise Development funds. This volatility deters potential entrepreneurs from taking advantage of possible entrepreneurial opportunities.

Within large corporates a lack of understanding and general confusion about B-BBEE programs exists. Corporate employees often do not understand how to support and develop small businesses and medium enterprises. Creating “how to” guidelines and outlined programs for private sector companies is critical to the future success of B-BBEE legislation.

More importance should also be placed on the broader potential benefits of developing young entrepreneurs as opposed to just checking boxes. Pedro Arévalo of Monitor Group states that seeing B-BBEE only as a philanthropic, CSR initiative is short-sighted to the real potential of young entrepreneurs.

WHAT ARE THE UNINTENDED RESULTS OF B-BBEE?

One of the unintended consequences of the management control aspect of B-BBEE is that many highly skilled and experienced executives leave the corporate environment in order to establish their own businesses. These individuals often end up in entrepreneurial ventures that make them wealthy and add value to the economy.

Additionally, the culture of using tertiary education in order to get a corporate job, a steady salary and an easy promotion track is hindering the development of entrepreneurship further in South Africa. “A survey found that 30% of South Africans would prefer to have a steady job rather than start their own company,” states Israel Noko, a lawyer and B-BE consultant.

Another unintended consequence that B-BBEE legislation has on potential entrepreneurs is discouraging young black individuals from starting their own businesses. Young, talented black students are often offered great job opportunities that are difficult to leave for the uncertainty of the entrepreneurial environment.

RECOMMENDATIONS AND INSIGHTS:

- Government needs to be more consultative and open to improvements of existing B-BBEE legislation. The Ministry of Finance, Economic Development, and Trade and Industry need to create mandated programs that will act as guidelines for the private sector to copy. We have seen that government-led entrepreneurship initiatives have proven successful abroad.
- The education system needs to include the basics of entrepreneurship. The development of both external and internal education programs for schools and universities is vital for the development of entrepreneurship. Developing programs like Global Entrepreneurship Week for students to access and giving them the opportunity to interact with leading entrepreneurs in their communities, is essential.
- Technology will play a critical role in developing young entrepreneurs by captivating their attention and encouraging them to make the choice to become entrepreneurs. By exposing the youth to greater broadband access, computer library skills and access to information, B-BBEE legislation can truly enhance the chances for South Africa to develop successful young entrepreneurs.
The local hero archetype of entrepreneurship is based on the success of a "local hero" entrepreneur who is admired by others and inspires others to start businesses within or outside the local hero’s industry. The emergence of a local hero is influenced by a myriad of factors, which makes this particular archetype abstract and difficult to replicate. This section aims to shed light on the Local Hero Model of entrepreneurship in a South African context.
IDENTIFYING A LOCAL HERO IS AN INDIVIDUAL PROCESS

Entrepreneurs are influenced by numerous factors such as geographic location, industry expertise and personal experiences of successful entrepreneurs they know. Individuals often identify with entrepreneurs who hail from similar backgrounds to theirs, and these local heroes’ childhoods and successes are often key motivating factors for others.

A local hero influences the mindsets and attitudes of would-be entrepreneurs. Many South Africans look up to different individuals for a variety of reasons. South Africans look up to fellow South African Dr Richard Maponya, who started from humble beginnings and has set up successful and admirable businesses. Others, such as young corporate professionals, may identify better with someone like Adrian Gore, who was a corporate employee before founding Discovery. Most industries tend to produce their own entrepreneurial local heroes. It is vital for South Africa to showcase successful entrepreneurs and for communities to seek them out and emulate them.

CELEBRATING THE ENTREPRENEURIAL JOURNEY

South Africa has a culture of celebrating the achievements of successful entrepreneurs without acknowledging the sacrifices that these entrepreneurs have had to make to achieve success.

Typical day-to-day challenges these entrepreneurs experience are often not acknowledged when showcasing them as local heroes. These challenges include overcoming internal business politics, managing cash flow, managing staff and constantly innovating and adapting their businesses to external market challenges.

