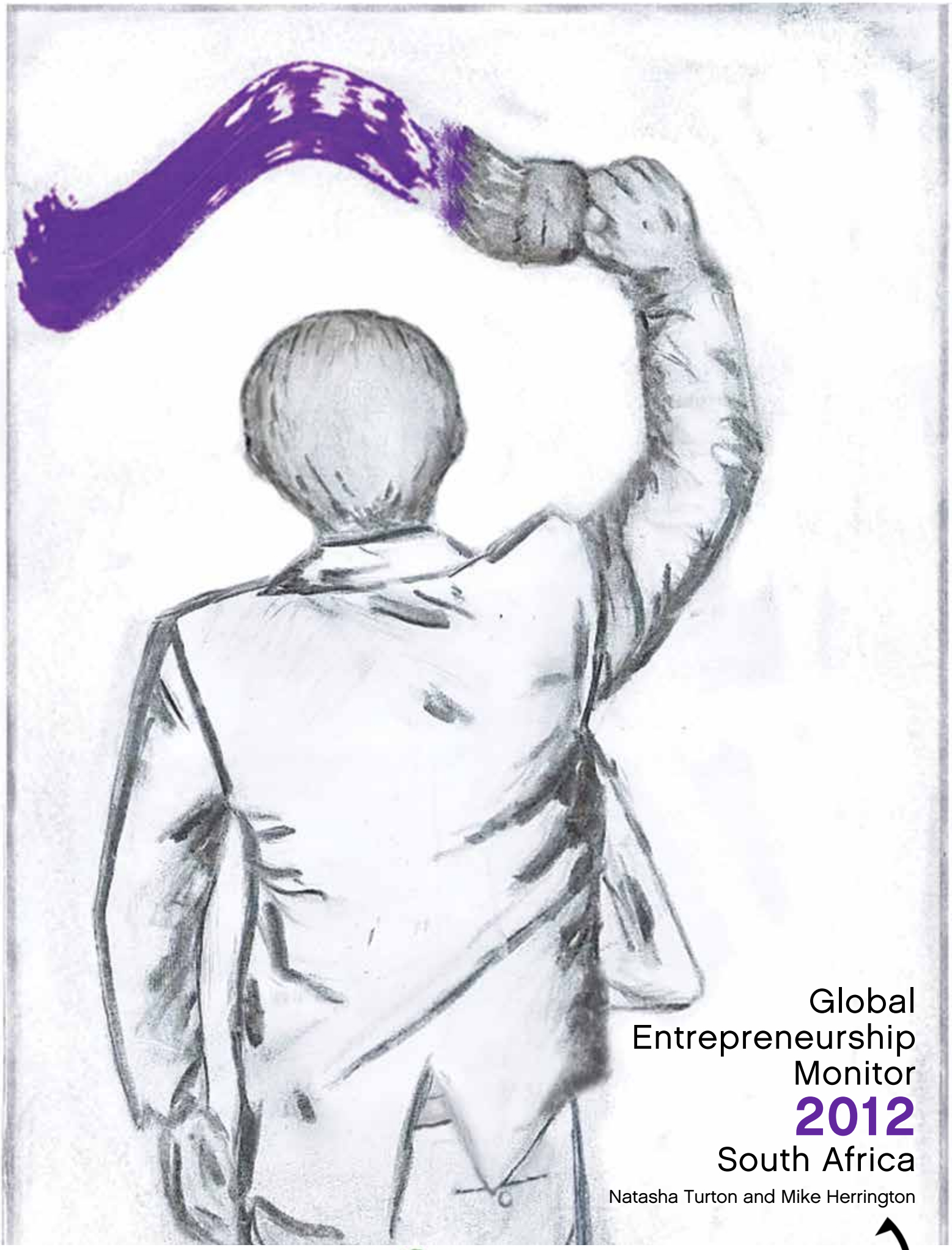

Global Entrepreneurship Monitor 2012 South Africa

Natasha Turton and Mike Herrington

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SMALL ENTERPRISE DEVELOPMENT AGENCY

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GRADUATE SCHOOL OF BUSINESS
UNIVERSITY OF CAPE TOWN

GEM

Entrepreneurs are like artists

who dream, create and inspire.

And they begin with a blank canvas.

Their art is our future.

– GEM South Africa team

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Acknowledgements

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This year the GEM South Africa report focuses not only on the active entrepreneurs in South Africa, but also on the potential and intentional entrepreneurs. To those of you who perceive a good business opportunity, or are already intending to pursue entrepreneurship, we would like to encourage you to take that first brave step. The future of this country depends on it. To the active entrepreneurs in South Africa, we thank and applaud you, as we know that it can be a tough journey. But with great risk and hard work come great rewards and feelings of accomplishment. You are important inspirations for our youth, and for generations to come. We wish you well in your continued endeavours.

EXECUTIVE Summary

The entrepreneurial pipeline

The Global Entrepreneurship Monitor survey, in which South Africa has participated since 2001, provides useful data on both the extent and the nature of entrepreneurial activity in South Africa. As entrepreneurial activity is best seen as a process rather than an event, the 2012 GEM South Africa Report for the first time provides considerable focus on each phase of the entrepreneurial pipeline, namely: potential entrepreneurship (first phase), entrepreneurial intentions (second phase), early-stage activity (third phase) and established business ownership (fourth phase).

Since entrepreneurial activity does not exist within a vacuum, GEM also considers factors that stimulate and support it. An assessment of these factors will be made using GEM's 12 Entrepreneurial Framework Conditions (EFCs), *particularly as they relate to each stage of the entrepreneurial pipeline*. While most of the EFCs will be likely to have an effect on each stage in some way, certain EFCs will be more critical in a particular phase, and may serve as determinants for progression from one phase to the next (i.e. from a potential to an intentional entrepreneur and, ultimately and ideally, to an established business owner).

Potential entrepreneurs

Potential entrepreneurs are defined by GEM as those who perceive good business opportunities AND believe that they have entrepreneurial capabilities. South Africa's rate of perceived opportunities is 36%, below the average for efficiency-driven economies of 41%. The country's rate for perceived capabilities is 40%, below the average for efficiency-driven economies of 52%. Cross-tabulating the rate for perceived opportunities with that for perceived capabilities reveals that the pool of potential entrepreneurs in South Africa is 19% of the adult population.

Where the profile of South Africa's potential entrepreneurs is concerned, 43% of males, versus 35% of females, believe that they have entrepreneurial capabilities. Black Africans have the highest rate of perceived opportunities (39%) of the four race groups; however, they have the lowest rate of perceived capabilities (37%). There is a positive correlation between perceptions of capabilities and level of education attained.

The Entrepreneurial Framework Conditions most likely to have an impact on perceptions of opportunities include market dynamics and research & development. These were given unfavourable scores by GEM's national experts, indicating that not enough is being done to enable the discovery, creation and exploitation of business opportunities in the marketplace.

The Entrepreneurial Framework Condition most likely to have an impact on perceptions of capabilities is education. Education was given the lowest mean score by the national experts, indicating that South Africa's education system is not effectively developing individuals with the skills and confidence required to consider entrepreneurship as a valid career choice.

Entrepreneurial intentions

Individuals who intend to pursue a business opportunity within the next three years are defined by GEM as the intentional entrepreneurs. South Africa's pool of intentional entrepreneurs is 14%, which is well below the average for efficiency-driven countries of 27%.

In terms of the profile of intentional entrepreneurs, males in South Africa are more likely to have entrepreneurial intentions than females (16% versus 12%). Black Africans have the highest rate of entrepreneurial intentions (16%) of the four race groups. A positive correlation was found between entrepreneurial intentions and level of education attained.

Societal attitudes towards entrepreneurship are favourable in South Africa, and are higher than the averages for efficiency-driven economies.

Research indicates that a strong association exists between an individual's perceptions of desirability and feasibility towards entrepreneurship, and entrepreneurial intentions. The Entrepreneurial Framework Condition most likely to have an impact on perceived desirability of entrepreneurship as a career choice is cultural and social norms. This EFC was given an unfavourable mean score by the experts, indicating that South Africa's culture does not make entrepreneurship a highly desirable career choice for its population. This will have a negative impact on the size of the country's pool of intentional entrepreneurs.

The Entrepreneurial Framework Conditions most likely to have an impact on perceived feasibility are education (general) and entrepreneurship education. These EFCs were given unfavourable mean scores, indicating that the education system in South Africa is not leading to positive perceptions of personal feasibility where entrepreneurship is concerned, which will also have a negative impact on the size of the country's pool of intentional entrepreneurs.

Early-stage entrepreneurial activity

South Africa's TEA rate decreased from 9.1% in 2011 to 7.3% in 2012. It is significantly below the average of efficiency-driven countries (14.3%), once again showing the country's consistently below-average trend in early-stage entrepreneurial activity relative to countries with a similar economic development level.

South Africa's opportunity-driven rates increased from 63% in 2011 to 67% in 2012. Current jobs, on average, for opportunity-driven businesses in the early-stage entrepreneurial phase are 6.1 per firm, compared to 2.1 for necessity-driven firms. A positive correlation was found between opportunity-driven entrepreneurship and levels of educational attainment.

In terms of demographics, South Africa's gender gap widened in early-stage activity, with the TEA rate showing 61% male involvement versus 39% female involvement. Male early-stage entrepreneurs currently employ a mean of 5.6 people, compared to 2.5 for female entrepreneurs. Where age is concerned, for the first time the highest concentration of entrepreneurs was found in the 35–44 years cohort (11% of those in the age group) instead of in the 25–34 year old cohort.

The percentage of Black Africans in the early-stage entrepreneurial population is higher than the percentage of Black Africans in the overall population (with a ratio of 1.2). Coloureds are the least entrepreneurial in the early stages, with a ratio of 0.3 entrepreneurs to the overall Coloured population. Furthermore, of the Coloured early-stage entrepreneurs, a high majority are motivated by necessity (67%), compared to the other race groups where the majority are motivated by opportunity.

The Eastern Cape and Free State provinces have the highest ratios of early-stage entrepreneurs relative to their population sizes (1.4 each).

The Entrepreneurial Framework Conditions most likely to have an impact on the transition from intentional entrepreneurship to early-stage entrepreneurial activity are government policies (in terms of the process for starting a business), finance and education.

Where registration of a business is concerned, even though the process has improved somewhat, delays are still occurring.

With regards to finance, many of GEM's national experts believe that there is sufficient funding in the marketplace. However, the problem is that the available finance (from both the public and private sectors) is not made easily accessible for new and growing firms, and that that which is available comes at very high costs to intentional and existing business owners. Finance was cited by 43% of the experts as one of the three most constraining factors to developing entrepreneurship.

In terms of education, as mentioned previously, this EFC was given the lowest mean score by the national experts. The importance of education is evident in the positive correlation found between early-stage entrepreneurial activity and levels of educational attainment.

Established business ownership

South Africa's established business rate of 2.3% is once again the second lowest in the world, a consistent finding in GEM South Africa's surveys. The rate is again also far below the average for efficiency-driven countries (8%).

In terms of demographics, males are slightly more likely than females to be involved in established business activity (3% of the total population versus 2%). Indians have the highest ratio of established business owners to their overall prevalence in the population (3.2), while Coloureds have the lowest ratio (0.2).

The Entrepreneurial Framework Conditions most likely to have an impact on the transition from early-stage entrepreneurial activity to established business ownership are commercial infrastructure, physical infrastructure, government policies, internal market openness and government programmes.

With regards to commercial infrastructure, the biggest concern for the experts was that new and growing businesses usually cannot afford the cost of sub-contractors, suppliers and consultants, services which are as important for them as they are for established and larger businesses.

In terms of physical infrastructure, experts believe that new and small businesses are particularly vulnerable to the rising costs associated with lack of timely and appropriate investment in the country's infrastructure.

With regards to government policy, the country rates among the worst in the world in terms of labour market efficiency. South Africa's dismissal requirements are expensive and inflexible, which small businesses cannot afford. These, together with uncompetitive minimum wages, centralised collective bargaining and bureaucracy costs, significantly constrain a business's chances of survival and growth. Additionally, while government policy states that suppliers need to be paid on time by national and provincial departments, in practice this is not happening. This results in small business owners being distracted from their core business. It can also force company closures.

With regards to market openness, the national experts believe that market entry and participation are not easy and affordable for new and growing businesses in South Africa, with many sectors dominated by a few large, established businesses which make it difficult for new and smaller businesses to compete. One positive development, however, as seen by the experts, is that the relatively new BEE policy (which gives higher weightings to Enterprise Development and Preferential Procurement) has the potential to open up the market to more new and growing businesses.

Where government programmes are concerned, the majority of entrepreneurs in numerous surveys have stated that they are not aware of any programmes. Reviews on existing institutions and interventions are required to determine their impact on their target markets. The government's incubator support programmes appear to be focusing on supporting quantity rather than quality.

Corruption is becoming more rampant and affects businesses' ability to survive and grow in South Africa.

Special focus topic for 2012: youth entrepreneurship

The youth unemployment rate in South Africa is currently 48%. The greatest challenge in fixing the youth unemployment crisis is to create more jobs. Focusing on youth entrepreneurship (as one of numerous solutions to reduce youth unemployment) as the special topic for GEM in 2012 adds insight into the youth's perceptions of entrepreneurship, as well as providing information on those youth who are currently engaged in entrepreneurial activity. It may help to shed light on what needs to be done to effectively stimulate youth to consider entrepreneurship as a career option, as well as what needs to be done to develop and support them as entrepreneurs.

Potential entrepreneurship among the youth

A comparison was made between the youth in South Africa and the youth in nine other sub-Saharan African countries that took part in the GEM survey in 2012: Angola, Botswana Ethiopia, Ghana, Malawi, Namibia, Nigeria, Uganda and Zambia. South Africa's rate of perceived opportunities for its youth is 39%, the lowest of the sub-Saharan African countries that participated in GEM. The rate is substantially below the average for sub-Saharan Africa of 70%. South Africa's rate of perceived capabilities for its youth is 40%, again the lowest of the participating African countries and far below the average for sub-Saharan Africa of 76%. The pool of potential entrepreneurs in South Africa's youth population is 20%, also considerably below the average of 60% for sub-Saharan Africa.

Young males in South Africa have higher perceptions of opportunity and capabilities than young females. Young Black Africans have the highest perceptions of good business opportunities of the four race groups (41%) but have the lowest perceptions of capabilities (38%). A low percentage of young Indians perceive there to be good business opportunities (21%) – conversely, they have the highest perceptions of entrepreneurial capabilities (65%).

A positive correlation exists between the perceptions of capabilities among youth in South Africa and level of education attained.

Intentional entrepreneurship among the youth

South Africa's rate of entrepreneurial intentions among its youth is 15%, the lowest of the 10 sub-Saharan African countries and substantially below the sub-Saharan African average of 56%.

Slightly more males in South Africa than females have entrepreneurial intentions (16% versus 14%). Black Africans and Indians in South Africa have the highest rate of entrepreneurial intentions of the four race groups (16% each).

The youth's attitude towards entrepreneurship is favourable in South Africa. However, the prevalence of survivalist businesses in respondents' communities and a lack of role models decrease the desirability of entrepreneurship as a career choice, which may help to explain in part why South Africa's pool of intentional entrepreneurs is small.

Perception of personal feasibility with regard to entrepreneurship is a crucial determinant for entrepreneurial intentions. A positive correlation exists between entrepreneurial intentions among youth in South Africa and level of education attained. Since South Africa's education system is one of the worst in the world, this is likely lead to few individuals believing in their own levels of self-efficacy, and may help to further explain why so few youth intend to pursue business opportunities.

Early-stage entrepreneurial activity among youth

South Africa's early-stage entrepreneurial activity rate (TEA) for its youth is 7%, the lowest of the 10 sub-Saharan African countries, and far below the average for the 10 countries of 29%.

Where age is concerned, 5% of 18 to 24-year-olds and 9% of 25 to 34-year-olds in South Africa are involved in early-stage entrepreneurial activity, a slight decrease from 2011. The gender gap in the youth population is fairly small (8% young males versus 6% young females). Of the four race groups, the highest percentage of entrepreneurs in the youth population in South Africa is found in Indians (8%), followed by Black Africans (7%).

A positive correlation exists between early-stage entrepreneurial activity among youth in South Africa and level of education attained. Furthermore, a positive correlation exists between the mean number of people employed by youth entrepreneurs in South Africa and level of education attained. 89% of the youth entrepreneurs in South Africa want to remain business owners in the long term.

Established business ownership among youth

Together with Namibia, South Africa has the lowest established business rate in its youth (1%), which is below the average for the 10 countries of 8%. Family plays a highly significant role in the lives of youth entrepreneurs. Over half of the youth entrepreneurs were influenced to participate in entrepreneurial activity by a family member. Almost half expect at least 50% of their sales to be generated from family and friends.

Other research studies conducted have found that the majority of youth entrepreneurs in South Africa turn to family members for advice. However, less than 10% of youth entrepreneurs in GEM's survey in 2012 have entrepreneurial parents. These findings indicate that youth entrepreneurs lack successful role models and mentors where entrepreneurship is concerned, as well as appear to have a low skills base as indicated by an over-reliance on family and friends to ensure business survival.

There were too few youth in the survey involved in established business ownership to warrant an analysis of demographics.

THE UCT Centre for Innovation and Entrepreneurship

In 2001 the Graduate School of Business at the University of Cape Town (UCT) established the UCT Centre for Innovation and Entrepreneurship (CIE), with financial assistance from Liberty Life, the World Bank Group and the Gatsby Charitable Foundation.

The ambition was bold – to make the Graduate School of Business Africa's leading tertiary institution in entrepreneurship teaching and research, and to become internationally recognised as an authority in this field in developing economies. The Centre, built on initiatives started in the mid-1990s, was organised around three distinct and mutually reinforcing sets of activities: teaching and materials development, research and public policy, and business creation and growth.

The core focus of the Centre is on the delivery of quality entrepreneurship education at academic and all other levels of society. The Graduate School of Business' philosophy of entrepreneurship education is that to be effective, it must be practical. Our students therefore have meaningful interactions with entrepreneurs, are involved in actual entrepreneurial projects, work in multi-disciplinary project teams, and are evaluated by entrepreneurs and investors as well as by academic staff.

The entrepreneurship courses delivered by the Centre are closely integrated with new venture activity in the local business and investment communities. The intention is not to compete with incubators or other business promotion projects, but to seek partnership with the most successful of these for mutual benefit. The Centre's core activity of 'quality entrepreneurship education' has significantly enhanced its ability to establish such partnerships.

The Centre is involved both in high-value-added and high-potential new ventures, and in township and other community-based enterprises. Since its establishment, the Centre has assisted over 350 township enterprises by providing practical business advice and access to finance and training, with the objective of enabling them to become independent, sustainable businesses with greater potential for expansion.

A variety of short courses have been designed to teach entrepreneurs basic financial and administrative skills, marketing, strategy and a number of other disciplines – all with the objective of encouraging self-sufficiency and reducing the risk of business failure.

The Centre is currently involved in numerous other activities including:

- research that aims to develop a better understanding of the capacities and needs of all the different categories of entrepreneurs in South Africa so that advisory services and finance can be more precisely targeted;
- advising academics, primarily those actively involved in research, on the commercialisation of their intellectual property;
- assembling a group of high-profile entrepreneurs in the Western Cape in order to finance and assist high-growth business ventures;
- offering coaching and mentoring services to entrepreneurs;
- assisting large companies in nurturing innovative and entrepreneurial behaviour in their organisations;
- developing a micro-franchising network targeted at small business entrepreneurs from disadvantaged and/or rural communities; and
- providing a six-month full-time programme for young (18 to 26-year-old) school leavers from poor, disadvantaged communities. The programme equips them to obtain meaningful employment; the ability to register for further tertiary education; or to start their own businesses.

The Centre is proud to be a participant in the international GEM project. We believe that the research spearheaded by GEM is essential to the development of global entrepreneurial activity and we are committed to that purpose in South Africa.

About the authors

Natasha Turton works as a freelance researcher and consultant, with most of her projects involving entrepreneurship, small business and skills development. She completed an MBA at the University of Cape Town's Graduate School of Business in 2010. Her thesis examined challenges and successes surrounding SMME development in Zambia. Prior to completing her MBA, Natasha spent five years in Mozambique involved in strategy, commercial and project management in the private sector, and three years in London in the marketing and advertising field. She was a contributing author of the GEM 2011 report.

