

# The incubation economy is upon us

By [Garsen Naidu](#)

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An unexpected effect of the global pandemic has been the importance of leaning on and cultivating local business and personal relationships. From your next-door neighbour, to the small business that provides your favourite takeout dinner around the corner, it's important to start local in order to support your community and stimulate the local economy.



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For small businesses and entrepreneurs, the requirements are a bit more specific but even the smallest steps taken to proffer support to these can affect great change with a long view.

Incubation centres aren't new, many have cropped up over the past decade because big brands understand that transformation in South Africa leans very heavily on the backs of our SMEs. And, with lockdown and the effects of the Covid-19 pandemic threatening to close 60% of their doors, protecting and enabling SMEs during this period of economic turbulence is important not least because their survival and recovery is likely to be a guide for the economy as a whole.



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Research from [Mckinsey](#) affirms that SMEs are the lifeblood of South Africa's economy - and also the most at risk. It goes on to tell us that SMEs across South Africa represent more than 98% of businesses, employ between 50-60% of the country's workforce across all sectors, and are responsible for a quarter of job growth in the private sector. And while the GDP contributions from South Africa's SMEs lag other regions - 39% compared to 57% in the EU - there is no doubt that this sector is a critical engine of the economy.

As such, it is vital that big businesses find ways to encourage and support this sector – especially now – finding ways to provide SMEs with technology, training and enablement programs, informing them on topics and trends that are relevant to the local economy and connecting them with experts who can offer tangible support in the development of business ideas and concepts.

In November 2018, Cisco opened the first Cisco EDGE Incubation Centre in Pretoria, South Africa, which has turned into a great example of local business creating meaningful jobs via technology. Since then, Cisco has continued to expand the reach of EDGE, opening Centres in Dube Trade Port, KwaZulu-Natal, and the University of Nairobi in Kenya. Other African countries for future expansion include Ethiopia, Ghana, Nigeria, as well as the Eastern Cape, and Gauteng regions in South Africa.

Not headed up by Cisco, these incubators are run by reseller partners, Makwa IT Technologies and A2D24 and both have been instrumental in creating positions and hiring locally. Stimulating job growth is especially important because South Africa is facing high unemployment, low economic growth, dwindling competitiveness, and declining productivity.

Real-life examples of notable achievements across the span of the past three years include:

1. Most of Makwa IT's employees are from disadvantaged backgrounds.
2. Cisco Networking Academy students have also served as Makwa IT interns in the areas of sales and engineering.
3. All Makwa IT interns are now full-time company employees and serve as technical account managers and pre-sales engineers.
4. A2D24 specialises in healthcare and financial technology platforms and recently expanded its healthcare footprint with 19 new products and services focused on Covid-19. Specifically, the products and services help prevent the spread of Covid-19, as well as screening individuals in high-risk areas such as hospitals and mines.
5. A2D24 also partnered with a private healthcare provider to roll out a telehealth system that allows patients and doctors to consult safely over digital platforms.
6. On the financial technology front, A2D24 developed a system with clients to assist SMEs in receiving information on government funding and assistance available to small businesses who are working through the challenges of operating

businesses during the pandemic.

During the pandemic, Makwa IT and A2D24 stimulated the local economy because of their technology solutions, expertise, and services. In turn, their customers did the same by positively impacting individuals in the community. This kind of support would not be possible without support from larger organisations.



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As McKinsey says: “SMEs are a vital engine in the South African economy. They drive growth, create employment - especially among youth - and spearhead innovation. SMEs are also customers to larger companies across the supply chain and supply vital goods and services to companies and households, helping to keep the wheels of the economy in motion. Furthermore, they can leverage their agility to design and incubate new technologies and business models to build a better future. Many of South Africa’s SMEs have the potential to become tomorrow’s large corporations, the African unicorns that this continent needs to continue on its path to growth and prosperity.”

While we are uncertain as to when the pandemic will peak, it is imperative that we do not take our eyes off of the SMEs and the changing levels of support they’re going to need – this is the sector that will take shorter to recover, make decisions quicker and, without doubt, provide a safety net to many breadwinners across our country.

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