

# SA entrepreneurs flounder from lack of support

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*There is no shortage of good ideas in South Africa, but entrepreneurs need more co-ordinated support to help them take their ideas to market successfully.*

A new study shows that entrepreneurial activity in South Africa has dropped by an alarming 34% over the past year. Statistics by the Global Entrepreneur Monitor (GEM) reveal that the percentage of adults involved in a business less than three-and-a-half years old (the TEA rate) fell to 6.97% last year from a 13-year high of 10.6% in 2013. There are also fewer people running established businesses.

"When one looks at the TEA rates of different countries and compares these to the GDP per capita in the country, a 'line of best fit' shows that South Africa should have a TEA rate in the region of 14%, which, if achieved, would go a long way towards reducing unemployment and alleviating the poverty experienced by much of its population," says GEM executive director, Mike Herrington on [Ventureburn](#).

"It is harder to succeed in South Africa as an entrepreneur than many other places in the world," explains Keet van Zyl, co-founder of Knife Capital and the course convenor of the Early Stage Investment: [Find.Make.Grow.Realise \(FMGR\) course](#) at the University of Cape Town Graduate School of Business (UCT GSB).

"Entrepreneurship does not happen in a vacuum. The main reason why it is not flourishing in South Africa is because the entire ecosystem is fragmented. There is not enough co-operation and collaboration to support entrepreneurship in South Africa and while separate initiatives exist from the side of corporations and government, there is not enough glue between them to really make a significant impact."

Van Zyl says there are a lot of exciting things happening in South Africa and the Western Cape in particular to change this.

"There is the Silicon Cape Initiative, business incubators, accelerators, corporate venturing and other programmes, but it isn't always filtering through. We need to help support entrepreneurship at all levels, remove the red tape holding entrepreneurs back and we need to celebrate them, amplify their efforts - a cause that the SiMODiSA association (a collaborative research, stakeholder engagement and policy design effort by key stakeholders) is advancing," he says.

He adds that many South African entrepreneurs are afraid of failing and unwilling to take risks.

Van Zyl says that part of the solution is to create opportunities to teach entrepreneurs how to network with each other and, crucially, with investors to help ensure that good ideas are not left to flounder in isolation.

For this reason the Early Stage Investment: Find.Make.Grow.Realise course is aimed not only at entrepreneurs but at investors as well, to provide practical knowledge and a deep understanding of the high-growth investment process to help both entrepreneurs wanting to impress investors as well as investors looking for the next great idea.

The programme helps with putting together business plans, preparing pitches for investors, identifying target markets and explains how deals are made.

"You can read books on how to do deals but it won't necessarily help you to get funded in South Africa. There is evidence that 93% of pitches fail in South Africa if they are done via cold calling, that is talking to someone you don't know," Van Zyl says, referring to a 2012 South African Venture Capital and Private Equity Association (SAVCA) survey, which revealed that only 7% of deals concluded are the result of "cold approaches".

Franz Struwig is a graduate of the programme who learned these lessons well. His start-up Ikubu was bought out in a multi-million rand deal by multinational GPS satellite navigation corporation Garmin in 2015 and he credits the mentorship he received from Knife Capital in his success.

Van Zyl says there may not be enough entrepreneurs in the country but this is not because a lack of ideas.

"We absolutely get blown away on a weekly basis by the innovative ideas that are right here under our noses and that nobody knows about."

"But the execution is more important than the idea. Entrepreneurs fail not because their idea is bad but because they are bad at articulating their value proposition to clients and investors. This is where we need to focus the support, on helping entrepreneurs implement their business ideas successfully," Van Zyl says.

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