Mike Herrington is the Director of the UCT Centre for Innovation and Entrepreneurship at the Graduate School of Business. He is a recognised entrepreneur, having started four businesses – one in New Zealand and three in South Africa. He was responsible for starting the CIE and is keenly interested in entrepreneurship and all levels of business creation. His major interests are in the areas of entrepreneurship, business planning, venture capital and the internationalisation of business. Mike has been leader of the GEM South Africa team since 2001. In 2010, he was appointed one of four country representatives on GEM's eight-member international board, and subsequently appointed (in July 2011) as the Executive Director of GEM worldwide.

The role played by new and small businesses is increasingly being acknowledged and appreciated. GEM contributes to this recognition by conducting longitudinal studies and comprehensive analyses of entrepreneurial attitudes and activity across the globe.

ENTREPRENEURSHIP and the GEM Model

The GEM research project

Many policy makers agree that entrepreneurs, and the new businesses they establish, play a critical role in the development and well-being of their societies. The purpose of GEM is to explore, track and assess the role of entrepreneurship in national economic growth. To this end, GEM considers entrepreneurial activity as "any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business" (Bosma, Wennekers & Amorós 2012, in *GEM 2012 Global Report*). GEM's individual-level, multi-phase focus enables a more comprehensive account of business activity than measures of formally registered businesses only. In other words, GEM captures both informal and formal activity that includes those in the process of starting businesses as well as those running new and established businesses. GEM also provides other indicators such as entrepreneurial perceptions and intentions among non-entrepreneurs.

Academics and policy makers are increasingly appreciating and accounting for the role played by new and small businesses in the economy. GEM contributes to this recognition with longitudinal studies and comprehensive analyses of entrepreneurial attitudes and activity across the globe. Since its inception in 1997 by scholars at Babson College and London Business School, GEM has developed into one of the world's leading research consortia concerned with improving our understanding of the relationships between entrepreneurship and national development. GEM's key objectives are as follows:

- to track entrepreneurial attitudes, activity and aspirations within countries to provide annual national assessments of the entrepreneurial sector;
- to allow for comparison of levels of entrepreneurial activity among countries;
- to determine the extent to which entrepreneurial activity influences economic growth within individual countries;
- to identify factors which encourage and/or hinder entrepreneurial activity; and
- to guide the formulation of effective and targeted policies aimed at stimulating entrepreneurship within individual countries.

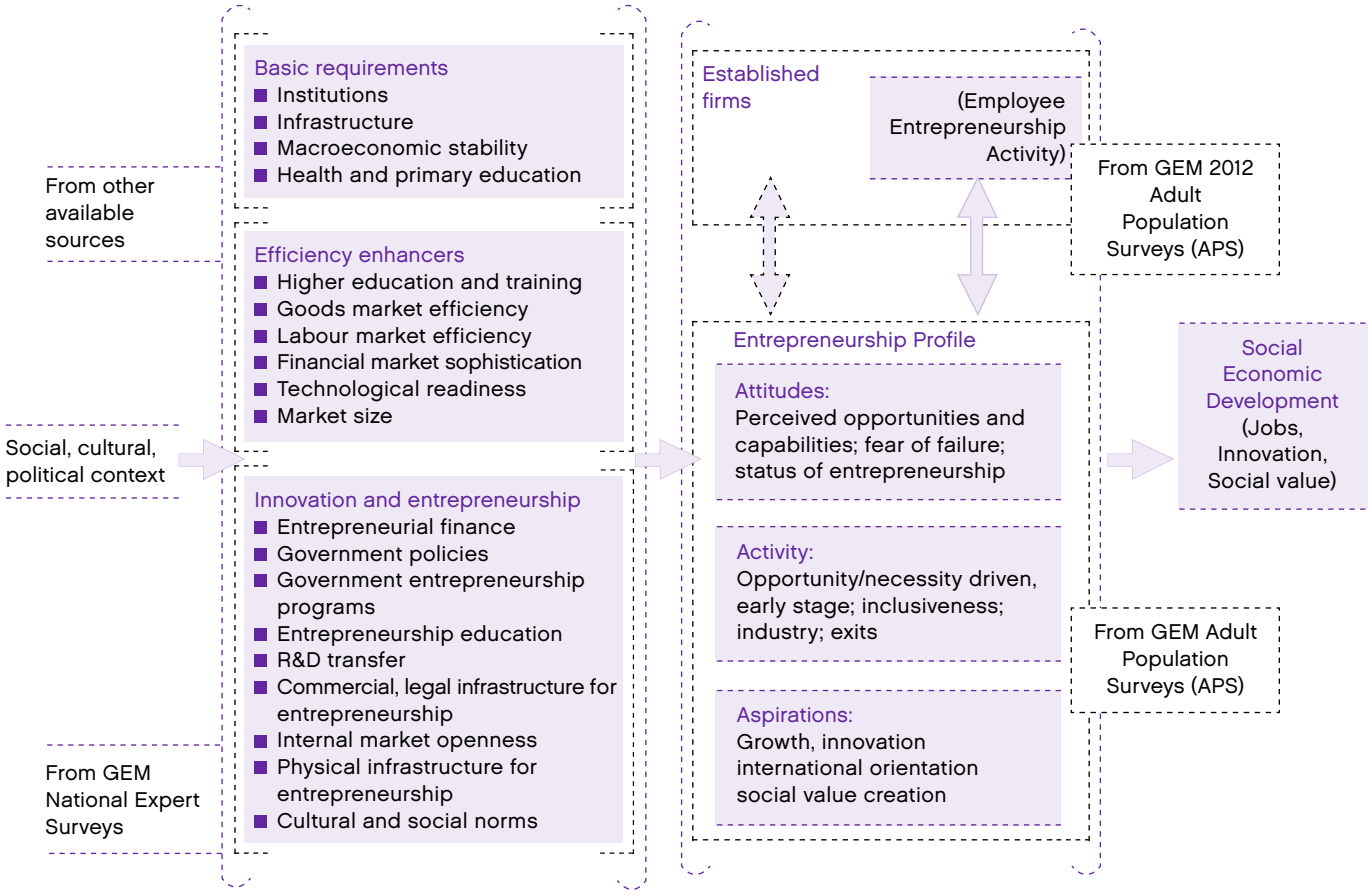
The GEM conceptual model

The GEM model (**Figure 1.1**) maintains that, at a national level, the framework conditions that apply to established business activity differ from those that apply to entrepreneurial activity. The performance of larger established firms is influenced by general business conditions, which influence firms' ability to compete effectively, to start new or ancillary businesses and to create jobs. An additional set of factors, referred to as Entrepreneurial Framework Conditions, influence individuals' decisions to pursue entrepreneurial initiatives. Both the national and the entrepreneurial framework conditions are dependent on the social, political and economic context in which they exist. These contexts are influential in creating unique business and entrepreneurial environments, and should therefore be taken into account when analysing cross-national differences and national developments over time. The GEM conceptual model is a dynamic entity that is progressively developed to incorporate advances in understanding of the entrepreneurial process and to allow for further exploration of patterns detected in GEM studies.

How GEM measures entrepreneurship

One of the primary objectives of GEM is to measure entrepreneurial activity in a way that allows for meaningful cross-national as well as intra-country comparisons over time. GEM focuses on the role played by individuals in the entrepreneurial process. Every person engaged in any behaviour related to new business creation, no matter how modest, is regarded as having an impact on the national level of entrepreneurship. Another important feature of the GEM model is that it is concerned with entrepreneurship as a process. The GEM survey collects data on people who are potential entrepreneurs, intentional entrepreneurs, those in the process of setting up new businesses as well as those who own and manage new and established businesses.

The primary measure of entrepreneurship used by GEM is the Total Early-Stage Entrepreneurial Activity (TEA) index. TEA indicates the prevalence of business start-ups (or nascent entrepreneurs) and new firms in the adult (18 to 64-year-old) population – in other words, it captures the level of dynamic early-stage entrepreneurial activity in a country.



Source: GEM Global 2012 Report

Figure 1.1 The GEM model

GEM methodology

In order to provide for reliable comparisons across countries, GEM data is obtained using a research design that is harmonised over all participating countries. The data is gathered on an annual basis from two main sources:

Adult population survey (APS)

This data set is a survey of the adult population, namely people between the ages of 18 and 64 years. Each of the participating countries conducts the survey among a random representative sample of at least 2,000 adults. The surveys are conducted at the same time of year (between April and June) using a standardised questionnaire provided by the GEM Global data team. Each national team conducts the survey using a preferred vendor, and the raw data is then sent directly to analysts at London Business School for checking and uniform statistical calculations before being made available to the participating countries for analysis and interpretation, and, ultimately, to compile the annual national report.

Nielsen South Africa, a local market research company that specialises in national surveys, interviewed 2,655 respondents during May and June 2012 in the 18 to 64-year-old age cohort. The questionnaire was translated into six vernacular languages – Zulu, Xhosa, Tswana, North Sotho, South Sotho and Afrikaans – and face-to-face interviews were conducted in the respondent's language of choice. To ensure that the sample was representative, area stratified probability sampling was used. The sample was stratified by gender, age and population group, then by region and community size. All nine provinces were included, and four different community size designations – namely metro, cities and large towns, small towns and villages, and rural – were used.

National experts' survey (NES)

The national experts' survey is an important component of GEM as it provides insights into the entrepreneurial climate in each country. Four experts from each of the Entrepreneurial Framework Condition categories must be interviewed, making a minimum total of 36 experts per country. For the 2012 GEM cycle, 38 experts in South Africa were interviewed (see Appendix A).

Additional sources of data

In addition to the annual surveys, GEM also makes use of standardised data from international data sources such as the World Bank, the World Economic Forum and the United Nations. These data are used to determine the relationship between entrepreneurial activity and national economic growth.

Table 1.1 provides a glossary of GEM's main measures and terminology (see page 15).

A global and sub-Saharan African perspective of entrepreneurship

Countries participating in GEM are classified as factor-driven, efficiency-driven or innovation-driven economies. These follow the World Economic Forum's country classifications and are relevant to GEM since the relationship between entrepreneurship and economic development differs along phases of economic development (Bosma, Acs, Coduras, & Levie, 2008). The World Economic Forum's Global Competitiveness Index (see Figure 1.2) identifies 12 pillars of competitiveness. These will affect countries differently, depending on the country's stage of economic development. In other words, although all 12 pillars will be important to each country, those which are of most importance to a factor-driven economy will differ from those which will be most important to an efficiency-driven economy or an innovation-driven economy.

Entrepreneurship in factor-driven countries: Countries with low levels of economic development typically have a large agricultural sector, which provides subsistence for the majority of the population who mostly live in rural areas. The situation changes as industrial activity begins to develop, often as a result of extraction of natural resources. This triggers economic growth, prompting population migration from agriculture to extractive and emergent scale-intensive sectors. The resulting oversupply of labour feeds necessity-based entrepreneurship in regional agglomerations, as surplus job-seekers are forced into self-employment in order to make a living. As shown in **Figure 1.2**, the focus for factor-driven countries is usually on basic requirements such as infrastructure, health and primary education. Although these basics may help to sustain necessity-based entrepreneurship, they may do little to enable opportunity-based enterprises.

Entrepreneurship in efficiency-driven economies: As the industrial sector develops further, pursuit of higher productivity through economies of scale becomes increasingly prevalent. Typically, national policies in scale-intensive economies shape their emerging economic and financial institutions to favour large national businesses. However, as increasing productivity contributes to financial capital formation, niches may open up in industrial supply chains that service these national incumbents. This, combined with the opening up of an independent supply of

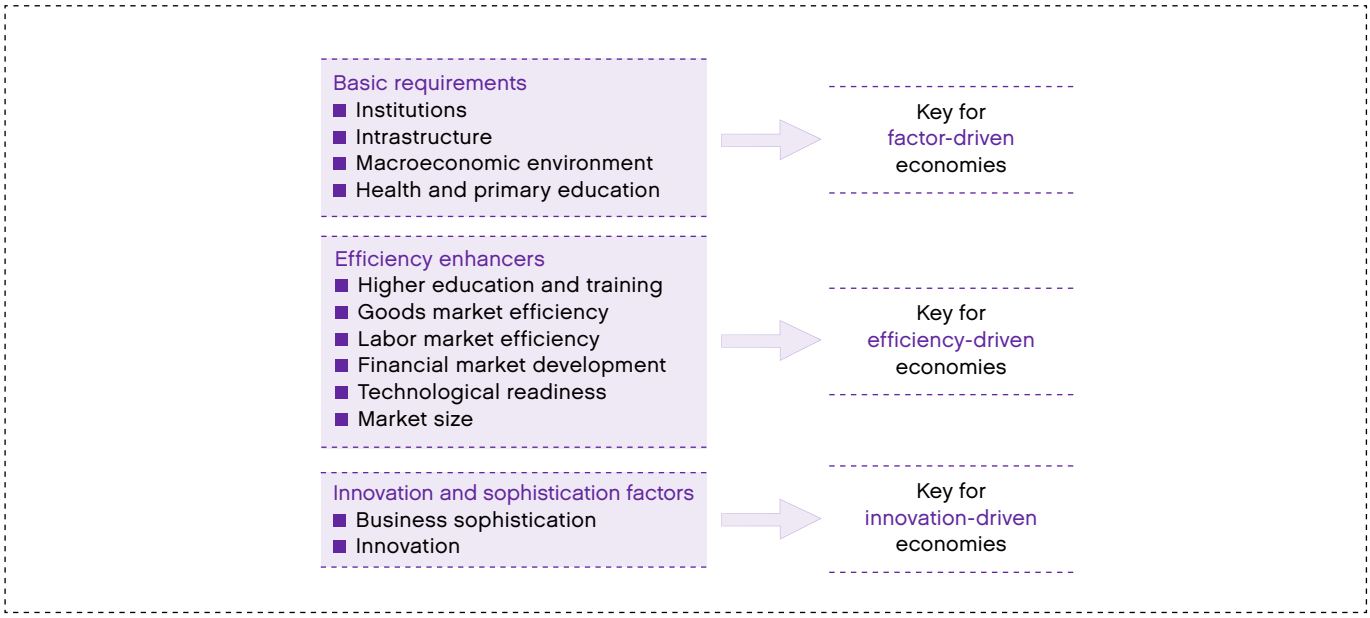
Table 1.1 Glossary of main measures and terminology

Measure	Description
Perceived opportunities	Percentage of 18 to 64-year-old population (individuals involved in any stage of entrepreneurial activity excluded) who see good opportunities to start a business in the area where they live.
Perceived capabilities	Percentage of 18 to 64-year-old population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business.
Entrepreneurial intention	Percentage of 18 to 64-year-old population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years.
Fear of failure rate	Percentage of 18 to 64-year-old population with positive perceived opportunities (individuals involved in any stage of entrepreneurial activity excluded) who indicate that fear of failure would prevent them from setting up a business.
Entrepreneurship as desirable career choice	Percentage of 18 to 64-year-old population who agree with the statement that in their country, most people consider starting a business as a desirable career choice.
Media attention for entrepreneurship	Percentage of 18 to 64-year-old population who agree with the statement that in their country, they will often see stories in the public media about successful new businesses.
Nascent entrepreneurship rate	Percentage of 18 to 64-year-old population who are currently a nascent entrepreneur, i.e. actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months.
New business ownership rate	Percentage of 18 to 64-year-old population who are currently an owner-manager of a new business, i.e. owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months.
Early-stage entrepreneurial activity (TEA)	Percentage of 18 to 64-year-old population who are either a nascent entrepreneur or owner-manager of a new business (combination of the 2 previous categories).
Established business ownership rate	Percentage of 18 to 64-year-old population who are currently owner-manager of an established business, i.e. owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.
Business discontinuance rate	Percentage of 18 to 64-year-old population who have, in the past 12 months, discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business. Note: This is NOT a measure of business failure rates.

financial capital from the emerging banking sector, expands opportunities for the development of small-scale and medium-sized manufacturing sectors, and progressively for other sectors too. As **Figure 1.2** shows, the focus for efficiency-driven countries tends to be on higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness and market size. **South Africa is classified as an efficiency-driven economy.**

■ **Entrepreneurship in innovation-driven economies:** As an economy matures and its wealth increases, a gradual shift in emphasis may occur towards an expanding service sector that caters to the needs of an increasingly affluent population. The industrial sector evolves and experiences improvements in variety and sophistication. This is typically associated with increasing research and development as well as knowledge intensity, which opens the way for the development of innovative, opportunity-seeking entrepreneurial activity. Focus for innovation-driven economies therefore tends to be on business sophistication and innovation.

All three levels of economic activity are present in all national economies, but their relative prevalence, and their contribution to economic development, varies. Countries are therefore categorised into levels according to the activity



Source: Global Competitiveness Report 2011–2012

Figure 1.2 The 12 pillars of competitiveness

that is most significant in their economies, which is useful for comparative purposes. The GEM South African team often benchmarks South Africa against other efficiency-driven economies such as Brazil, Chile and Malaysia.

In 2012 a record number of 69 countries participated in the GEM cycle, including 10 sub-Saharan African countries (which was also a record number). **Table 1.2** shows the participating countries by both economic development level and region.

Table 1.2 GEM countries by geographic region and economic development level

	Factor-driven economies	Efficiency-driven economies	Innovation-driven economies
Latin-America & Caribbean		Argentina, Barbados, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Peru, Trinidad & Tobago, Uruguay	
Middle East & North Africa	Algeria, Egypt, Iran, Palestine	Tunisia	Israel
Sub-Saharan Africa	Angola, Botswana, Ethiopia, Ghana, Malawi, Nigeria, Uganda, Zambia	Namibia, South Africa	
Asia Pacific & South Asia	Pakistan	China, Malaysia, Thailand	Japan, Republic of Korea, Singapore, Taiwan
European Union		Estonia, Hungary, Latvia, Lithuania, Poland, Romania	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom
Non-European Union		Bosnia and Herzegovina, Croatia, Macedonia, Russia, Turkey	Norway, Switzerland
United States			United States

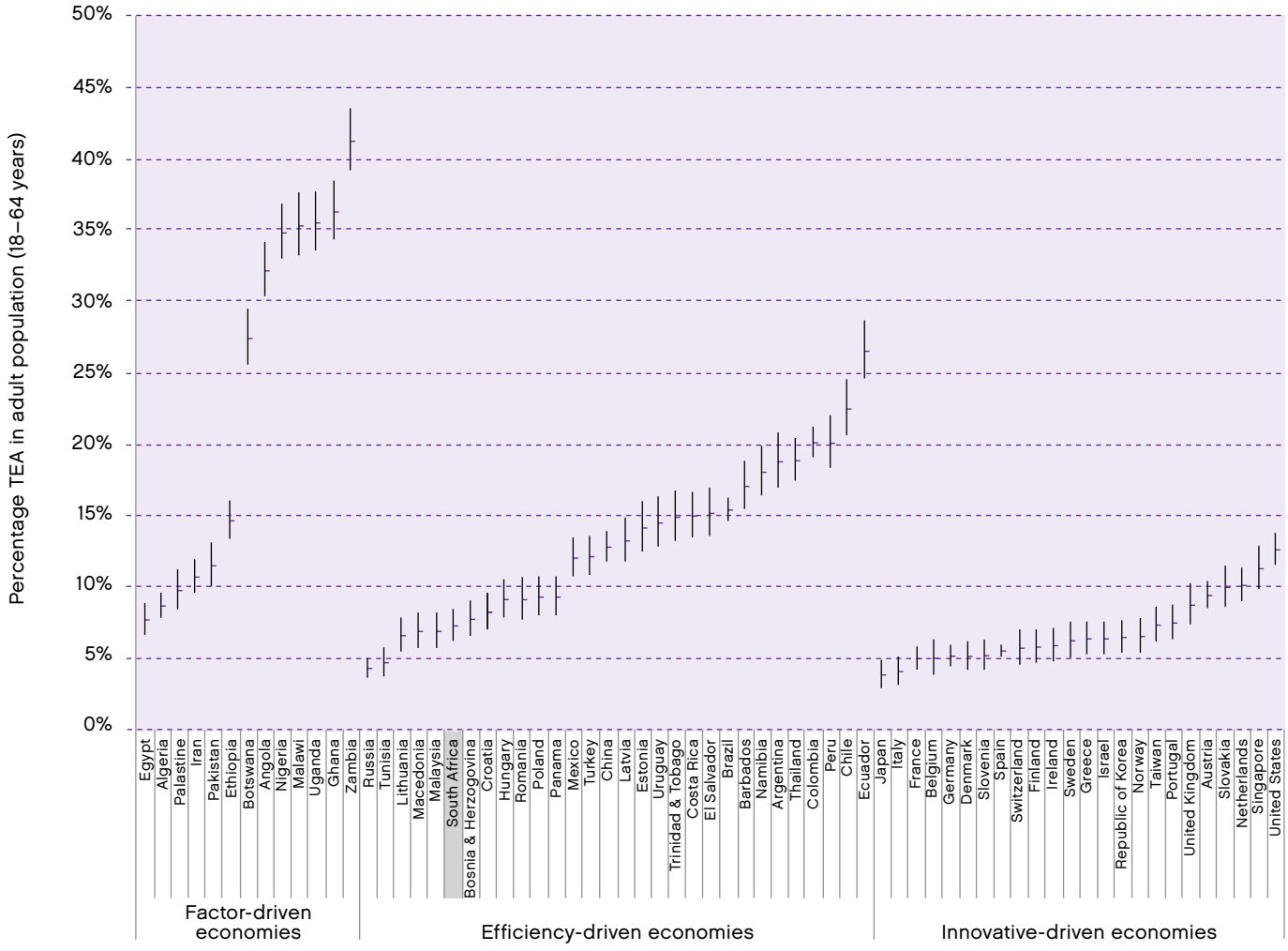
Source: GEM Global 2012 Report

GEM research has shown a consistent association between a country's stage of economic development and its level of entrepreneurial activity. Figure 1.3 shows that South Africa's TEA rate in 2012 is 7.3% which is a drop from 9.1% in 2011. South Africa's TEA rates have consistently been below the average of efficiency-driven economies, and 2012 is no exception. The average for efficiency-driven economies in 2012 is 13.1%.

