

# Call for greater collaboration of SA's entrepreneurship ecosystem

The Allan Gray Orbis Foundation has called for greater collaboration between stakeholders in the South African entrepreneurship development ecosystem, and has invited its industry peers to join forces in the quest of a stronger entrepreneurship culture.



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This call to action has come about following a panel discussion aiming to create a clear picture of the ecosystem and which challenges require the greatest focus, hosted as part of the Global Entrepreneurship Week (GEW). “Greater collaboration between key stakeholders may result in a more cohesive ecosystem which will, in turn, contribute to greater entrepreneurial success,” explains the foundation’s Nontando Mthethwa.

The panel, which comprised Jalal Ghiassi-Razavi, director of the Allan Gray Orbis Foundation Association; Heavy Chef’s Fed Roed; Nonkululeko Komanyane, principal of Digital African Ventures; Kizito Okechukwu, co-chair of the Global Entrepreneurship Network and executive head of 22 on Sloane; Renier Kriel of French South African Tech Labs and Mark Frankel, CEO of Black Umbrellas – was tasked with finding the optimal way to leverage the knowledge inherent in South Africa’s entrepreneurship eco-system.

This has become especially important in the wake of the pandemic, which has left the country’s SME industry considerably battered. Mthethwa cites research by the National Planning Commission, which notes that between 42,350 and 423,500 people working for SMEs are likely to lose their jobs as a result of the economic maelstrom caused by Covid-19 – a particularly frightening statistic, given that 98% of South Africa’s small businesses employ 50-60% of the country’s workforce across four sectors, according to research by McKinley. The National Planning Commission’s study further revealed that at least 55 000 SMEs are unlikely to survive the pandemic, and that 32% of businesses surveyed indicated a 30% likelihood of retrenchment.

Several recommendations have been put to government to remedy the situation, because with youth unemployment standing at 60%, a solution is clearly needed. These recommendations vary from promoting programmes that prioritise SMEs as preferred government suppliers to identifying opportunities for bridging gaps in business that will facilitate SME growth and providing outsourced back office services, which are typically a challenge for SMEs. It has, furthermore, been suggested that government should raise awareness about the support – financial and other – that is available to SMEs.

However, argues Mthethwa, the responsibility for nurturing a healthier entrepreneurship ecosystem does not rest with government alone. She maintains that it is incumbent upon all stakeholders within the ecosystem to consider how they can contribute to more effective entrepreneurship development and support and, perhaps more importantly, to consider the inhibitors which are currently preventing the collaboration that would make this possible. “It may be a question of organisations competing for the same resources, or having different mandates,” she states.

### **A model for collaboration**

Mthethwa explains that the Foundation has created a Theory of Change as a possible model for fostering the requisite collaboration. This methodology has been used to great effect to guide the Scholarship, Fellowship and Association programmes of the Foundation, and hinges on identifying the necessary preconditions that must be in place before creating clear goals, and then devising a roadmap that makes it possible to reach those goals.

As part of the panel discussion, Mthethwa asked participants whether this Theory of Change may be applicable to South Africa’s entrepreneurship eco-system as a whole. Many agreed that this may be expedient: “The greatest impediment to the success of our entrepreneurs is the fact that, as individual organisations, we are successful. However, as a collective, we are not as powerful,” commented Ghiazzi-Razavi. He maintains that it is vital that the ecosystem find a way to unite around common goals, and to hold each other accountable to achieving these.

For Roed, the big issue lies in inspiring – rather than merely empowering – South African entrepreneurs. He explains that Heavy Chef’s method of entrepreneurship development is rooted in storytelling, and that the organisation bases its work on key insights around how entrepreneurs learn. Typically, he reports, entrepreneurs are independent thinkers who enjoy learning “solo” or learning on the go. They also enjoy learning from people around them, particularly those they admire and respect. Entrepreneurs are most likely to draw lessons from content they find relevant, and usually “learn by doing”. On the strength of these findings, Roed argues that “We need to craft a better story for the entrepreneurs in our communities, because they are our heroes. They need to have access to authoritative content; we need facilitate greater connection to peer networks that can support them; and, ultimately, we need to give them capital.”

Komanyane supported the idea of a Theory of Change, noting that “It’s important to start with the end goal in sight, and work our way back from there”. Komanyane maintains that the major obstacle to entrepreneurship development in South Africa is the fact that “a lot of conversations take place, but there is little output. We need to focus on the solution, rather than the problems.” She further called for greater representativeness amongst ecosystem stakeholders, adding that each must have a clear understanding of its aims, limitations and mandates so that it can contribute as an equal partner. “By working together, we can expand our resources.”

Sound entrepreneurship developments starts with an understanding of why it is being done, according to Okechukwu: is it to create jobs, generate profit, or for a CSI exercise? Okechukwu maintains that for initiatives to succeed, four factors should be in place: an enabling environment, access to markets and human capital, and an innovative ecosystem.

Kriel looks to Silicon Valley as an example of a thriving entrepreneurship ecosystem, but points out that even this culture started from a low base, growing and evolving as more and more startups became successful. Thus, he says, South Africa, too, can achieve greater success if our entrepreneurs have inspiring role models to emulate. However, he stressed that such role models should not only demonstrate the glamorous side of entrepreneurship; they must also highlight the hard work that is very much a part of this career path. “We need to emphasise that this is a journey and we need people – preferably people who have walked the journey themselves – to take entrepreneurs by the hand and walk it with them,” he opines.

Frankel echoed the Foundation’s call for greater collaboration within the ecosystem, noting that Black Umbrellas’ view is that it is one cog in a greater machine, or a feeder system to other organisations. He says that Covid-19 has presented unique opportunities and, since there is already a huge amount of innovation in South Africa, the need is for greater support mechanisms.

## **Challenges ahead**

Most panel participants agree that greater collaboration is desirable, but admitted that this may be difficult to achieve in the absence of clearly stated short-, medium- and long-term goals. Komanyane added that these goals should be formulated with inputs from entrepreneurs themselves, so that ecosystem players can be sure they are, indeed, answering their needs rather than making assumptions about what is required. Roed, meanwhile, suggested that all initiatives should be designed in a way that emphasizes the creativity inherent in South Africa’s culture, so that this becomes the hallmark of our entrepreneurship ecosystem.

Participants further put forward thoughts around goals the ecosystem should work towards. Frankel would like to see the development of an environment where entrepreneurs are able to scale quickly and fail quickly; for Komanyane, the goal is to create businesses that speak South Africa’s specific challenges rather than trying to mimic overseas start-ups; and both Ghiassi-Razavi and Kriel would like to see massive drops in the unemployment rate.

Achieving these goals requires taking stock of gaps in the ecosystem, accepting accountability for addressing them and, most importantly, taking action, says Ghiassi-Razavi. It may also help for entrepreneurs to understand that failure is not shameful; it is part of the journey, says Kriel. He points to the United States as an example of a country that encourages this mindset: “Kids selling lemonade understand that a rejection of their product simply means they need to develop something better, for example.” He also believes that more must be done to promote entrepreneurship as a viable career choice, so that South Africa’s youth does not immediately look to corporate employment after matriculation. For Okechukwu, the answer to a dynamic ecosystem lies in putting more enablers in place, so that a greater number of entrepreneurs are able to commercialise their ideas. With these encouraging role models in place, perhaps more young South Africans will come to understand that entrepreneurship has the potential to create opportunities, he argues.

“We have an outstanding opportunity to come together to strengthen our ecosystem – and we should make the most of it. The Foundation has always operated on the assumption that the entire ecosystem can benefit if we share our learnings and findings, and we call on all other players to do the same,” Mthethwa concludes.