The media compound this problem by only highlighting entrepreneurial success stories. It is often only when an entrepreneur is at the pinnacle of success that he or she is spoken of and celebrated.

These success stories gloss over the barriers that entrepreneurs have had to overcome and portray them as ‘overnight successes’, which conjures images of an entrepreneur who has never encountered challenges or perhaps has never failed.

As a result, people fail to appreciate the full journey of a local hero. In reality, the challenges and pressures an entrepreneur has overcome before reaching success forms an integral part of their narrative and often contains the most valuable lessons for aspiring entrepreneurs.

For example, Nkensani Nosi of Stoned Cherries mentions being influenced by township entrepreneurs who were able to succeed despite tough operating conditions under apartheid. With the support of underlying family and a determination to overcome adversity, she started her own fashion label. Drawing from her own background and influence, she is now a strong advocate for the need to celebrate local entrepreneurial heroes in all communities within South Africa.

CORPORATE PROFESSIONALS DOMINATE SOUTH AFRICAN BUSINESS CULTURE

There is a common perception in South Africa that the path to business success is through a successful corporate career. This culture demonstrates an innate need for safety through formal employment. This desire is especially true for those who have been previously disadvantaged and have only recently been allowed access to reputable institutions of formal education in order to acquire professional qualifications.

These new professionals are afforded many work options at corporate firms and are typically enticed by large salary packages, incentives and the prestige of professional careers. For many such potential entrepreneurs, starting up a business is a much less attractive option. As such, South Africa finds itself in a situation where attraction to corporate and professional careers indirectly stifles the entrepreneurial spirit and discourages skilled youth from starting their own businesses.

However, South Africa does have communities in which entrepreneurial ambition is stimulated, for example in Indian and Jewish communities. These communities have great local entrepreneurial heroes who have made starting a business a real possibility for young entrepreneurs, as opposed to following the corporate track. Family approval also provides these potential entrepreneurs with many benefits such as support structures, social approval and financial safety nets.

DIFFERENT TYPES OF LOCAL HEROES INSPIRE DIFFERENT TYPES OF ENTREPRENEURS

Necessarily, entrepreneurs are typically unskilled individuals who venture into entrepreneurship in order to succeed. They often lack the knowledge or access to business skills that is vital to help them grow their businesses. Their inability to create wealth from their businesses in some cases erroneously portrays entrepreneurship as a route to failure. If these individuals had been provided with adequate training (apprenticeships, shadowing, mentorship) they may have had a higher chance of success. This also needs to be seen in the harsh reality of the global business context, where over 80% of new businesses fail within 6 to 12 months.

A deliberate effort must be made to foster a culture of entrepreneurship in South Africa. Local entrepreneurial heroes need to be sought out and celebrated. The challenging history of South Africa is acknowledged by many, but it should not be a reason for a defeatist attitude towards entrepreneurship. It is extremely critical for existing or potential entrepreneurs to view themselves as winners, as an optimistic mindset is crucial to success.

RECOMMENDATIONS AND INSIGHTS

- A potential way to institutionalise and formalise the Local Hero Model is to identify potential entrepreneurs that can provide internships, shadowing and mentorship programs so that individuals are exposed to their local heroes and see first-hand how much perseverance is required to start and sustain a business.
- Institutions like Endeavor and the media should showcase entrepreneurship by focusing on the actual journeys of up-and-coming entrepreneurs. In this way, entrepreneurs will no longer only be praised when they reach the pinnacle of success, and potential entrepreneurs can learn from the stumbling blocks these entrepreneur face before they reach the top.
- Entrepreneurship thrives in communities where people are motivated by high goals and aspirations. South Africans need to invest in driving a culture of positive thinking. Culture evolves over time, but for entrepreneurship to thrive it is critical to foster optimism amongst people now.
In the end, there is no silver bullet to creating and fostering archetypes of entrepreneurship in South Africa. More investment is necessary for research to identify commonalities between different models of entrepreneurship and determine which models are most applicable for which specific region or city in South Africa.
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