Table 1.3 shows that South Africa's TEA rate of 7% is also significantly below the average of 29% for the 10 sub-Saharan African countries. While eight out of the 10 countries are factor-driven economies, which typically show higher TEA levels, Namibia is an efficiency-driven economy like South Africa, and has a much higher TEA rate (18%) than South Africa.

Table 1.4 shows that South Africa's performance lies below the average of the 10 sub-Saharan African countries where perceived opportunities and capabilities are concerned, as well as entrepreneurial intentions. South Africa's rates for perceived opportunities and capabilities are also below the average for efficiency-driven economies (42% and 54% respectively). As will be discussed in Chapter 2, perceived opportunities and capabilities help one to estimate the size of a country's pool of *potential* entrepreneurs. Given that South Africa's rates of perceived opportunities and capabilities are below the averages where both regional and economic development level comparisons are concerned, this suggests that the country's pool of potential entrepreneurs is likely to be smaller than those for other countries. This will be investigated further in Chapter 2.

Where entrepreneurial intentions are concerned (an important measure as it provides an indicator for future levels of TEA) South Africa's rate of 14% is significantly below the average of efficiency-driven economies of 27%. If South Africa hopes to achieve an increase in its TEA rates going forward, a focus on increasing its pools of potential and intentional entrepreneurs is crucial. This will also be discussed in detail in the next chapter.



Source: GEM Global 2012 Report

Figure 1.3 TEA rates for participating countries in 2012, by phase of economic development

Table 1.3 Prevalence rates (%) of entrepreneurial activity across GEM countries in 2012

Country	Nascent entrepreneurship rate	New business ownership rate	Early-stage entrepreneurial activity (TEA) = nascent + new rates	Established business ownership rate	Discontinuation of businesses
SUB-SAHARAN AFRICA					
Angola	15%	19%	32%	9%	26%
Botswana	17%	12%	28%	6%	16%
Ethiopia	6%	9%	15%	10%	3%
Ghana	15%	23%	37%	38%	16%
Malawi	18%	20%	36%	11%	29%
Namibia	11%	7%	18%	3%	12%
Nigeria	22%	14%	35%	16%	8%
South Africa	4%	3%	7%	2%	4%
Uganda	10%	28%	36%	31%	26%
Zambia	28%	15%	41%	4%	20%
Average (unweighted)	15%	15%	28%	13%	16%
LATIN AMERICA & CARRIBEAN					
Argentina	12%	7%	19%	10%	5%
Barbados	10%	7%	17%	12%	3%
Brazil	4%	11%	15%	15%	5%
Chile	15%	8%	23%	8%	5%
Colombia	14%	7%	20%	7%	7%
Costa Rica	10%	5%	15%	3%	3%
Ecuador	17%	12%	27%	19%	8%
El Salvador	8%	8%	15%	9%	8%
Mexico	8%	4%	12%	5%	4%
Panama	7%	3%	9%	2%	2%
Peru	15%	6%	20%	5%	7%
Trinidad & Tobago	9%	7%	15%	7%	5%
Uruguay	10%	5%	15%	5%	5%
Average (unweighted)	11%	7%	17%	8%	5%
MIDDLE EAST & NORTH AFRICA					
Algeria	2%	7%	9%	3%	7%
Egypt	3%	5%	8%	4%	5%
Iran	4%	6%	11%	10%	5%
Israel	4%	3%	7%	4%	4%
Palestine	6%	4%	10%	3%	8%
Tunisia	2%	2%	5%	4%	4%
Average (unweighted)	4%	5%	8%	5%	6%
ASIA PACIFIC & SOUTH ASIA					
China	5%	7%	13%	12%	4%
Japan	2%	2%	4%	6%	1%
Korea	3%	4%	7%	10%	3%
Malaysia	3%	4%	7%	9%	2%

Country	Nascent entrepreneurship rate	New business ownership rate	Early-stage entrepreneurial activity (TEA) = nascent + new rates	Established business ownership rate	Discontinuation of businesses
Pakistan	8%	3%	12%	4%	3%
Singapore	8%	4%	12%	3%	4%
Taiwan	3%	4%	8%	10%	6%
Thailand	9%	11%	19%	30%	3%
Average (unweighted)	5%	5%	10%	10%	3%
EUROPEAN UNION					
Austria	7%	3%	10%	8%	4%
Belgium	3%	2%	5%	5%	2%
Denmark	3%	2%	5%	3%	1%
Estonia	9%	5%	14%	7%	4%
Finland	3%	3%	6%	8%	2%
France	4%	2%	5%	3%	2%
Germany	4%	2%	5%	5%	2%
Greece	4%	3%	7%	12%	4%
Hungary	6%	4%	9%	8%	4%
Ireland	4%	2%	6%	8%	2%
Italy	2%	2%	4%	3%	2%
Latvia	9%	5%	13%	8%	3%
Lithuania	3%	4%	7%	8%	2%
Netherlands	4%	6%	10%	9%	2%
Poland	5%	5%	9%	6%	4%
Portugal	4%	4%	8%	6%	3%
Romania	6%	4%	9%	4%	4%
Slovakia	7%	4%	10%	6%	5%
Slovenia	3%	3%	5%	6%	2%
Spain	3%	2%	6%	9%	2%
Sweden	5%	2%	6%	5%	2%
United Kingdom	5%	4%	9%	6%	2%
Average (unweighted)	5%	3%	8%	7%	3%
NON-EUROPEAN UNION					
Bosnia and Herzegovina	5%	3%	8%	6%	7%
Croatia	6%	2%	8%	3%	4%
Macedonia	4%	3%	7%	7%	4%
Norway	4%	3%	7%	8%	1%
Russia	3%	2%	4%	2%	1%
Switzerland	3%	3%	6%	8%	2%
Turkey	7%	5%	12%	9%	5%
Average (unweighted)	4%	3%	7%	6%	4%
UNITED STATES					
United States	9%	4%	13%	9%	4%

Source: GEM Global 2012 Report

Table 1.4 Entrepreneurial attitudes and perceptions in GEM countries in 2012

Economy	Perceived opportunities	Perceived capabilities	Fear of failure*	Entrepreneurial intentions **	Entrepreneurship as a good career choice+	High status to successful entrepreneurs+	Media attention for entrepreneurship+
SUB-SAHARAN AFRICA							
Angola	66%	72%	38%	70%	-	-	-
Botswana	67%	71%	25%	72%	76%	73%	79%
Ethiopia	65%	69%	33%	24%	76%	92%	73%
Ghana	79%	86%	18%	60%	84%	91%	82%
Malawi	74%	85%	12%	70%	-	-	-
Namibia	75%	74%	35%	45%	73%	76%	82%
Nigeria	82%	88%	21%	44%	82%	76%	78%
South Africa	35%	39%	31%	14%	74%	74%	73%
Uganda	81%	88%	15%	79%	-	-	-
Zambia	78%	84%	17%	55%	67%	79%	72%
Average (unweighted)	70%	76%	24%	53%	76%	80%	77%
LATIN AMERICA & CARRIBEAN							
Argentina	50%	63%	27%	29%	74%	67%	63%
Barbados	47%	70%	17%	23%	-	-	-
Brazil	52%	54%	31%	36%	89%	86%	86%
Chile	65%	60%	28%	43%	70%	68%	66%
Colombia	72%	57%	32%	57%	89%	75%	69%
Costa Rica	47%	63%	35%	33%	72%	72%	79%
Ecuador	59%	72%	33%	51%	88%	84%	79%
El Salvador	43%	59%	42%	40%	73%	72%	62%
Mexico	45%	62%	26%	18%	56%	54%	38%
Panama	38%	43%	17%	12%	-	-	-
Peru	57%	65%	30%	45%	77%	73%	76%
Trinidad & Tobago	59%	76%	17%	37%	78%	76%	64%
Uruguay	51%	58%	27%	20%	61%	59%	51%
Average (unweighted)	53%	62%	28%	34%	75%	71%	67%
MIDDLE EAST & NORTH AFRICA							
Algeria	46%	54%	35%	21%	79%	81%	47%
Egypt	54%	59%	33%	42%	83%	87%	64%
Iran	39%	54%	41%	23%	60%	73%	61%
Israel	31%	29%	47%	13%	59%	72%	47%
Palestine	46%	59%	40%	36%	85%	80%	71%
Tunisia	33%	62%	15%	22%	88%	94%	48%
Average (unweighted)	41%	53%	35%	26%	76%	81%	56%
ASIA PACIFIC & SOUTH ASIA							
China	32%	38%	36%	20%	72%	76%	80%
Japan	6%	9%	53%	2%	30%	55%	53%
Republic of Korea	13%	27%	43%	13%	59%	70%	68%
Malaysia	36%	31%	36%	13%	46%	51%	62%
Pakistan	46%	49%	31%	25%	66%	68%	51%

Economy	Perceived opportunities	Perceived capabilities	Fear of failure*	Entrepreneurial intentions **	Entrepreneurship as a good career choice+	High status to successful entrepreneurs+	Media attention for entrepreneurship+
Singapore	23%	27%	42%	16%	50%	63%	77%
Taiwan	39%	26%	38%	25%	70%	63%	83%
Thailand	45%	46%	50%	19%	76%	79%	84%
Average (unweighted)	30%	32%	41%	17%	59%	65%	70%
EUROPEAN UNION							
Austria	49%	50%	36%	9%	46%	76%	-
Belgium	33%	37%	41%	9%	62%	57%	54%
Denmark	44%	31%	39%	7%	-	-	-
Estonia	45%	43%	34%	16%	55%	63%	41%
Finland	55%	34%	37%	8%	45%	83%	68%
France	38%	36%	43%	17%	65%	77%	41%
Germany	36%	37%	42%	6%	49%	76%	49%
Greece	13%	50%	61%	10%	64%	68%	33%
Hungary	11%	40%	34%	13%	41%	74%	29%
Ireland	26%	45%	35%	5%	45%	81%	61%
Italy	20%	30%	58%	11%	67%	70%	51%
Latvia	33%	44%	37%	22%	60%	53%	53%
Lithuania	30%	40%	36%	18%	63%	53%	37%
Netherlands	34%	42%	30%	9%	79%	65%	58%
Poland	20%	54%	43%	22%	68%	57%	56%
Portugal	16%	47%	42%	14%	-	-	-
Romania	37%	38%	41%	27%	71%	74%	55%
Slovakia	18%	50%	38%	12%	50%	74%	59%
Slovenia	20%	51%	27%	13%	53%	71%	51%
Spain	14%	50%	42%	11%	64%	64%	47%
Sweden	66%	37%	33%	11%	-	-	-
United Kingdom	33%	47%	36%	10%	50%	77%	47%
Average (unweighted)	31%	42%	39%	13%	58%	69%	50%
NON-EUROPEAN UNION							
Bosnia and Herzegovina	20%	49%	27%	22%	81%	72%	39%
Croatia	17%	44%	36%	19%	64%	42%	40%
Macedonia	31%	55%	39%	28%	70%	67%	64%
Norway	64%	34%	39%	5%	50%	80%	59%
Russia	20%	24%	47%	2%	60%	63%	45%
Switzerland	36%	37%	32%	7%	44%	63%	57%
Turkey	40%	49%	30%	15%	67%	76%	57%
Average (unweighted)	33%	42%	36%	14%	62%	66%	52%
UNITED STATES							
United States	43%	56%	32%	13%	-	-	-

* *Fear of failure assessed for those seeing opportunities*

** *Intentions assessed among non-entrepreneur population*

\+ *These questions were optional and therefore not included by all economies*

Source: GEM Global 2012 Report

CHAPTER 2

THE ENTREPRENEURIAL Pipeline

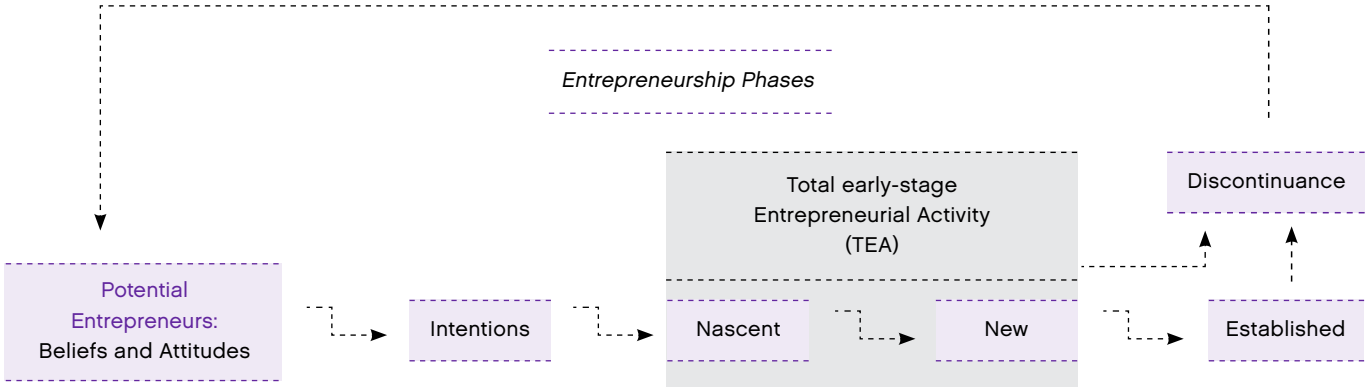
Entrepreneurial activity is best seen as a process rather than an event.

Introduction

Entrepreneurial activity is best seen as a process rather than an event (**Figure 2.1**), which is why the questionnaire administered to respondents in the Adult Population Survey (APS) is extensive, allowing for the measurement and assessment of potential entrepreneurship, entrepreneurial intentions, as well as nascent, new, and established business activity.

Societies can benefit from people who perceive valuable business opportunities and who believe that they have the required skills to exploit them. According to the *GEM Global 2008 Report*, these *perceptions* are often the beginnings of an entrepreneurial process for an individual. Therefore, GEM considers those who perceive good opportunities for starting a business, as well as believe they have entrepreneurial capabilities, the *potential entrepreneurs* in a society. More specifically and importantly, they will be the *opportunity-driven* potential entrepreneurs. (Note: others are driven into entrepreneurship through necessity, but they are difficult to group and their behaviour not possible to anticipate as they have not necessarily seen an opportunity and may not necessarily believe that they have the requisite skills.)

However, perceiving a good opportunity and having the skills to pursue it will not necessarily lead to the intent to start a business. Individuals will assess the opportunity costs, and risks and rewards, of starting a business versus other employment preferences and options, if these are available. In addition, the environment in which potential, intentional and active entrepreneurs exist needs to be sufficiently enabling and supportive. It is important to understand why and how environmental conditions can lead to higher levels of potential, intentional and active entrepreneurship so that policy-makers and service providers have sound information on which to base their efforts to stimulate and support the next generation of entrepreneurs.



Source: GEM Global Report, 2011

Figure 2.1 The entrepreneurial pipeline

In order to contribute to this field of understanding, Chapter 2 gives considerable focus to each stage of the entrepreneurial pipeline, namely: potential entrepreneurship (first phase), entrepreneurial intentions (second phase), early-stage activity (third phase) and established business ownership (fourth phase). Chapter 2 also focuses on the Environmental Framework Conditions (EFCs) which are likely to have the most influence on each stage of the pipeline.

The Entrepreneurial Framework Conditions

According to the World Economic Forum (WEF), the basic requirements – namely a country's macro-economic stability, institutions, infrastructure, health and primary education – are the underlying fundamental conditions required for a well-functioning business environment. As South Africa is in the efficiency-driven phase, these basics should already, in theory, be relatively established. Therefore, more funding and development efforts should be focusing on the efficiency enhancers. These include higher education and training, goods and labour market efficiency, financial market sophistication, technological readiness and market size. Unfortunately, indices such as the WEF's Global Competitiveness Index show that South Africa falls short on some of the fundamental conditions (to be discussed in pages to follow).

Since entrepreneurial activity does not exist within a vacuum, the GEM Model (**Figure 1.1** in Chapter 1) also looks at factors that are specifically aimed at stimulating and supporting it. An assessment of these factors will be made using GEM's 12 Entrepreneurial Framework Conditions (EFCs), *particularly as they relate to each stage of the entrepreneurial pipeline*. While most of the conditions will be likely to have an effect on each stage, certain conditions will be more critical in a particular phase, and may serve as determinants for progression from one phase to the next (firstly from potential to intentional entrepreneur, to ultimately an owner of an established business). Ultimately, these EFCs are used by GEM to reflect major features of a country's socio-economic milieu and provide an indication of how enabling the entrepreneurial climate is in which potential, intentional, and active entrepreneurs exist.

During the course of 2012, 38 South African experts were consulted for GEM's National Experts Survey (NES). These experts (who are listed in Appendix A) were asked to provide insights into the ways in which the EFCs either foster or constrain the local entrepreneurial climate. The experts were asked to complete a closed questionnaire consisting of 120 statements about factors relating to the conditions that make up the country's entrepreneurial environment. The questions are grouped into 12 categories to provide insight into the 12 Entrepreneurial Framework Conditions (EFCs). Each response was measured on a 5-point Likert scale where a score of 1 = completely false, 2 = somewhat false, 3 = neither true nor false, 4 = somewhat true and 5 = completely true. The statements were phrased so that a score of 4 or 5 would indicate that the expert regarded the factor as positive for entrepreneurship, while a score of 1 or 2 would indicate that the expert regarded the factor as negative. On the Likert scale of five, a mean score of three is regarded as average. The data obtained from all experts was analysed in order to determine the mean score for each category of questions.

The results are depicted in **Table 2.1**, arranged from highest to lowest score. It is clear that every one of the EFCs scored below average. This indicates that, overall, the entrepreneurial climate in South Africa is unfavourable for entrepreneurship development. Deeper analysis will be provided in the following sections of Chapter 2.

Table 2.1 The GEM Entrepreneurial Framework Conditions and corresponding mean scores by experts

	Entrepreneurial Framework Condition	Definition	Mean score
1	Commercial and legal Infrastructure	The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities	2.95
2	Physical infrastructure	Ease of access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing firms	2.89
3	Internal market dynamics	The extent to which markets change dramatically from year to year	2.81
4	Government policy: entrepreneurship priority and support	The extent to which government policies, specifically aimed at entrepreneurship development, indeed encourage new and growing firms	2.63
5	Cultural and social norms	The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income	2.57
6	Post-school entrepreneurship education and training	The extent to which entrepreneurship is incorporated into post-school qualifications in all institutions	2.53
7	Finance	The financial environment and support related to entrepreneurship, in terms of the availability of financial resources, equity and debt, for new and growing firms, including grants and subsidies	2.49
8	Internal market openness	The extent to which new firms are free to both enter and compete in existing markets	2.31
9	R&D transfer	The extent to which national research and development will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms	2.16
10	Government entrepreneurship programmes	The nature and quality of government's interventions to encourage and support new and growing firms	2.10
11	Government policy: taxes, regulation, bureaucracy	The extent to which government policies, such as taxes or regulations, are either size-neutral or encourage new and growing firms	1.88
12	Primary & secondary school education, including entrepreneurship	The quality of primary & secondary education, including the extent to which entrepreneurship is incorporated	1.81

As Chapter 2 focuses on each phase of the entrepreneurial pipeline, it is accordingly divided into three parts:

Part I: Potential entrepreneurs

- Definition of potential entrepreneurs
- South Africa's pool of potential entrepreneurs
- The Entrepreneurial Framework Conditions likely to have the most influence on the size of the pool of potential entrepreneurs, as proposed by GEM:
  - Market dynamics
  - Research & development
  - Education

Part II: Intentional entrepreneurs

- Definition of intentional entrepreneurs
- South Africa's pool of intentional entrepreneurs
- The Entrepreneurial Framework Conditions likely to have the most influence on the size of the pool of intentional entrepreneurs, as proposed by GEM:
  - Cultural & social norms
  - Education, including entrepreneurship education

Part III: Active entrepreneurs:

Section 1: Early-stage (nascent and new)

- Definition of early-stage entrepreneurs
- South Africa's profile of early-stage entrepreneurs
- The Entrepreneurial Framework Conditions likely to have the most influence on the transition from entrepreneurial intentions to early-stage entrepreneurial activity, as proposed by GEM:
  - Finance
  - Government policies
  - Education

Section 2: Established business owners

- Definition of established business owners
- South Africa's mix of established business owners
- The Entrepreneurial Framework Conditions likely to have the most influence on the transition from early-stage entrepreneurial activity to established business ownership, as proposed by GEM:
  - Physical infrastructure, particularly the associated costs
  - Commercial infrastructure, particularly the associated costs
  - Government policies
  - Government programmes
  - Market openness

PART I: Potential Entrepreneurs

GEM considers those who perceive good opportunities for starting a business, as well as believe they have the required skills, the *potential entrepreneurs* in a society – more specifically, the potential *opportunity-driven* entrepreneurs. It is important to note that, at this stage of the entrepreneurial pipeline, they have not yet decided whether they will pursue the opportunity or not.

Perceived opportunities

Opportunities originate as perceptions – perceptions of what individuals believe can be done to earn a profit. Opportunities are therefore both real and subjective (Lewin, 2012). Opportunities are almost invariably created by human activity, in part by economic activity within markets which is often where opportunities are discovered. The "*discovery* of opportunities" perspective comprises active and passive search as well as fortuitous discovery, since all three regard opportunities as already existing "out there". Opportunities can also be created by activity outside markets. This "*creation* of opportunities" perspective emphasises that opportunities are a result of the efforts of particular individuals who are focused on finding ways to bridge personal experiences and knowledge with the marketplace.

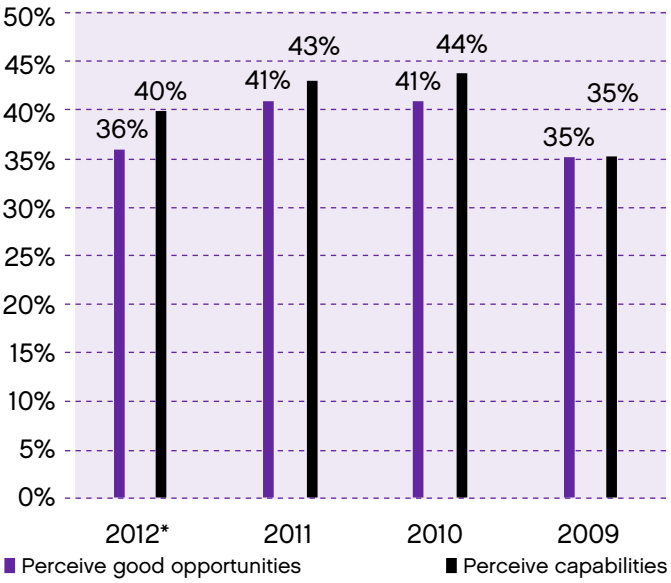
Perceived capabilities

Perceived capabilities reflect the percentage of individuals who believe they have the required skills, knowledge and experience to start a new business. GEM has found that individuals who are confident that they possess the skills to start a business are four to six times more likely to be involved in entrepreneurial activity. The rates of perceived capabilities in South Africa are slightly higher than the rates of perceived opportunities, indicating that more South Africans believe that they are capable of becoming entrepreneurs than those who see opportunities to do so.

To estimate the size of an economy's pool of potential entrepreneurs, two questions in the Adult Population Survey are asked of the entire sample:

1. In the next six months, will there be good opportunities for starting a business in the area where you live?
2. Do you have the knowledge, skills and experience required to start a new business?

The findings to the above questions are summarised in **Figure 2.2**, given in relation to previous years.



* *Read as: In 2012, 36% of the adult population perceive a good business opportunity, and 40% believe that they have the skills to pursue a business opportunity*

Figure 2.2 Perceptions of good opportunities and capabilities in the adult population in South Africa

The percentages of those perceiving good opportunities and those with perceived capabilities have dropped when compared to the 2010 and 2011 rates. **Table 2.2** shows that South Africa's rates are also below average for efficiency-driven economies. This is cause for concern, as individuals confident that they have the skills to start a business and who see good opportunities are far more likely to engage in entrepreneurial activity. **Table 1.4** (in Chapter 1) shows that Latin American countries have significantly favourable perceptions of opportunities and capabilities, a consistent finding in GEM surveys over the years, and which may account in part for the large differences in TEA rates between Latin American countries and South Africa.

Table 2.3 shows the percentage of males and females in South Africa who perceive good opportunities and believe that they have the requisite skills. The percentage of females with favourable perceptions is lower in both respects. However, of particular concern is that significantly fewer females (35% versus 43% of males) believe that they have entrepreneurial capabilities.

Table 2.4 shows perceptions of opportunities and capabilities by race. Black Africans have the highest rate for perceived opportunities (39%), which is encouraging given that they are the majority population group in South Africa. However, an unfortunate finding is that Black Africans also have the lowest percentage for perceived capabilities (37%) of the four race groups. The *Western Cape Youth Report 2008* provided an analysis of the ways in which apartheid policies have inhibited the development of Black Africans, including poor education and skills development, which are likely to have a negative impact on perceptions of capabilities. The biggest disparity between the two perceptions (those that perceive opportunities and those that perceive capabilities) is found amongst Indians and Whites. In both race groups, a significantly higher percentage perceive themselves to be entrepreneurially capable than perceive there to be good business opportunities.

Table 2.2 Averages for perceived opportunities and capabilities, by economic development level

Phase of economic development	Perceived opportunities	Perceived capabilities
Factor-driven economies: averages	63%	71%
Efficiency-driven economies: averages	**41%**	**52%**
South Africa (as an efficiency-driven economy)	**36%**	**40%**
Innovation-driven economies: averages	31%	36%

Table 2.3 Entrepreneurial perceptions in South Africa by gender, 2012

	Perceive good business opportunities (% within each gender group)	Believe they have entrepreneurial capabilities (% within each gender group)
Male	37%*	43%
Female	34%	35%

* *Read as: 37% of the male population perceive good business opportunities*

Table 2.4 Entrepreneurial perceptions in South Africa by race, 2012

	Perceive good business opportunities (% within each race group)	Believe they have entrepreneurial capabilities (% within each race group)
Black African	39%*	37%
Coloured	33%	45%
Indian	22%	63%
White	16%	50%

**Read as: 39% of Black Africans perceive good business opportunities*

Figure 2.3 South Africa's pool of potential entrepreneurs

South Africa's pool of potential entrepreneurs

When one cross-tabulates the number of individuals who perceive there to be good opportunities with those who have entrepreneurial capabilities, the overlap of the two is shown to be 19% (**Figure 2.3**). This is the size of South Africa's pool of potential opportunity entrepreneurs (i.e. those who perceive good opportunities AND believe that they have entrepreneurial capabilities).

This composite indicator is based entirely on self-reported perceptions, which may not have a basis in reality. For example, believing one has the skills to start a business and actually having them could be two different things. However, opportunity-driven entrepreneurs take the step of starting a business based on their own perceptions – so this is, in many senses, precisely what one wants to measure (*GEM South Africa 2001 Report*).

Entrepreneurial Framework Conditions most likely to have an impact on the pool of potential entrepreneurs

GEM proposes that the following EFCs have the largest influence on the size of a country's pool of potential entrepreneurs:

- Market dynamics
- Research & development
- Education

Table 2.5 shows the national experts' mean scores for each of the EFCs which are believed to have the largest influence on South Africa's pool of potential entrepreneurs. Each of the EFCs has been given an unfavourable score, providing an indication of why the country's pool of potential entrepreneurs is small – just 19% of the adult population.

Table 2.5 EFCs influencing the pool of potential entrepreneurs in South Africa

Entrepreneurial Framework Conditions	Mean score 2012	Mean score 2011	Mean score 2010	Mean score 2009
Internal market dynamics	**2.81**	2.45	2.85	2.76
Research and development transfer	**2.16**	2.25	2.08	2.04
Primary and secondary level entrepreneurship education	**1.81**	2.03	1.75	2.18

Constraints from the experts regarding **market dynamics** included:

- "The market is highly concentrated so entry by new firms is difficult and costs are high."
- "The markets for consumer and business-to-business goods and services do not change dramatically from year to year."
- "There is poor access to markets for many."

Market dynamics

Whether the perceptions about a good business opportunity turn out to be either right or wrong, they are important because they serve as the first vital step in the entrepreneurial process. However, for this step to even take place, it is crucial that a dynamic market exists. While individuals cannot affect these dynamics on their own, continuing shifts in demand and supply will naturally open up spaces where opportunities lie for exploitation by alert individuals.

South Africa's market dynamics was cited as one of the most constraining factors for entrepreneurship by 29% of GEM's national experts. Their aggregated mean score for market dynamics of 2.81 suggests that the country's market shifts in demand and supply do not change dramatically enough. The more dramatic and frequent the market's shifts, the more opportunities there are likely to be because of thriving competition and innovation. That South Africa's market dynamics score unfavourably may help to explain in part why the country's rate for perceived opportunities (36%) is below the average for efficiency-driven countries (41%).

Research & development transfer

The research and development framework condition refers to the extent to which national research and development will lead to new commercial opportunities and whether or not these are available for new, small, and growing firms. The *Global Competitiveness Report 2012–2013* ranks South Africa favourably, with quality of scientific research institutions 34th in the world (out of 144 countries), and university-industry collaboration 30th. On the other extreme, the country fares very badly in terms of the availability of scientists and engineers – South Africa is ranked 122nd in this regard. If the country is to continue its good work in its R&D institutions, and thereby continue to contribute to the discovery and creation of opportunities in the market, the country needs to produce more professionals in the science fields. GEM's experts gave R&D in South Africa a mean score of 2.16, one of the lowest scores for the EFCs. The primary reason for the low score is that new technology, science and other knowledge are not made accessible enough to new and growing firms. It is also not possible for large and established businesses to take advantage of all the new technology and knowledge which is generated in R&D institutions. In this way, many business opportunities with the potential to contribute to economic growth and job creation are wasted.

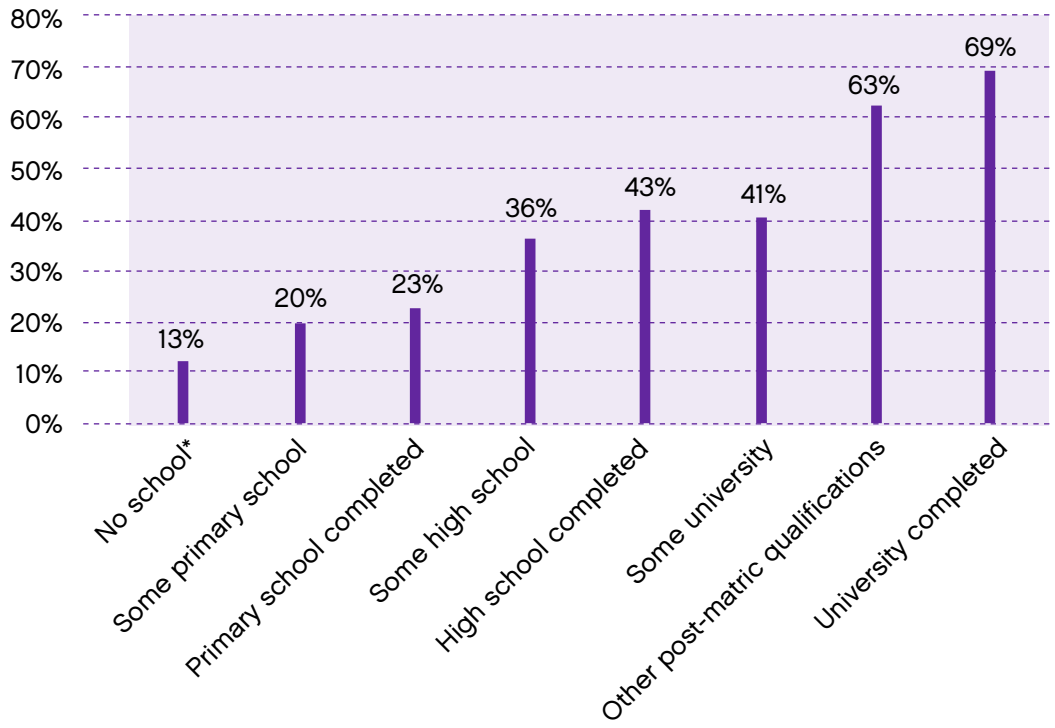
Education

While an individual's perceptions of capabilities might be somewhat flawed, it is reasonable to believe that a good quality education will have a positive influence on an individual's sense of self-efficacy and self-confidence, thereby increasing the chances that perceptions of capabilities have a basis in reality.

The World Economic Forum states that, for a country to move from one stage of development to the next, certain criteria need to have been met. With South Africa being in the efficiency-driven stage of development, one of these criteria is that primary and secondary education should be firmly established. Unfortunately, many aspects of the country's education system are ranked among the worst in the world, far worse even than for many factor-driven economies (**Table 2.6**). This, perhaps, explains in part why the country's rate of perceived capabilities (40%) is substantially lower than the average (52%) for efficiency-driven economies (**Table 2.2**).

Table 2.6 clearly shows that South Africa fares dismally relative to other countries in aspects related to education. That we are the second worst in the world where the quality of maths and science education is concerned bodes badly for entrepreneurial prospects, since one of the cornerstones for success in business is a mind that can problem-solve and think quickly in the face of challenging and changing scenarios.

South Africa's poor quality of education is reflected in the country's matric pass rates for 2012. While it is somewhat encouraging to see that the pass rate increased from 70% in 2011 to 74% in 2012, disaggregating these statistics reveals that of the 1,150,637 learners who enrolled for Grade 1 in 2001, only 551,837 (48%) wrote their matric exams in 2012. Of these, only 348,117 passed, revealing that just 30% of learners who enrolled in Grade 1 in 2001 ended up passing matric last year.



**Read as: 13% of individuals with no school education believe that they have entrepreneurial capabilities*

Figure 2.4 Perceived entrepreneurial capabilities within education group, South Africa, 2012

Table 2.6 South Africa's education system relative to other countries

Education aspect	Ranking (out of 144 countries)
Quality of maths and science education	143
Quality of the educational system	140
Quality of primary education	132
Primary education enrolment	115

Source: World Economic Forum, Global Competitiveness Report, 2012 – 2013

The mathematics pass rate for 2012 was 54%, up from 2011's 46%. However, of the 551,837 learners who wrote matric, only 225,870 wrote the maths exam, of which 54% passed. If the total number of learners that enrolled in school in Grade 1 in 2001 is taken into account, only 11% of these learners both wrote and passed maths 12 years later. An even more unfortunate finding overshadowing these already bleak statistics is that it relates to a pass mark of just 30% (Equal Education, 2013).

The Department of Education's *Annual National Assessments Report 2012* on education results from Grades 1 – 6 and Grade 9 showed that the higher the grade under consideration, the lower the mark was for maths. Further cause for concern is that the country's average mark for Grade 9 maths was 13%.

In 2012, the education sector was plagued by numerous controversies and problems, including failure to deliver textbooks, a lack of good quality teachers in maths and science, and classroom overcrowding. An article in the 9 January 2013-edition of *The Star* newspaper reported that some schools were being investigated for pushing pupils through with unacceptably low pass marks, some as low as 25%.

The importance of education in individuals' perceptions of their entrepreneurial capabilities can be seen in the findings of GEM's survey. **Figure 2.4** shows the percentage of individuals within each education group who believe that they have the knowledge and skills required to start a new business. It is clear that the higher the level of education attained, the more likely it will be that individuals will perceive themselves to be capable of becoming entrepreneurs.

Those with post-matric and university qualifications are more likely to believe that they have entrepreneurial capabilities. Unfortunately, the percentage of South Africa's population that have attained tertiary education is just 0.6%, lower than the sub-Saharan average of 0.78% and the world average of 3.94% (*Africa Competitiveness Report 2011*).

GEM's national experts' mean score of 1.81 for education showed this Entrepreneurial Framework Condition to be the worst of the 12 EFCs in South Africa.

Constraints from the experts regarding education included:

- "Dysfunctional education system"
- "Poor education especially at primary and secondary levels"
- "Skills deficiencies in maths and science"
- "Low education and skills base"
- "Absence of skills in key sectors"

SUMMARY OF PART I: Potential Entrepreneurs

- Potential entrepreneurs are defined by GEM as those who perceive good business opportunities AND believe that they have entrepreneurial capabilities. Based on data from GEM's Adult Population Survey, the pool of potential entrepreneurs in South Africa is 19% of the adult population.
- South Africa's rate of perceived opportunities is 36%, below the average for efficiency-driven economies of 41%.
- The country's rate for perceived capabilities is 40%, below the average for efficiency-driven economies of 52%.
- 43% of males, versus 35% of females, believe that they have entrepreneurial capabilities.
- Black Africans have the highest rate of perceived opportunities (39%) of the four race groups. However, they have the lowest rate of perceived capabilities (37%).
- There is a positive correlation between perceptions of capabilities and level of education attained.
- The Entrepreneurial Framework Conditions most likely to have an impact on perceptions of opportunities include market dynamics and research & development. These were given unfavourable scores by GEM's national experts, indicating that not enough is being done to enable the discovery, creation and exploitation of opportunities.
- The Entrepreneurial Framework Condition most likely to have an impact on perceptions of capabilities is education. Education was given the lowest score by the national experts.

CASE STUDY #1

Bukiwe Ndengezi is a 27-year-old buyer in the fashion industry, who intends to start her own business within the next few years. She is very passionate about her idea, which she believes will close a gap in the market. While she builds up more experience, she is saving money for start-up capital and needs to work out what her business model will be. This is her story.

INTENTIONAL ENTREPRENEUR: Bukiwe Ndengezi

"My sister always says that I was born with a pencil in my hands. When I was 11 I used to sell my sketches for 20c to my Grade 5 classmates. I think I saw a missed opportunity in the market! I am the daughter of two intellectuals: my mom is a social worker and my late dad was a high school maths and science teacher. They both had an incredible appreciation of the arts.

As far back as I can recall, fashion has always been my passion. Since Grade 3 I knew I wanted to study fashion. I was fortunate to attend a primary school that had a passionate art teacher, who encouraged my mom to allow me to attend the Frank Joubert art centre on Saturdays. I was blessed to have parents that raised us in a culturally alternative manner. Our childhood was filled with circus outings and theatre evenings. I remember the time our parents dragged us to watch *The Island* – I was so bored watching two chained men walk round and round and round on stage. When I eagerly announced to them my ambitions of pursuing a career in fashion they welcomed it with no fuss. They have always believed that we should follow our passions. My mom understood perfectly the challenges of pursuing a career considered 'less desirable'. She told us that her father was adamant that she would study medicine, but when she sat down for her first lecture at UWC and the lecturer said *Wiskunde*, my mom walked out and decided to pursue her love of social work.

My mom used to drive us in her old City Golf to a private school in Rondebosch during the later years of apartheid, where our classmates lived in mansions and estates with pools and tennis courts. Our parents believed that a good education would stand us in good stead and that no door would be closed to us. My high school friends thought I was insane to choose to become 'a struggling artist' – there is a misconception that a career in fashion is not lucrative. I'm a firm believer that if you pursue your passion the money will follow. While many of my friends spent an extra year, post matric, improving their maths marks for their more academic careers, I found myself blissfully carving my life in fashion at CPUT. During my tertiary education I worked at various boutiques as a sales assistant to earn some pocket money, which is when I fell in love with retail. I learnt how to charm and style customers and was exposed to visual merchandising. Many of my fellow students were forced to drop out of the programme due to language and education barriers, which saddens me as people with equal talents were constrained in other areas and therefore found it

tough to progress in fields they love as much as I do. In my third year I got an opportunity to work part-time as a visual merchandiser at Woolworths, which turned out to be the key that unlocked my dreams. After a year I found myself sitting at a desk at head office scrolling through WGSN and Stylesite doing trend research, which made me realise that I would rather pursue fashion buying than designing. So I left Woolworths and pursued a buying career at Franco Ceccato. It made me recall how I used to 'source' unwanted clothes when I was 11 or 12 years old and had my own thrift store outside our home in Langa. I guess these were signs of a younger buyer in me.

Recently I have been asked to do numerous trend presentations, and there have been some styling and fashion PR opportunities which have come my way as well, which I have pursued in my spare time. I intend to have my own buying, trend, styling and PR agency one day – this seems to be a missed opportunity in the market since no company that I know of offers all of these services to their customers. It's as if God has rewritten my plan for me – changing careers, and ultimately becoming an entrepreneur.

As an entrepreneur I am currently 'under construction'. I am inspired by successful female entrepreneurs in the industry, and have managed to identify key players that I am learning from through social networks such as Twitter, Facebook and blogs. I keep myself current and knowledgeable through fashion magazines and attending fashion shows and design events. I believe that our South African fashion industry is like a volcano that has been dormant for years, has just erupted and is at its hottest now!

When I think of how I could finance my business venture, the idea of banks turning me down because I don't meet their minimum requirements is a discouraging one. I would prefer to use my own savings which would also ensure that I have a flexible business model. I also need to do more market research. Styling in South Africa is still a new concept and not many people or businesses are willing to pay for your time/services adequately, so I need to work out what the demand is and how I will be able to make a profit and grow the business. Perhaps I need a mentor? I am a single parent and am concerned that venturing into entrepreneurship could jeopardise my daughter's future. Her needs are my primary concern, so I need to be certain that the risk I'm going to take with a business will be a calculated one. During my research I was also faced with the facts about tax! I remember being told that it takes a business at least three years to generate a profit or break even, so I would love to understand how entrepreneurs can have successful new businesses if the little that they make at the start is taxed. There should be a period that one is exempted from tax. It is unfortunate that there is so much red tape for entrepreneurs in this country – it is tempting to think about going elsewhere. But my patriotic side wants to stay in South Africa as I would love to be able to encourage and mentor the next generation."

PART II: Entrepreneurial Intentions

Entrepreneurial intentions are an important aspect for GEM because a strong association exists between entrepreneurial intention and actual entrepreneurial behaviour. GEM's Adult Population Survey asks individuals whether they intend to start a business within the next three years. **Table 2.7** summarises the findings, relative to previous years, showing that South Africa's rate of entrepreneurial intentions for 2012 is 14%, a decrease from the rates in 2010 and 2011. This is also significantly below the average of 27% for efficiency-driven economies.

Table 2.7 Entrepreneurial intentions in South Africa

Year	Have entrepreneurial intentions within the next 3 years
2012	14%
2011	18%
2010	17%
2009	11%

* *Read as: 14% of the adult population intends to start a business within the next 3 years*

Gender and race

Table 2.8 shows that, as with perceived opportunities and capabilities, females are less likely than males to have entrepreneurial intentions. Where race is concerned, Black Africans have the highest rate of entrepreneurial intentions (16%), an encouraging finding given that they are the majority race group in South Africa. Whites have by far the lowest rate of entrepreneurial intentions (5%), which is a surprising finding given the government's policies of BBBEE and affirmative action in the work-place.

Determinants of entrepreneurial intentions

Research has shown that a strong association exists between an individual's perceptions of entrepreneurial desirability and feasibility, and the intention to engage in entrepreneurial activity. The models used most frequently to analyse entrepreneurial intentions, and with which GEM agrees, are the Shapero Entrepreneurial Event (SEE) model (Drennan and Saleh 2008 in Turton et al., 2012) and the Theory of Planned Behaviour (Drennan and Saleh 2008 in Turton et al., 2012), adapted to entrepreneurship. In essence, these models suggest that an individual's entrepreneurial intention is influenced firstly by the perception of the extent to which it is desirable (attractive and credible) to become an entrepreneur. Secondly, entrepreneurial intention is influenced by perceptions of feasibility, which focus on the individual's ability to adopt entrepreneurial behaviour.

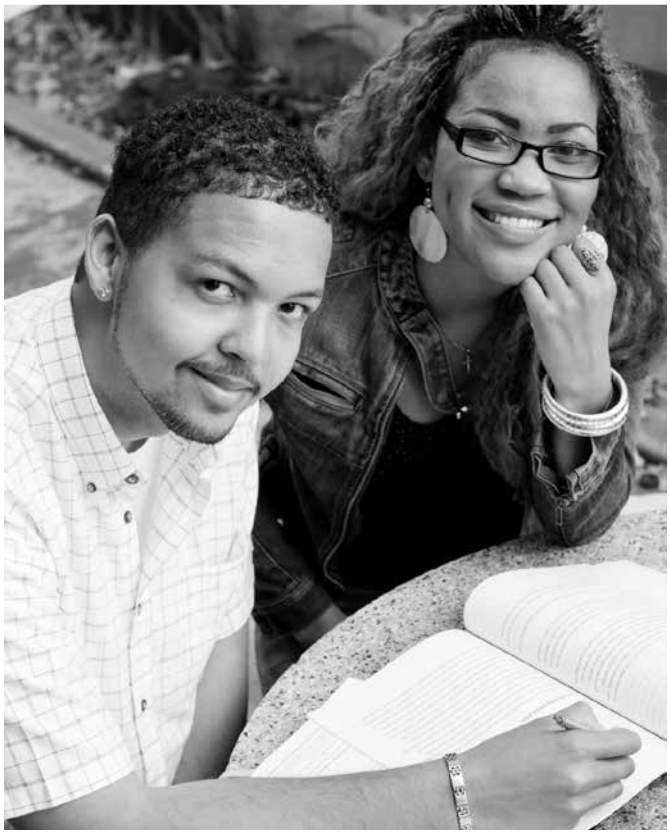


Table 2.8 Entrepreneurial intentions, by gender and race, 2012

	Have entrepreneurial intentions
Gender	
Male	16%*
Female	12%
Race	
Black African	16%**
Coloured	10%
Indian	15%
White	5%

* *Read as: 16% of the male population intends to start a business within the next 3 years*

** *Read as: 16% of the Black African population intends to start a business within the next 3 years*

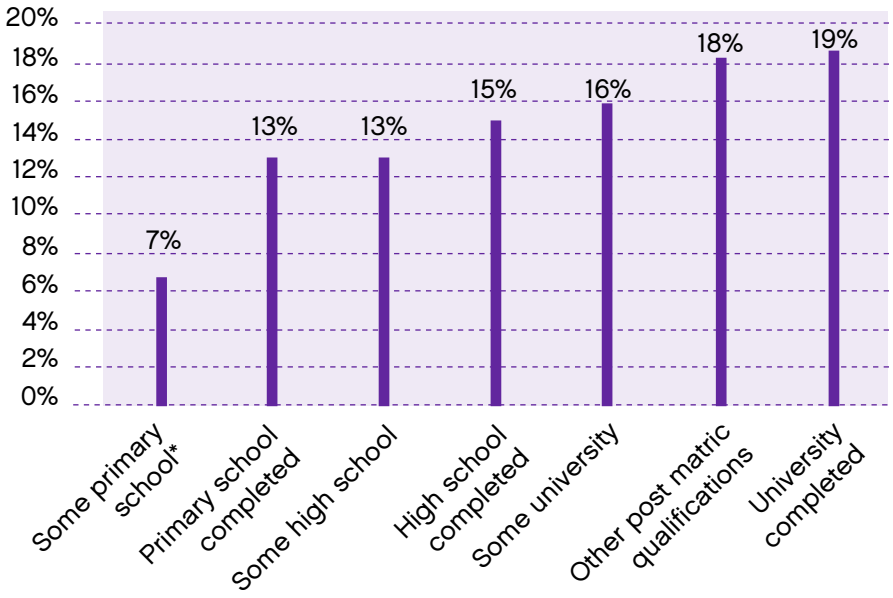
Personal desirability

The entrepreneurship process is a complex venture carried out by people living in specific cultural and social conditions. For this reason, social and cultural norms about entrepreneurship are believed to have an impact on whether individuals see entrepreneurship as a desirable

Table 2.9 Entrepreneurial attitudes in South Africa and other efficiency-driven economies

	Entrepreneurship as a good career choice	High status to successful entrepreneurs	Media attention for entrepreneurship
Efficiency-driven economies: averages	70%	69%	60%
South Africa (as an efficiency-driven economy)	74%*	74%	73%

**Read as: 74% of South Africans believe that entrepreneurship is a good career choice*



* *Read as: 7% of individuals with some primary school education have entrepreneurial intentions*

Figure 2.5 Entrepreneurial intentions and Education in South Africa

career choice. **Table 2.9** shows that South Africa's societal perceptions towards entrepreneurship are favourable, and encouragingly above the average of efficiency-driven economies. GEM's data shows that of those in South Africa with entrepreneurial intentions, more than 80% believe there to be favourable societal attitudes towards entrepreneurship, reflecting the relationship between desirability and entrepreneurial intentions.

While society's attitudes towards entrepreneurship may be favourable, South Africa's fear of failure rate of 31% may reflect the reality as to why only 14% of the country's population intend to pursue a business opportunity. One of GEM's experts commented that failure is generally frowned upon in South Africa. An honourable action, i.e. taking a risk to venture out on one's own, is dismissed by the individual's community if failure is the end result. Potential entrepreneurs may therefore be disincentivised from taking a risk if they fear humiliation by their peers. GEM's findings prove that fear of failure is a disincentive: of the 36% who perceive there to be good business opportunities, 31% fear failure, and of those only 10% have entrepreneurial intentions.

Personal feasibility

As with the pool of potential entrepreneurs, the importance of education can be seen in the findings of GEM's survey. **Figure 2.5** shows that the rate of entrepreneurial intentions in South Africa increases almost in tandem with each increasing level of education.

Entrepreneurial Framework Conditions most likely to have an impact on entrepreneurial intentions

GEM proposes that the following EFCs have the largest influence on entrepreneurial intentions:

- Cultural and social norms (owing to their impact on desirability of entrepreneurship as a career choice)
- Education, including entrepreneurship education (owing to its impact on personal feasibility where entrepreneurship is concerned)

Table 2.10 EFCs influencing entrepreneurial Intentions

Entrepreneurial Framework Condition	Mean score 2012	Mean score 2011	Mean score 2010	Mean score 2009
Cultural & social norms and support from society	2.57	2.46	2.50	2.70
Vocational, professional & tertiary-level entrepreneurship education	2.53	2.51	2.44	2.86
Primary and secondary level entrepreneurship education	1.81	2.03	1.75	2.18

Table 2.10 shows the national experts' mean scores for each of the EFCs which are believed to have the largest influence on entrepreneurial intentions in South Africa. Each of the EFCs has been given an unfavourable score (scores which have remained fairly consistent over recent years), providing an indication as to why the country's pool of intentional entrepreneurs is small – just 14% of the adult population.

Cultural and social norms

The entrepreneurs in GEM's APS survey were asked if they would prefer to run their own business or be employed by others as a long-term option. Encouragingly, a significant majority (87%) stated that they wanted to remain business owners. **Table 2.9** shows that South Africans (i.e. not just the entrepreneurs) appear to have favourable attitudes towards entrepreneurship, compared to other efficiency-driven economies. However, GEM's national experts believe that cultural and social norms towards entrepreneurship are less than favourable, giving it a mean score of 2.57 (**Table 2.10**), with 29% of the experts citing this condition as one of the three most constraining factors for entrepreneurship development. One of the possible reasons for this is that, while successful entrepreneurs are highly regarded in society, individuals' personal experience with entrepreneurs within their own communities may paint a different and perhaps more realistic picture. To illustrate, a survey conducted in the Free State by the International Labour Organisation and GEM South Africa in 2012 showed that the majority of business owners within the respondents' communities were running informal, survivalist businesses, which decreased the desirability of entrepreneurship as a career choice (Turton et al., 2012).

Some of the experts also believe that, while societal perceptions might be favourable, an attitude that government should provide has been growing simultaneously, an aspect of culture which may become more powerful than the positive culture association with entrepreneurship.

According to the *GEM Global 2007 Report*, it is possible for countries to have favourable perceptions of entrepreneurship but low rates of intentional entrepreneurship. The higher the difference between the rates of perceived opportunities and capabilities on the one hand (potential entrepreneurship) and the rates of entrepreneurial intentions on the other, the larger the associated opportunity costs for entrepreneurship. For many middle- and low-income countries, the difference between entrepreneurial perceptions and entrepreneurial intentions is usually relatively small, and sometimes negative (i.e. more intentional entrepreneurs than potential entrepreneurs). This suggests lower opportunity costs for entrepreneurial activity and higher degrees of necessity-driven entrepreneurship. South Africa is an anomaly, in both respects: in the first instance, for a middle- to low-income country it has a fairly large gap between the rates of potential (19%) and intentional (14%) entrepreneurship. This could be explained in part by fear of failure and by a lack of adequate role models, which decreases the desirability of entrepreneurship (desirability is an important determinant for entrepreneurial intentions). In the second instance, there are lower degrees of necessity-driven entrepreneurship in South Africa than there are for other similar economies, with some experts believing that South Africa's social welfare system is creating a dependency in the population, thereby serving as a disincentive to pursue entrepreneurship. It therefore appears that cultural and social norms are playing a negative

Comments from the experts regarding **cultural and social norms, and society support**, included:

- "Culture does not inculcate a desire in individuals to become entrepreneurs."
- "People are too scared to ask for help. Failure is not an option for them."
- "An attitude exists that government should provide."
- "Social welfare is creating an attitude of dependency."

role where the gap between potential and intentional entrepreneurship is concerned. This needs to be addressed if the country wishes to see an increase in the number of individuals with entrepreneurial intentions.

Education

The education system will not be discussed again in this section. However, because education has an impact on an individual's perceptions of feasibility, the importance of entrepreneurship education will be highlighted here. As already discussed in Part I of this chapter, the GEM experts' mean score for education was the lowest of all 12 EFCs (1.81). The mean score for *entrepreneurship in education* (2.53) is also unfavourable. The primary reason for the low score is the lack of entrepreneurship and business skills curricula throughout schools, as well as in colleges and universities for all qualifications.

Previous research indicates that entrepreneurship education can have an impact on entrepreneurship development in the following ways: it can enhance an individual's level of self-efficacy, with studies proving that entrepreneurship education is strongly related to entrepreneurial intention; it can increase students' interest in entrepreneurship as a career; and it can lead to more positive attitudes toward a career in entrepreneurship (Basu and Virick 2008 in Turton et al., 2012). It has also been shown to help with perceptions of self-efficacy, through the successful performing of crucial entrepreneurial tasks such as identifying new business opportunities, creating new products, thinking creatively, and commercialising an idea. Higher perceptions of self-efficacy lead to higher chances of entrepreneurial intentions (Zhao, Seibert, and Hills 2005 in Turton et al., 2012).

According to the *Western Cape Status of the Youth Report (2008)*, entrepreneurship education can have a significant impact on four areas that are crucial to entrepreneurship:

- The learners' self-confidence about their entrepreneurial abilities;
- The learners' understanding of business and financial matters;
- The learners' desire to pursue entrepreneurship; and
- The learners' desire to further their education.

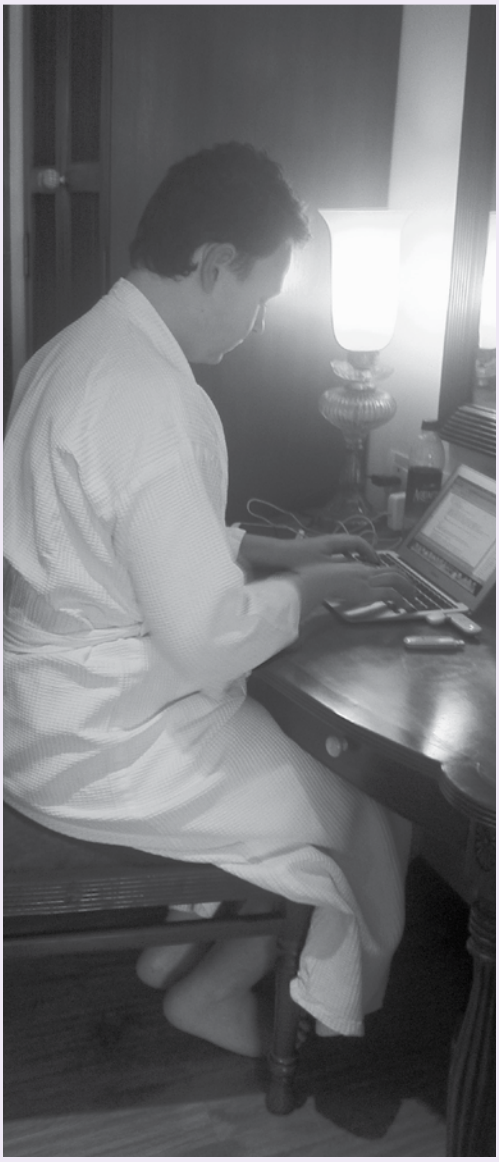
However, despite the well-documented benefits of entrepreneurship education, many schools in South Africa are still lacking in this respect. An expert quoted in the GEM 2010 report commented that there is a lack of entrepreneurship education and training in primary and secondary schools in South Africa, a situation which will be difficult to mitigate given that teaching entrepreneurial skills at school is outside the capabilities of most teachers.

SUMMARY OF PART II: Entrepreneurial Intentions

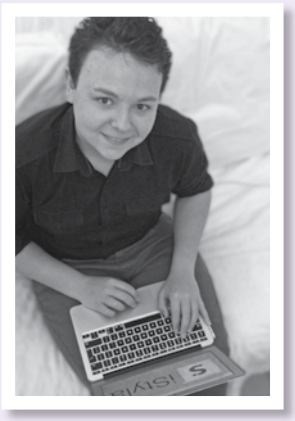
- Individuals who intend to pursue a business opportunity within the next three years are defined by GEM as those with entrepreneurial intentions. South Africa's pool of intentional entrepreneurs is 14%, which is far below the average for efficiency-driven countries of 27%.
- Males in South Africa are more likely to have entrepreneurial intentions than females (16% versus 12%).
- Black Africans have the highest rate of entrepreneurial intentions (16%) of the four races.
- Societal attitudes towards entrepreneurship are favourable in South Africa, and are higher than the averages for efficiency-driven economies.
- A positive correlation exists between entrepreneurial intentions and level of education attained.
- Research indicates that a strong association exists between an individual's perceptions of desirability and feasibility towards entrepreneurship, and entrepreneurial intentions.
- The Entrepreneurial Framework Condition most likely to have an impact on personal desirability is cultural and social norms. This EFC was given an unfavourable mean score by the experts, indicating that South Africa's culture does not make entrepreneurship a highly desirable career choice for its population. This will have a negative impact on the size of the country's pool of intentional entrepreneurs.
- The Entrepreneurial Framework Conditions most likely to have an impact on personal feasibility are education (general) and entrepreneurship education. These EFCs were given unfavourable mean scores, indicating that the education system in South Africa is not leading to positive perceptions of personal feasibility where entrepreneurship is concerned, which will have a negative impact on the size of the country's pool of intentional entrepreneurs.

CASE STUDY #2

Jacques Blom is a passionate programmer who spotted a gap in the market and decided to make a business of it. He attends a high school in Cape Town and, while he enjoys school and ensures he keeps up with homework and maintains high marks, prefers to spend all of his spare time working on his business ideas. His company is in the early stages but he has already attracted the attention of an investor. He has also been interviewed on the Expresso Morning Show and 702 Cape Talk Radio, and featured in numerous magazines and sites including Popular Mechanics, Entrepreneur, BandwidthBlog, VentureBurn, I Am Youngpreneur and Start-up Dispatch. He is just 14 years old. This is his story:



EARLY-STAGE ENTREPRENEUR: Jacques Blom



"My journey with computers and technology in general began at a very young age. I was born in 1998. Strangely enough Google, MySQL, the iMac, memory sticks and PayPal – all of which I use on a regular basis – were also founded or invented in '98. That same year Bill Gates was hit in the face with a cream pie, which I think is quite funny.

I have a passion for technology, and I grew up in the technological boom. Someone once described me as one of the first 'digital natives'. I got my first computer at age three. It was a black and white Intel i486DX. This ancient machine was running Windows 95. I had a dial-up connection to the internet that, if I were to load the youtube.com of today on it, would take up to six minutes to load the homepage. My dad gave me the old computer because he had upgraded to a Pentium 1 for his programming. We had dial-up because he needed to test the websites he designed on it. I used the 486 to play games and explore the web. This computer eventually ended up in pieces, after I took it apart and washed every component of it out with soap and water. I was very curious about computers.

I've had many other computers and cellphones over the years and I have always loved exploring their new features. I got my first cellphone at age four. It was a Nokia 3110. I can still remember going home from preschool when my dad picked me up and gave me my mom's old phone because she had gotten an upgrade. I was so excited!

I started programming at about eight years old. I started playing around with basic HTML markup (writing code to make hyperlinks, etc.) and then went into JavaScript (the main front-end web programming language). That is how my journey with computers and programming started.

I started a few blogs when I was 11 years old. These blogs would automatically pull in content from an article syndication database and would add affiliate links to the articles. For example, a coffee blog that I worked with, howto-makecoffee.com, would pull in coffee-maker review articles and add my affiliate links which would redirect to the coffee-maker on Amazon. Whenever someone found that article on Google and clicked on the Amazon link and bought the coffee-maker I got 4% commission. I earned a few thousand rand from these blogs, but it eventually took up a lot of time. The reason I worked on these blogs was because I wanted to buy an iPhone 4 with the money I made. I managed to earn enough to pay for half of the iPhone.

I was browsing through Facebook one day when I came across a post by one of my friends. The post said: 'WOW! I just got a PINK FACEBOOK. Click here to get it too!!!' I clicked on the link, completed a survey on the page on which I had arrived and ... no pink Facebook! I now know that this was a big scam – users needed to fill in a survey (which the scammer gets money for from paid-survey networks). The pink Facebook site tells the user that his browser isn't supported and then posts the same message as above to that user's timeline. This scam spread virally and these scammers made money out of this.

The scam got me thinking though. I thought the idea of a pink, green or black Facebook was a good idea. I had JavaScript knowledge, so I read about ways to inject CSS (the web's styling language) into websites using Google Chrome. I eventually created iStyla, a browser plug-in that changed the look of Facebook. My idea to first version was about five months.

I emailed a lot of blogs to request that they feature iStyla on them. My subject for these emails was 'My start-up at 14 years old'. I was featured on many of those blogs and iStyla's user count shot up and grew exponentially. In November 2012, I was invited to do an interview with Talk Radio 702 in Johannesburg. Hours before my interview, Facebook blocked iStyla.com. This meant that no-one could register with iStyla, because we only used 'Register using Facebook' on the iStyla site. I lost thousands of users because of the blocking.

Why did Facebook block me? Why are they still blocking me? Maybe they don't want users to customise their Facebook. In the same way that we'll never know whether Steve Jobs sent those cream pies flying into Bill Gate's face, I'll never know why my URL and app are blocked on Facebook.

I rewrote the whole login mechanism whilst at my uncle's birthday party on the night of the interview. Luckily I finished the new login system that same night. Facebook might be able to block my URL but they can't block the actual iStyla plug-in, so iStyla will always work regardless of Facebook's various antics.

iStyla has evolved into a 'Facebook enhancer' and not just a colour changer. There are over 10 features available to the iStyla user. Some of them are access to the iStyla theme store, an Unfriend Finder and a new navigation menu.

When I started developing iStyla, I never thought about making money from it. Only when people started asking me how I intended making money out of it did I think about how I could make some cash. I remembered the thrill of getting cheques from my blogging days so I knew I could find a way to earn money with iStyla. The one option was to give the iStyla colour changer away for free and offer an upsell for the premium features for about $5. The other option was to inject ads into the user's news feed and sell affiliate products. I chose the second option and gave the user the choice of either having the ads or paying $4 to remove the ads.

The iStyla user growth has gone down over the past few months because I was focusing on developing the product, rather than growing the user base. Before the end of April 2013 I want to increase the iStyla DAUs from 1500 to 3000 (DAUs or daily active users is the sum of the unique users who use iStyla at least once a day). The more users, the more ad clicks and the more money I get from affiliate product sales.

I am currently in the process of registering my private company, iStyla (Pty) Ltd. Under that company will be iStyla and a secret new iPhone app I am creating. I can't say much about the new mobile app, but it does have something to do with social networks and it is going to be awesome!

The registration process has been simple so far. I have diligent, hard-working lawyers who have been assisting me with the registration. The biggest expense I will have will be setting up shareholders' agreements.

My parents have also always supported me and helped me with my programming ventures. They have always seen that I have a passion for technology and they have nurtured it. I have been using the internet since I could type 'hello' on a keyboard and that has taught me to solve problems myself. For example, when I used to ask my dad simple questions like 'How do you include a CSS file in an HTML file?' he used to tell me to Google it. I did and I found the solutions. That is mainly how I learnt programming – by Googling it. Whenever I have a programming question I Google first, then if it doesn't deliver the answer, I ask my parents or the stackoverflow.com community (a Q&A website for developers).

Speaking of Google, I use YouTube (a Google-owned website) to stay up to date with technology news. I watch top tech YouTubers like jon4lakers, marquesbrownlee and lockergnome for tech info. This ensures I always stay up to date with what is going on in the electronic world. I also follow blogs like UserExperience.co.za/Blog for design trends.

My mom is a creative director and, as I have mentioned before, my dad a programmer. I believe this mix has given me both a creative and a logical mind, allowing me to think of ideas and execute them correctly.

In November 2012, I also gave a talk about iStyla at the Cape Town Start-up Weekend. This is an annual event where attendees with business ideas can pitch in front of a panel of judges who criticise the ideas. The participants can partner to develop certain ideas together. Start-up Weekends are held over the entire world. I was so nervous before I gave my talk that I nearly pulled out. I didn't. That was a great night. The talk was a success and I was bombarded with compliments and questions. One of the questions was 'Can I speak to you afterwards?' The man asking the question was Permjot Valia, an investor. My parents and I met with him straight after my talk and he has offered to invest in my company. He is a great mentor. Even though he is rarely in South Africa we can still communicate via email and I can ask him for advice any time.

Apart from my parents, my education has given me the self-confidence and social skills necessary for me to be successful. School is important to me. I think Google has taught me more about actual business and programming than school has, but I still think school has taught me many other useful things. For example, EMS (accounting) has helped me with looking at companies' books. Maths has helped me a lot because programming requires a good knowledge of maths. And one of my English teachers in Grade 5 really believed in me and inspired me, so she helped with self-confidence. I often have to stay at school until late to do sport, etc. but then I spend time on my business as well. I manage to stay on top of my work and keep my marks high. Even though I stay up quite late to work on my business, I am not tired at all the next day. My passion keeps me going.

In the next few months I need to get my business organised. I need more investment to employ a developer or development agency to assist with the front-end of my mobile app because I focus on the back-end. I think I would rather outsource an agency to do the work for me, because it is extremely hard to fire a person in South Africa. Hiring an agency is also preferable because they have experience with developing applications and bringing them to market.

I need to set up the first version of my business plan within the next few weeks. I must determine how I am going to make money and what my expenses will be. Then I will present my business plan to potential investors.

Yes, call me a geek, a nerd, a techie. But that's who I am. I am a guy who enjoys the rollercoaster ride of business and who loves the challenges and that feeling of accomplishment when I solve a programming problem."

PART III: Entrepreneurial Activity in South Africa

SECTION 1: Early-stage entrepreneurial activity (TEA)

Since individuals in GEM's survey are asked if they intend to pursue a business opportunity within the next three years, it is important to look at what the entrepreneurial intentions rate was in 2009. The percentage of adults in South Africa who stated that they intended to become entrepreneurs in 2009 was 11%. Three years later, in 2012, the actual total early-stage entrepreneurial activity (TEA) rate in 2012 is 7.3% (as indicated in Chapter 1). In 2009, many South Africans were looking forward to hosting the Soccer World Cup event in 2010, and some individuals may have intended to pursue perceived business opportunities which arose as a result. The country's TEA rate did increase in 2010 (from 5.9% in 2009 to 8.9% in 2010) and then remained constant in 2011. In 2012, however, South Africa's TEA rate has dropped to 7.3%.

Even if an individual exhibits entrepreneurial intentions, it is by no means certain that he or she will actually end up becoming an entrepreneur. According to the *GEM Global 2008 Report*, there are several assessments to be made, which may or may not be conscious. There is the *assessment of opportunity costs*, which involves comparing the expected returns of entrepreneurship to the expected returns of an alternative occupation, of which the most common is being employed. There is also a *risk-reward assessment*: even if the expected returns from entrepreneurship are considerably higher than the best alternative, the perceived risks involved may be too high for an individual who is thinking about starting a business.

South Africa's early-stage entrepreneurial activity

Developing countries are characterised by low GDP per capita income and high TEA rates. The low GDP per capita of these economies generally indicates that a large percentage of the population is either unemployed or underemployed (they earn very low wages). Individuals therefore start businesses because they are unable to find employment or to supplement low wages. A relatively high proportion of entrepreneurial activity is therefore usually motivated by reasons of necessity (*GEM South Africa 2005 Report*). As GDP per capita increases, TEA rates generally decline because established and larger firms tend to provide more jobs for the labour force, and are more able to satisfy the increasing demand of growing markets from technological development and economies of scale. These firms create more stable employment and people are less likely to start their own businesses.

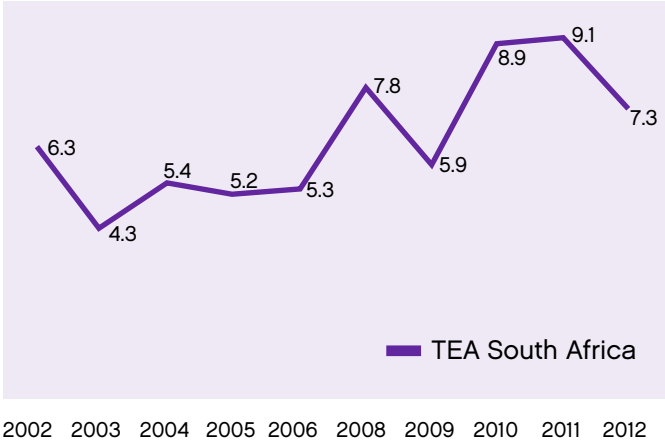


Figure 2.6 Prevalence rates of early-stage entrepreneurial activity (TEA) in South Africa, 2002-2012

Since South Africa has a low GDP per capita, relative to the GEM sample, high levels of entrepreneurial activity would be predicted. However, South Africa's TEA rate of 7.3% in 2012 is a decrease from its rate in 2011 (9.1%) and is far below the average for efficiency-driven economies (14.3%). This once again confirms South Africa's trend of below-average early-stage entrepreneurial activity which has been demonstrated in previous GEM surveys. **Figure 2.6** tracks South Africa's TEA rate over the past 10 years.

Table 2.11 shows the split between opportunity- and necessity-driven rates in South Africa for 2011 and 2012. Encouragingly, there is an increase of 4 percentage points in the opportunity-driven rate (67%) in 2012. However, this is tempered somewhat by the fact that the overall TEA rate dropped from 2011 to 2012, indicating that the actual number of opportunity-driven entrepreneurs did not increase.

Table 2.11 Opportunity- and necessity-driven rates in South Africa, 2012

	Opportunity-driven (% of TEA)	Necessity-driven (% of TEA)
2012	67%*	32%
2011	63%	35%

* *Read as: 67% of early-stage entrepreneurs in South Africa were motivated by a business opportunity*

Table 2.12 Current jobs by opportunity- and necessity-driven businesses in the early-stage activity phase in South Africa, 2012

Number of current jobs	Opportunity-driven businesses	Necessity-driven businesses
No employees	13%*	14%
1 – 5 employees	68%	81%
6 – 19 employees	11%	6%
20+ employees	8%	0%
Total	100%	100%
Mean employees per firm**	**6.1**	**2.1**

* *Read as: 13% of opportunity-driven businesses currently have no employees*

** *This is an estimate based on the following assumptions regarding the mean number of jobs in each category: 1–5 employee firms have a mean of 2, 6-19 employee firms have a mean of 9, and 20+ employee firms have a mean of 50 (GEM South African 2005 Report)*

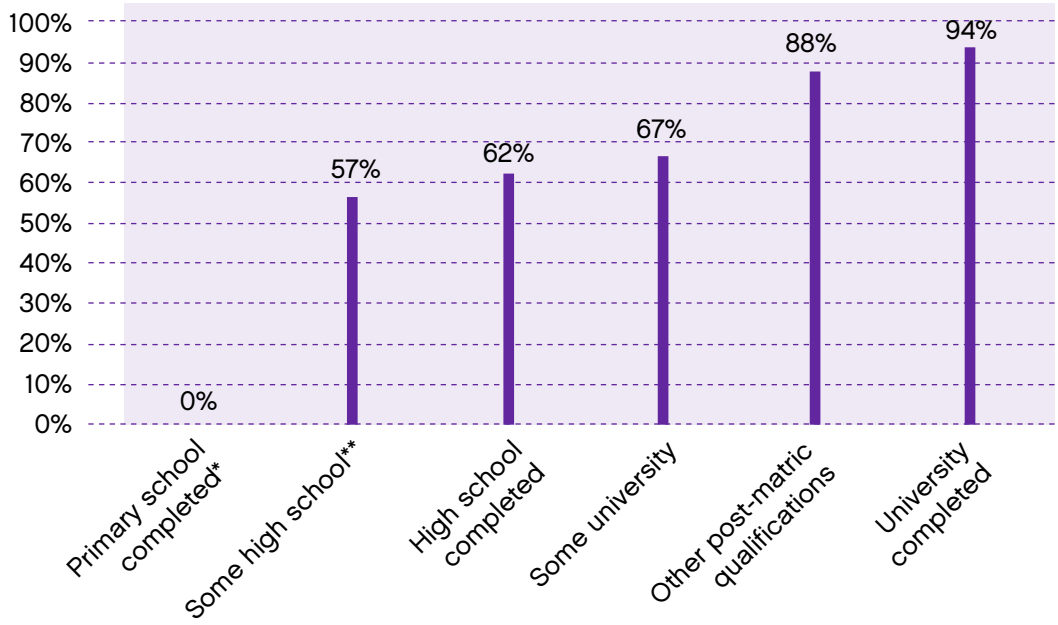
The importance of opportunity-driven entrepreneurship for a country can be seen in the number of jobs that have been created, in comparison to those that have been created by necessity-driven businesses. **Table 2.12** shows that a mean of 6.1 people have been employed by the early-stage opportunity-driven entrepreneurs, compared to just 2.1 employees for the necessity-driven entrepreneurs.

The importance of education is once again reaffirmed in **Figure 2.7**, which shows a positive correlation between opportunity-driven entrepreneurship and educational attainment.

A profile of South Africa's early-stage entrepreneurs

Gender

GEM surveys around the world have consistently shown that men are significantly more likely to pursue entrepreneurship than women (with only a few countries serving as exceptions). While South Africa has over the last 2 years showed improvements where the gender gap is concerned, **Table 2.13** shows that the gap widened



* *Within this education group (primary school completed), the entrepreneurs (of which there were only 3) believed that the motive was part opportunity, part necessity*

** *Read as: 57% of South Africa's early-stage entrepreneurs with some high school education were driven into entrepreneurship because of a business opportunity*

Figure 2.7 Opportunity-driven entrepreneurs, by level of education attained, 2012

Table 2.13 Entrepreneurial activity, by gender, 2012

	Male	Female
TEA	61%*	39%
Motivated by opportunity (within gender group)**	71%	61%
Motivated by necessity (within gender group)	27%	39%

* *Read as: 61% of early-stage entrepreneurs are male*

** *Read as: 71% of male entrepreneurs are opportunity-driven, compared to 61% of female entrepreneurs*

Table 2.14 Current jobs by gender in the early-stage activity phases in South Africa, 2012

Number of current jobs	Male early-stage owners	Female early-stage owners
No employees	14%*	11%
1 – 5 employees	71%	77%
6 – 19 employees	7%	11%
20+ employees	7%	0%
Total	100%	100%
Mean employees per firm**	**5.6**	**2.5**

* *Read as: 14% of early-stage firms owned by males currently employ no employees*

** *This is an estimate based on the following assumptions regarding the mean number of jobs in each category: 1–5 employee firms have a mean of 2, 6-19 employee firms have a mean of 9, and 20+ employee firms have a mean of 50 (GEM South African 2005 Report)*

again quite significantly in 2012 (61% males versus 39% females). Females are also more likely than are males to be motivated into entrepreneurship by necessity rather than by opportunity.

Table 2.14 shows the current number of jobs which have been created by early-stage male and female entrepreneurs. It is clear that businesses with the highest number of employees (20+) are owned by males, a consistent GEM finding over the years. Policies and programmes which increase female access to and involvement in entrepreneurship should therefore also focus on the development of skills to both recognise and exploit high growth opportunities. However, care will also need to be taken when allocating resources away from those interventions which currently increase job creation.

Age

The influence of age on entrepreneurial activity has shown to be similar throughout GEM countries. The prevalence of early-stage entrepreneurial activity tends to be relatively low in the 18-24 years cohort, peaks among 25-34 years cohort, and then declines as age increases, with the biggest drop in the 55-64 years cohort (GEM South Africa 2010 Report). In South Africa, this has typically been the case as well. However, the results from the 2012 survey show that the highest percentage of early-stage entrepreneurs (11%) is found in the 35-44 years cohort (**Table 2.15**). This finding is encouraging because those in this age group are likely to be more experienced in business which should serve as an advantage for their entrepreneurial ventures.

Table 2.15 Involvement in early-stage entrepreneurial activity, by age, 2012

Age category	Percentage of individuals, within age group, involved in TEA
18-24 years	5%*
25-34 years	9%
35-44 years	11%
45-54 years	7%
55-64 years	3%

* *Read as: 5% of 18-24 year olds are involved in early-stage entrepreneurial activity*

Race

Previous GEM reports have shown that Black Africans have been less entrepreneurial than other race groups in South Africa relative to their prevalence in the population. An encouraging finding in GEM's survey in 2012 (**Table 2.16**) is that the percentage of Black Africans involved in early-stage entrepreneurial activity (83%) has now exceeded the percentage of Black Africans in the overall population (73%).

Table 2.17 shows that Black Africans are also mainly motivated by opportunity rather than by necessity (66% versus 33%), another encouraging finding since they are the majority race group in South Africa. Attention is needed where Coloureds are concerned. The majority of the Western Cape's population (49%) is made up of Coloureds (other provinces, with the exception of the Northern Cape, have very low percentages of Coloureds) (Census 2011). It should therefore be in the interests of the Western Cape provincial government to ensure that policies targeting Coloureds are prioritised. Considering the high percentage of the Coloured population in the Western Cape, it is not

Table 2.16 Involvement in early-stage entrepreneurial activity, by race group, 2012

Race group	Prevalence in entrepreneurial population	Prevalence in South Africa population*	Ratio of early-stage entrepreneurs to overall group
Black African	83%**	79%	1.04
Coloured	3%	9%	0.3
Indian	3%	3%	1
White	12%	9%	1.3

* *Source: Census 2011*

** *Read as: 83% of South Africa's early-stage entrepreneurs are Black African*

Table 2.17 Motivation for entrepreneurial activity, within race group, 2012

Race group	Opportunity-driven	Necessity-driven
Black African*	66%	33%
Coloured	17%	67%
Indian	60%	40%
White	87%	13%

* *Read as: 66% of Black African early-stage entrepreneurs were motivated by an opportunity. 33% of Black Africans were motivated by necessity*

surprising that the Western Cape also has one of the lowest ratios of entrepreneurs to the overall provincial population (at 0.5). Furthermore, the vast majority of Coloureds who are entrepreneurs are motivated by necessity rather than opportunity (**Table 2.17**).

Provincial distribution

Table 2.18 shows that Gauteng province has the highest percentage of early-stage entrepreneurs (29%). However, the Eastern Cape and Free State provinces have the highest ratios of entrepreneurs to their overall provincial populations (1.4). While the Western Cape has one of the lowest ratios of entrepreneurs to its population size, the percentage of entrepreneurs in its *metropolitan* areas (73%) is the highest in the country (**Table 2.19** (See page 44)). Conversely, while Limpopo province also has one of the lowest ratios of entrepreneurs to its population size, the province's largest concentration of entrepreneurs is in its rural areas (75%).

Table 2.18 Involvement in entrepreneurial activity, by province, 2012

Province	% of early-stage entrepreneurs (TEA)	Percentage of provincial population to national population*	Ratio of entrepreneurs to overall provincial group
Gauteng	29%**	24%	1.2
Kwazulu-Natal	23%	20%	1.2
Eastern Cape	18%	13%	1.4
Mpumalanga	10%	8%	1.3
Free State	7%	5%	1.4
Western Cape	6%	11%	0.5
Limpopo	4%	10%	0.4
North West	4%	7%	0.5
Northern Cape	0%	2%	0

* *Source: Census 2011*

** *Read as: 29% of South Africa's early-stage entrepreneurs are in Gauteng province*

Table 2.19 Involvement in entrepreneurial activity, within community size, 2012

Province	Metropolitan	Other urban	Rural	Total
Western Cape	73%*	27%	0%	100%
Gauteng	72%	28%	0%	100%
Kwazulu-Natal	48%	7%	46%	100%
Free State	29%	64%	7%	100%
Eastern Cape	27%	12%	62%	100%
Limpopo	0%	25%	75%	100%
Mpumalanga	0%	47%	53%	100%
Northern Cape	0%	0%	0%	N/A (no entrepreneurs in sample)
North West	0%	57%	43%	100%

** *Read as: 73% of the Western Cape's early-stage entrepreneurs are found in its metropolitan areas*

Entrepreneurial Framework Conditions (EFCs) most likely to have an impact on the transition from entrepreneurial intentions to early-stage entrepreneurial activity

While it cannot be assumed that the gap between intentional entrepreneurship and actual early-stage entrepreneurial activity can ever be completely closed, it is important to consider the conditions which may help to explain, in part, why the perceived risks are too high, or perceived challenges too great, for an individual to consider pursuing a business opportunity.

GEM proposes that the following EFCs have the largest influence on the transition from entrepreneurial intentions to early-stage entrepreneurial activity:

- Government policies (registration of business)
- Finance
- Education

Table 2.20 shows the national experts' mean scores for each of the EFCs which are believed to have the largest influence on this transitional phase. Each of the EFCs has been given an unfavourable score, providing an indication as to why South Africa's pool of early-stage entrepreneurs is below the average for efficiency-driven economies (14.3%).

Table 2.20 EFCs influencing the transition from entrepreneurial intentions to activity

Entrepreneurial Framework Conditions	Mean score 2012	Mean score 2011	Mean score 2010	Mean score 2009
Concrete government policies: entrepreneurship priority and support	2.63	2.60	2.70	2.78
Financial environment and support related to entrepreneurship	2.49	2.46	2.48	2.41
Primary and secondary level entrepreneurship education	1.81	2.03	1.75	2.18

Government policies

In recent years South Africa's rankings in the Global Competitiveness Index where regulations associated with starting a business are concerned have shown some improvement. In 2012 they improved only marginally, with the number of procedures required to start a business (5) ranked 29th out of 144 countries (from 34th out of 142 countries in 2011), and the number of days to start a business (19) ranked 80th out of 144 countries (from 84th out of 142 countries in 2011). One of GEM's national experts stated that, while in theory the number of days to start a business is improving, in practice there are still numerous delays.

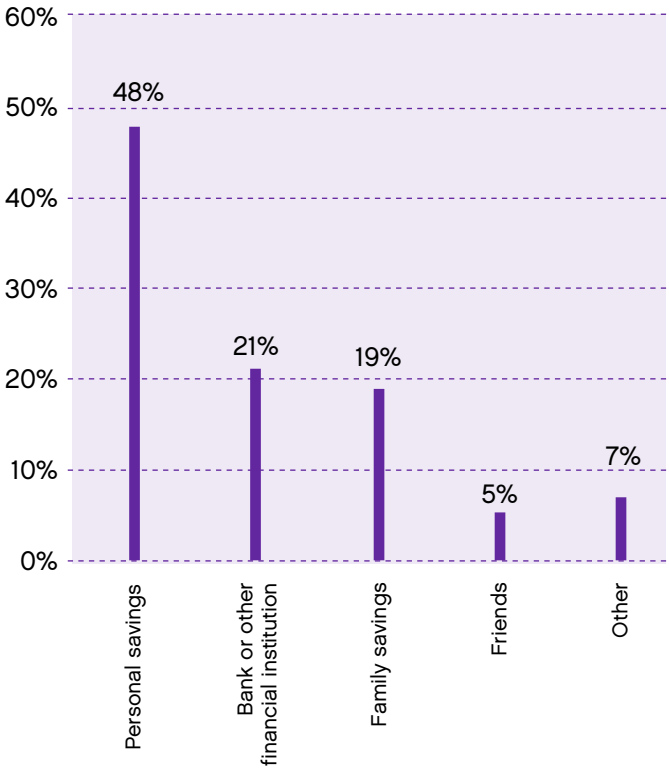


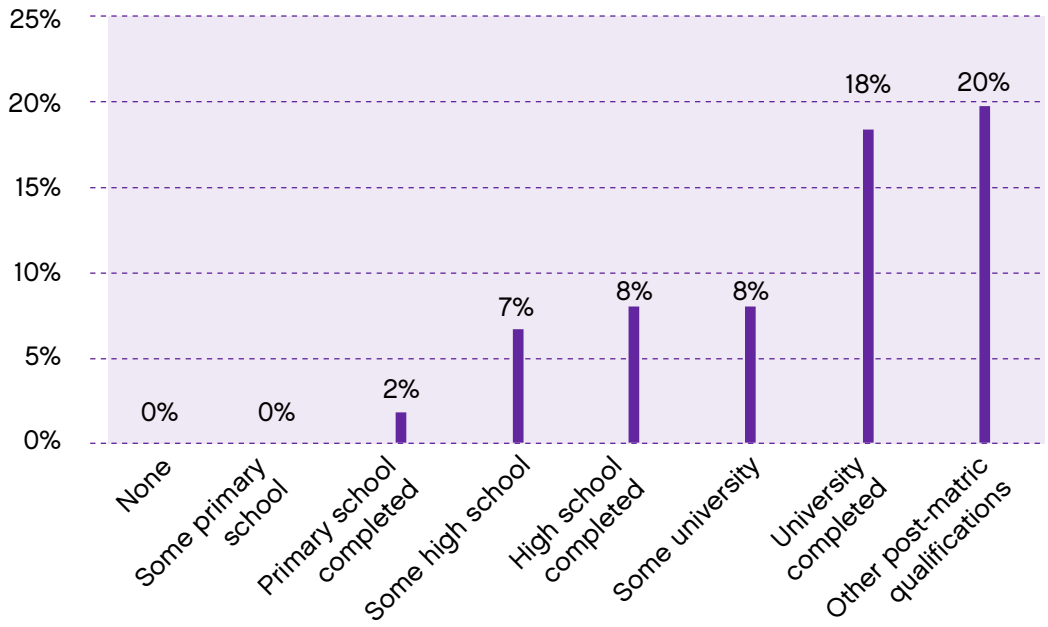
Figure 2.8 Sources of funding for South Africa's entrepreneurs, 2012

In contrast, the Chilean government passed the "Business in a Day" bill in January 2013 (*Santiago Times*, 2013). The process of registering a new business in Chile currently costs between US$500 and $750 and requires an average of eight business days to complete. With the new legislation, which will come into effect in May 2013, registration will be free and will take just 24 hours.

Financial environment and support

This Entrepreneurial Framework Condition describes the supply and demand of financial resources (debt, equity and subsidies), particularly for new and expanding businesses. Even though the challenges in accessing finance facing intentional entrepreneurs are well-known and have been extensively debated, banks in South Africa are becoming more conservative, requiring more security and a longer track record which many start-ups do not have. Many intentional entrepreneurs, therefore, need to use their own private funds or extend their bonds if that option is available. Other means of financing include securing a loan in their personal capacity to finance the business, or approaching family and friends.

GEM's data corroborates this. **Figure 2.8** shows the breakdown of where the entrepreneurs expect the majority



Read as: 18% of individuals in South Africa who have completed university are involved in early-stage entrepreneurial activity

Figure 2.9 Involvement in early-stage entrepreneurial activity, by level of education attained, 2012

of the required start-up funds to be sourced. Of note were the relatively small amounts of finance needed: just over half (56%) of the early-stage entrepreneurs required R10,000 or less to start their new business. Of the total number of entrepreneurs surveyed, 80% required R50,000 or less to start their businesses, while the remaining 20% needed between R50,000 and R500,000 as seed capital.

In 2012 the Small Enterprise Finance Agency (Sefa) was formed by the government, merging three public organisations, namely Khula Enterprises, the SA Microfinance Apex Fund and the Industrial Development Corporation's (IDC) Small Business Levy Book (Fin24.com, 2012). The IDC stated that the previous fragmented approach of delivery of finance to small business resulted in higher overhead costs, limited reach and insufficient impact (Creamer, 2011). One of Sefa's primary aims is to pay attention to gaps in the market such as those created when commercial banks are not able to fund small businesses. To assist in closing this gap, Sefa is planning to lend R2 billion to small businesses over the next three years. It will be important for Sefa to undertake monitoring and evaluation regularly to track activity, effectiveness, impact and governance, in order to respond immediately if adjustments in the organisation's model are needed.

The Global Competitiveness Index ranks South Africa extremely favourably – in 3rd place for financial market development and in 2nd place for both availability of financial services and soundness of banks. However, GEM's 38 experts gave this EFC a mean score of 2.49, a score which has hovered around the same mark for the past few years and which reveals that, in the opinion of the experts, the EFC remains less than favourable for entrepreneurship development. Many of GEM's experts believe that there is sufficient funding available in the marketplace, but the problem is that it is not made easily accessible (from both the public and private sectors) for new and growing firms. In addition, the finance which is available comes at very high costs to intentional and existing business owners. Finance was cited as one of the three most constraining factors for entrepreneurship development by 43% of the experts.

Constraints from the experts regarding **finance** included:

- "High cost of finance"
- "Crippling interest rates"
- "Lack of access to VC funding"
- "Difficulty in gaining access to credit"
- "Inaccessibility to crucial seed capital"
- "Lack of early-stage funding of new technology ventures"
- "Lack of micro-finance initiatives"
- "Lack of bridging finance"
- "Lack of government subsidies for early-stage seed investments"

Education

GEM's data on early-stage entrepreneurial activity reaffirms the importance of education. **Figure 2.9** shows a positive correlation between early-stage entrepreneurs and level of education attained.

SUMMARY OF PART III Section 1: Transition from Intentional Entrepreneurship to Early-stage Entrepreneurial Activity

- South Africa's TEA rate decreased from 9.1% in 2011 to 7.3% in 2012. It is significantly below the average of efficiency-driven countries (14.3%).
- South Africa's opportunity-driven rates increased from 63% in 2011 to 67% in 2012.
- Current jobs, on average, for opportunity-driven businesses in the early-stage entrepreneurial phase are 6.1 per firm, compared to 2.1 for necessity-driven firms.
- A positive correlation was found between early-stage entrepreneurial activity and levels of education.
- A positive correlation was found between opportunity-driven entrepreneurship and levels of education.
- South Africa's gender gap widened, with 61.3% of males and 38.7% of females in the entrepreneurial population.
- Male early-stage entrepreneurs currently employ a mean of 5.6 people, compared to 2.5 by female entrepreneurs.
- For the first time, the highest concentration of entrepreneurs was found in the 35–44 years cohort (11% of those in the age group).
- The percentage of Black Africans in the early-stage entrepreneurial population is higher than the percentage of Black Africans in the overall population (with a ratio of 1.2).
- Coloureds are the least entrepreneurial in the early stages, with a ratio of 0.3 entrepreneurial Coloureds to the overall Coloured population. Furthermore, of the Coloured early-stage entrepreneurs, a high majority are motivated by necessity (67%), compared to the other race groups were the majority are motivated by opportunity.
- The Eastern Cape and Free State provinces have the highest ratios of early-stage entrepreneurs relative to their population sizes (1.4).
- The Entrepreneurial Framework Conditions most likely to have an impact on the transition from intentional entrepreneurship to early-stage entrepreneurial activity are government policies (in terms of the process for starting a business), finance and education.
- Where registration of a business is concerned, even though the process has improved somewhat, delays are still occurring.
- With regards to finance, many of GEM's experts believe that there is sufficient funding in the marketplace. However, the problem is that it isn't made easily accessible from both the public and private sectors) for new and growing firms. The finance which is available comes at very high costs to intentional and existing business owners. Finance was cited as one of the three most constraining factors for entrepreneurship by 43% of the experts.

SECTION 2: Established business ownership

South Africa's established business activity rate is the second lowest in the world, at 2.3%, and is significantly below the average for efficiency-driven countries of 8% (**Table 2.21**). More worrying is that South Africa's rate of business discontinuation (4%) is higher than its rate of established business activity.

Table 2.21 Established business ownership rates in South Africa and efficiency-driven countries

	Established business ownership rate
South Africa (as an efficiency-driven economy)	2.3%*
Efficiency-driven countries: average	8%

* *Read as: South Africa's established business ownership rate is 2.3% of its population*

Gender and race

Where gender is concerned, **Table 2.22** shows that the percentage of male involvement was found to be higher than the percentage of female involvement (3% versus 2%), similar to what was found in early-stage entrepreneurial activity rates.

Table 2.22 Established business ownership rates in South Africa by gender, 2012

	Established business ownership rate
Males	3%*
Females	2%

* *Read as: 3% of the male population is involved in established business ownership*

With regards to race, it is encouraging to find that the percentage of Black Africans involved in early-stage entrepreneurial activity increased in 2012. However, their involvement in established business activity is less encouraging.

Black Africans have a ratio of 0.8 in terms of established business ownership relative to their prevalence in South Africa's overall population (**Table 2.23**). Indians have the highest ratio of established business ownership to their prevalence in the population (3.2), while Coloureds have the lowest ratio (0.2).

Entrepreneurial Framework Conditions (EFCs) most likely to have an impact on the transition from early-stage entrepreneurial activity to established business ownership

South Africa's consistently poor rate of established business activity over the years, relative to other efficiency-driven economies, indicates that a multitude of factors are hampering the efforts of the country's entrepreneurs to transform their businesses from the early to the established business phase. GEM proposes that the following EFCs have the largest influence on the transition from early-stage entrepreneurial activity to established business ownership:

- Commercial infrastructure
- Physical infrastructure
- Government policies
- Internal market openness
- Government programmes

Table 2.23 Involvement in established business activity, by race, 2012

Race group	Prevalence in established business activity (%)	Prevalence in South Africa population (%) *	Ratio of established business owners to overall group
Black African	66%*	79%	0.8
Coloured	2%	9%	0.2
Indian	8%	3%	3.2
White	24%	9%	2.7

* *Read as: 66% of individuals involved in established business activity are Black African*

Source: Census 2011

Table 2.24 EFCs most likely to influence the transition from early-stage entrepreneurial activity to established activity

Entrepreneurial Framework Conditions	Mean score 2012	Mean score 2011	Mean score 2010	Mean score 2009
Commercial & professional infrastructure	2.95	2.96	2.95	2.91
Physical infrastructure & services	2.89	3.05	3.09	3.15
Concrete government policies: entrepreneurship priority and support	2.63	2.60	2.70	2.78
Internal market openness	2.31	2.45	2.49	2.45
Government programmes	2.10	2.06	2.12	2.13

Table 2.24 shows the national experts' mean scores for each of the EFCs which are believed to have the largest influence on this transitional phase. Each of the EFCs has been given an unfavourable score, providing an indication as to why South Africa fares consistently poorly where established business activity is concerned.

Commercial infrastructure

Commercial infrastructure refers to sub-contractors, suppliers, consultants and professional services (e.g. accountants and lawyers), as well as banking services (e.g. checking accounts and letters of credit). This EFC, given a mean score of 2.95 by GEM's experts in 2012, has historically been cited as one of the most favourable of the 12 Conditions, with only a low percentage of experts citing it as one of the three most constraining factors for entrepreneurship development. However, scoring below a 3 still makes it less than favourable. Over 70% of the experts strongly believed that the biggest constraint where this EFC is concerned is that new and growing firms often cannot afford the cost of using sub-contractors, suppliers and consultants, services which are as important for them as they are to both established and larger firms.

Physical infrastructure

According to the National Planning Commission, the economy has been constrained by inadequate investment in the energy and transport sectors, along with ineffective operation and maintenance of existing infrastructure – and the associated rising costs to consumers and businesses as a result. The government announced plans in 2012 to invest $450 billion in infrastructure development over the next 15 years, particularly where the ports, railways and roads are concerned (Flak & Potelwa, 2013). However, the roll-out is slow with many companies choosing to stay away from the tendering process, allegedly because of bureaucracy, lack of communication, poorly skilled government officials and corruption. Not only does lack of adequate and timely investment in infrastructure hamper the efforts of small companies, it also increases their costs of doing business. Furthermore, new opportunities that would have emerged in the marketplace from infrastructure investment are lost.

According to the *Doing Business 2012 Report*, South Africa is ranked very poorly where obtaining electricity is concerned (150th out of 185 countries). An individual needs to go through 5 procedures and wait approximately 226 days from time of application to time of connection. This is almost double the average waiting time of 133 days for sub-Saharan African countries. Furthermore, according to the National Small Business Chamber (NSBC), Eskom's recent proposed tariff increase of 16% over the next five years will likely force many small businesses running on tight margins to close, as well as slow down the growth of other businesses. Mike Anderson, CEO of NSBC, believes that small businesses should be exempt or at least be given generous concessions (*New Age*, 2013).

Communications is one of the fastest growing sectors in South Africa, driven by massive growth in mobile telephony and broadband connectivity (SouthAfrica.info, 2012). Mobile phone use in South Africa has increased from 17% of adults in 2000 to 76% in 2010. Today, more South Africans (29 million) use mobile phones than radio (28 million), TV (27 million) or personal computers (6 million). Fewer than 5 million South Africans use landline phones. The increase in usage of mobile and smart phones has also lead to increasing numbers of South Africans using the internet. However, the cost of communication services can be prohibitive for new businesses. Numerous surveys carried out, including those by Business Leadership South Africa, Research ICT Africa and Efficient Research, have shown that South Africa's costs where telecommunications and mobile telephony are concerned are among the most expensive relative to other countries, and in some cases are extraordinarily high. "What if" scenarios conducted by Efficient Research revealed that had telecommunications companies' prices increased by the average of other countries, inflation and

interest rates would have been lower at the time, annual economic growth would have been higher and thousands more jobs would have been created (Efficient Research, 2004). Even though this particular research was conducted eight years ago, it highlights the impact that significantly high prices can have on the economy, in particular on new and growing businesses. Mobile prices are cheaper in over 30 African countries than they are in South Africa with prices in Kenya, Mauritius, Egypt and Namibia only a fraction of the price of even the lowest priced services in South Africa (mybroadband, 2012).

GEM's experts have given access to physical infrastructure a mean score of 2.89. While it is one of the highest scores of the 12 EFCs for South Africa, it is nevertheless still less than favourable (as it is below an average score on the Likert scale of three). Furthermore, while the country is ranked 53rd out of 144 countries in the *Global Competitiveness Report* in terms of the quality of its overall physical infrastructure, the same report rated inadequate supply of infrastructure as the fourth most problematic factor for doing business in South Africa. High costs and long delays associated with the country's physical infrastructure and telecommunications sector may lead to the hampering of early-stage business activity, which is an already vulnerable time for entrepreneurs who should only be concerned with the internal aspects of their new businesses.

Government policies

With regards to labour market efficiency, **Table 2.25** shows that South Africa ranks among the worst in the world (113th out of 144 countries), with restrictive labour regulations ranked the second most problematic factor for doing business in the country (after inadequately educated workforce). Labour legislation is heavily skewed towards the interests of employees whereas, according to the *Doing Business 2011 Report*, it should actually work towards balancing worker protection against employment restrictions. GEM research has shown that there is a relationship between a country's entrepreneurial activity rates and its hiring and firing policies. South Africa's policies in this regard are ranked second worst in the world (143rd out of 144 countries). Some experts in South Africa believe that small businesses should be excluded from the legal requirements where dismissal is concerned, as it significantly increases the costs of doing business and hampers business growth.

A regulatory impact assessment conducted in 2012 on the government's proposal to create a presumption of indefinite employment (Benjamin, Bhorat & van der Westhuizen, 2011), showed findings that were interpreted as having the potential to destabilise the economy and contribute to the growing unemployment problem, in part because staff costs to businesses would increase considerably. The World Bank's *Doing Business 2013 Report* revealed that while many countries made numerous business reforms in the past year to make it easier to do business, South Africa's only business reform was an improvement in cross-border paperwork. An article in *The Sunday Times* (8th March 2012) quoted renowned entrepreneur, Herman Mashaba, who believes that the country's labour laws are stifling entrepreneurs in South Africa. He echoed the beliefs of many that the dismissal requirements are expensive and inflexible, which small businesses simply cannot afford. These, together with uncompetitive minimum wages, centralised collective bargaining and bureaucracy costs, significantly constrain a business's chances of survival and growth. The Department of Trade and Industry's Small Business Review Committee in 2012 noted that some Indian businessmen had visited South Africa and concluded that it seemed "too tiresome to do business in South Africa". Despite this, the DTI confirmed later in 2012 that relaxing labour laws in South Africa would not be possible (Bauer, 2012).

By contrast, in 2008, the European Union adopted the UK's "Think Small First" principle by creating the European Small Business Act, which includes a provision that European governments consider the impact that any laws crafted would have on small businesses before passing them. In

Table 2.25 South Africa's labour market efficiency relative to other countries

Indicator	Ranking (out of 144 countries)
Co-operation in labour-employer relations	144*
Hiring and firing practices	143
Flexibility of wage determination	140
Overall labour market efficiency	113

* *Read as: South Africa is ranked the worst in the world (144th out of 144 countries) where cooperation in labour-employer relations is concerned*

Source: World Economic Forum Global Competitiveness Report, 2012 – 2013

support of this Act, a goal of the European Commission is the introduction of special regimes to minimise regulatory burdens on small businesses and support their growth (SouthAfrica.info, 2012).

Another factor which stifles the growth of businesses is late payment to suppliers, especially by government departments. Minister Rob Davies from the Department of Trade and Industry acknowledged that bureaucratic procedures within government departments were causing delays in making timely payments to its suppliers. He stated that small businesses bear the heaviest burden as a result of late payments, because this creates numerous cash flow difficulties for the businesses. Small businesses cannot afford to go through a month without being paid for the services they render.

Unlike big business, they cannot absorb the burden of not being paid on time, since their overheads and staff costs are largely dependent on the payment for services rendered on a monthly basis. Late payments therefore distract business owners from focusing on their core business and growth opportunities. In the most unfortunate cases, they may also result in a company needing to close its doors (info.gov., 2012). President Zuma announced in May 2012 that the unpaid invoices over 30 days in national departments amounted to over R88 million, while the amount in provincial departments was in excess of R548 million (Times Live, 2012). Some entrepreneurs told the researchers of this report that they had decided not to bid for government work again, owing to the stress which late payments caused to their business.

Over half of GEM's national experts cited government policies as one of the most constraining factors for development of businesses in South Africa, giving it a less than favourable mean score of 2.63, with more than 60% citing this EFC as one of the most important to grow new businesses to the established phase.

Constraints from the experts regarding **government policies** included:

- "Restrictive labour laws are a massive problem"
- "Onerous labour legislation. In fact, onerous legislation in general"
- "Limited tax incentives"
- "Red tape"
- "Unnecessary regulatory burdens"
- "Labour issues"

Internal market openness

An open economy is a key driver of growth – boosting competition, lowering prices and maintaining pressure on producers, keeping them innovative and efficient. A score of 2.31 by GEM's experts for market openness suggests that market conditions are less than favourable to ensure ease of entry and low cost of entry for new and growing businesses, and a thriving competitive environment which is accessible to all, not just to a few large, established businesses.

According to the World Economic Forum (WEF), market openness is positively associated with growth. In the WEF's Global Competitiveness Report (GCR) 2012-2013, South Africa is ranked favourably in 25th place in terms of market size, and 32nd for goods market efficiency. However, from the perspective of entrepreneurship development, the country does not fare as well. 29% of GEM's national experts cited market openness as one of the most constraining factors for entrepreneurship. One of the experts believes strongly that market openness is the largest obstacle facing start-ups in South Africa, stating that a business prevented from finding and accessing its own customers is no business at all, and will be hampered in its ability to grow and become an established business in its own right.

While the South African government's policy of Broad-Based Black Economic Empowerment has drawn heavy criticism from many commentators over the years for its inability to distribute wealth across a broad spectrum of the population, as was the intention, some of GEM's experts commented that the higher weightings given to Enterprise Development and Preferential Procurement are a positive development, as these have higher potential to open up the market to more new and growing businesses.

Constraints from the experts regarding **internal market openness** included:

- "Anti-competitive behaviour by large businesses"
- "Established businesses make it hard for new businesses to enter the market"
- "Economy dominated by monopolies and cartels"
- "Economic structure favours large firms to the disadvantage of smaller firms"

Government programmes

Interventions related to entrepreneurship development could include training, development and consultation services to entrepreneurs, creation of a regulatory environment conducive to entrepreneurial development, stimulation

of an entrepreneurial culture, and access to finance for entrepreneurs (Smorfitt, 2008). In terms of a business's internal environment, critical success factors believed to increase the likelihood that a business will move into the established phase include general business management, growth and strategy management, growth marketing, financial management, as well as technical, leadership and communication skills. Interventions would therefore need to address these factors in particular to ensure business growth from the start-up to the established business phase.

According to Smorfitt (2008), it appears that there has been too much focus from the government on providing finance directly to new businesses, rather than on overcoming business failure due to the inability of entrepreneurs to gain the necessary entrepreneurial skills. Very few effective interventions exist for the vast majority of the critical success factors highlighted in the previous paragraph. An expert in Smorfitt's research on government interventions indicated that interventions seem to be intended to only improve the start-up rate, rather than to create sustainable, successful SMEs in the process. Small business failures are also not being tracked. A tracking mechanism may help policy-makers to understand in closer detail the reasons for failure, and therefore highlight appropriate interventions.

In 2011, a Small Business Review was conducted by the Department of Trade and Industry, with numerous recommendations proposed to support new businesses including the establishment of a programme for rolling out more incubators, and incentivising the involvement of other actors in incubation. The DTI's incubator support programme, launched in September 2012, provides cost-sharing grants to organisations and companies that are looking to set up more incubators (Timm, 2012). However, while South Africa's peers such as Brazil, Chile and Malaysia use incubation as a tool to stimulate innovation, in South Africa incubators appear to focus on quantity rather than quality (ideas and people with high potential). According to Timm (2012), businesses assisted by Brazilian incubators create on average 4.2 jobs, those assisted by Chile's ChileIncuba incubators create on average 1.5 jobs and those in Malaysian incubators create on average 2.5 jobs (similar to jobs per enterprise in the US and Korea). South African state-run incubators create an average of less than one job.

South Africa could also consider introducing the right kind of incentives for incubators, instead of trying to run incubators themselves. In 2011, Chile's small business agency, Corfo, introduced a new policy to help push incubators to assist good quality, high-growth firms. The incubators, most of which are linked to academic institutions, need to present the agency with new ideas, which will then receive a small portion of base funding. The rest of the funding becomes available only if the incubators can prove that the grants have helped incubatees increase their businesses' turnover, to employ more people and to obtain outside funding. This incentivises incubators to be more thorough in their selection of entrepreneurs, as well as recruit experienced mentors and provide extensive networking opportunities (Timm, 2012). Some of GEM's national experts stated that government should focus on providing funding, while the private sector should be responsible for skills development and mentorship, views which are supported by the findings of the Branson Centre of Entrepreneurship's *Youth Upstarts Report* (Branson Centre of Entrepreneurship, 2010).

The *Finscope Small Business Report* in 2010 showed 75% of the small businesses in the survey were not aware of any support programmes. A joint ILO/GEM survey in the Free State province in 2012 showed that 40% of young entrepreneurs had not made use of a support programme because they were not aware of any (Turton et. al, 2012). Smorfitt's research showed that of the entrepreneurs who were aware of support programmes, 30% applied for assistance – indicating that there is indeed demand in South Africa for interventions.

While positive correlations were found between educational attainment and entrepreneurial activity in the first three phases of the entrepreneurial pipeline, the researchers of this report found no correlation between educational attainment and *established* business activity. This could suggest that even those with higher levels of education are as vulnerable to the environmental constraints which hamper business growth as those with lower levels of education. According to The Sage Business Index 2012, existing small and medium sized business owners in South Africa feel that the government doesn't provide sufficient support for business, with their top three challenges being a need for a more skilled workforce, the reduction of bureaucracy and legislation and a reduction in business tax.

32% of GEM's experts believed government programmes to be currently one of the most constraining factors in South Africa for the development of entrepreneurship. Their concerns are summarised below.

Conclusion

It is important to note that many of the Entrepreneurial Framework Conditions influence more than one entrepreneurial phase of the pipeline. For example, investment in the economy's physical infrastructure could not only reduce costs to existing entrepreneurs, but also provide opportunities for potential entrepreneurs. A lack of physical infrastructure could also prevent an intentional entrepreneur from pursuing a good opportunity.

Constraints from the experts regarding **government programmes** included:

- "Lack of access to skills development programmes"
- "Superficial national government support for developing businesses"
- "Government should rather provide proper incentives to incubators and not try to run them themselves."
- "A proper platform to match entrepreneurs with services they require does not exist."
- "A true hub between service providers and potential contracts does not exist"
- "Slow and inadequate government services to support small businesses"
- "Lack of co-ordination of available efforts and resources"
- "No accountability or measurement within the government's SME agencies"
- "No long-term plan in place to co-ordinate and measure government and private sector involvement in creating and assisting small business"
- "Lack of access to support such as mentoring, infrastructure, incubators, computers"
- "Lack of training for entrepreneurs before start-up"

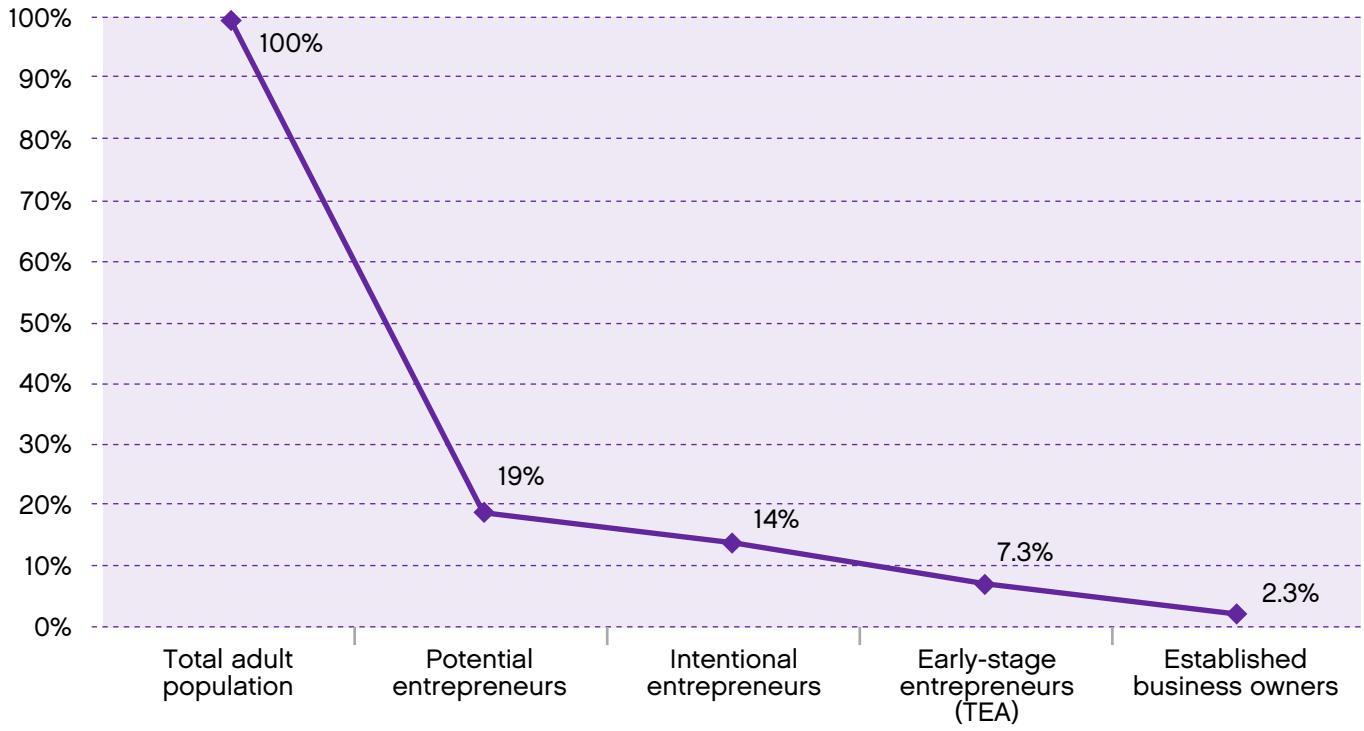


Figure 2.10 South Africa's entrepreneurial pipeline

In order to encourage economic development in the form of new enterprises, one of the first crucial steps is to create a healthy pool of potential entrepreneurs by promoting perceptions of both good business opportunities and capabilities. However, it is not enough to successfully increase the quantity and quality of potential entrepreneurs. It is crucial that an enabling environment is created in which those that do pursue entrepreneurship can flourish. The high-level findings from Chapter 2, which summarises South Africa's entrepreneurial pipeline, are portrayed in **Figure 2.10**.

Lastly, the final phase of any process or pipeline will always have an impact on the first phases, creating a dynamic, interconnected cycle of determinants and effects. South Africa's dismally low established business rate could have very negative impacts on the pools of both potential and intentional entrepreneurs. Where potential entrepreneurs are concerned, perceived opportunities would be affected, since the economy would lose new opportunities that are created from a marketplace thriving with competition in the form of established businesses that are able to adapt and innovate. In the case of intentional entrepreneurs, personal desirability would be negatively influenced, owing to a tiny number of successful business stories and therefore role models, thereby perpetuating a cultural norm already not kind towards failure.


Checkers
Checkers

SUMMARY OF PART III SECTION 2: Established Business Activity

- South Africa's established business rate of 2.3% is the second lowest in the world, far below the average for efficiency-driven countries (8%).
- Males are slightly more likely than females to be involved in established business activity (3% of the population versus 2%).
- Indians have the highest ratio of established business owners to their overall prevalence in the population (3.2), while Coloureds have the lowest (0.2).
- The Entrepreneurial Framework Conditions most likely to influence this transition are commercial infrastructure, physical infrastructure, government policies, internal market openness and government programmes.
- With regards to commercial infrastructure, the biggest concern for the experts was that small businesses usually cannot afford the cost of sub-contractors, suppliers and consultants.
- In terms of physical infrastructure, the rising costs associated with lack of investment affect small businesses the most.
- With regards to government policy, the country ranks among the worst in the world in terms of labour market efficiency. South Africa's dismissal requirements are expensive and inflexible, which small businesses cannot afford. These, together with uncompetitive minimum wages, centralised collective bargaining and bureaucracy costs, significantly constrain a business's chances of survival and growth. In addition, while government policy states that suppliers need to be paid on time by national and provincial departments, in practice this is not happening. This results in small business owners being distracted from their core business and sometimes results in their businesses being closed down.
- With regards to market openness, the national experts believe that market entry is not easy and affordable for new and growing businesses, with many sectors dominated by a few large, established businesses which make it difficult for new and smaller businesses to compete. One positive development, however, as seen by the experts, is that the relatively new BEE policy (which gives higher weightings to Enterprise Development and Preferential Procurement) has the potential to open up the market to more new and growing businesses.
- Where government programmes are concerned, the majority of entrepreneurs in numerous surveys have stated that they are not aware of any programmes. More reviews on existing institutions are required to assess their impact. Incubator support programmes appear to be focusing on backing quantity rather than quality.

SOUTH AFRICA'S entrepreneurial pipeline 2012

Requirements to increase the size of the pool of potential entrepreneurs:

- Dynamic market-place thriving with competition and innovation
- Transfer of new knowledge and technology gained through R&D to market-place
- A well-functioning education system of a high standard

Requirements to increase the number of established business owners:

- Subcontractors, suppliers and consultants that are affordable for new and growing businesses
- Timely and appropriate investment into physical infrastructure
- Affordable communications for all
- Private sector support of new and growing businesses
- Removal of onerous and restrictive policies and laws which constrain new and growing businesses
- Businesses to be paid on time
- A market open to new and growing businesses
- Strong competition authority
- Privately-run incubators incentivised to develop people and business ideas with potential for high growth and innovation
- Support programmes linked to mentorship
- Government focus on funding privately-run support programmes rather than on developing entrepreneurial skills

Requirements to increase the number of people with entrepreneurial intentions:

- A culture which embraces entrepreneurship and applauds hard work
- A society which creates and supports role model entrepreneurs which others can identify with
- Introduction and drive of entrepreneurship education in all primary and secondary schools, as well as in all post-matric qualifications

Potential Entrepreneurs

19%

Intentional Entrepreneurs

14%

Requirements to increase the number of early-stage entrepreneurs:

- A fast and simple business registration process
- Easier access to start-up funding at favourable terms
- Venture capitalists and angel investors with an appetite for risk
- A well-functioning education system of a high standard

Early-stage Entrepreneurs

7.3%

Sub-Saharan Africa's population is becoming increasingly younger, with youth as a proportion of its total population projected to be over 75% by 2015. In times of economic downturn, young people are generally the first to lose their jobs and the last to find jobs when the economy rebounds. South Africa's youth unemployment rate is 48%. The greatest challenge in fixing this crisis is to create more jobs.

SPECIAL FOCUS TOPIC 2012 – Youth Entrepreneurship

Introduction

According to the African Economic Outlook (2012), young people aged between 15 and 25 years represent more than 60% of Africa's total population and account for 45% of the total labour force. Where sub-Saharan Africa is concerned, its population is becoming increasingly younger, with youth as a proportion of sub-Saharan Africa's total population projected to be over 75% by 2015. Many young people have little or no skills and are therefore largely excluded from productive economic life. Those that have some education often exhibit skills irrelevant to current demand, because educational and skill requirements are becoming increasingly important. This has resulted in millions of unemployed and underemployed youth.

In South Africa, the youth unemployment rate is 48% (Youth Policy, 2011). According to the *City Press* (2013), approximately one million young people left school at the end of 2012. They include those who passed matric, those who wrote but didn't pass and those who left school without writing matric. While an additional 92,000 jobs in the formal sector were created in the last quarter of 2012, it is clearly not sufficient to absorb the surplus school-leavers who are not furthering their studies in post-matric institutions. Furthermore, the International Labour Organisation (ILO) notes that in times of economic downturn, young people are generally the first to lose their jobs and the last to find jobs when the economy rebounds (United Nations, 2011). The consequences are serious: instead of developing the labour force of the future, an underclass of thousands of discontented job-seekers and workers is being created who lack the necessary skills to support South Africa's growth in the long term. The number of taxpayers will be curtailed and the costs of benefits, which government must provide, increase. In South Africa, the number of people on welfare exceeds the number of people employed (Schussler, 2012).

It is speculated that unemployed youths are more likely to engage in anti-social activities and descend into crime. Long-term joblessness can also lead to a lowering of self-confidence and depression. Policy-makers around the world have consistently failed to address the youth unemployment problem, and the repercussions are being seen around the world: for example, in riots in London and in parts of North Africa and the Middle East in 2011 (*Time*, 2012). In South Africa, a Democratic Alliance-led march over the youth wage subsidy in May 2012, of which 2,500 of the protesters were

youngsters, reflected many young people's desperation for an entry of any sort into the job-market (Nicolson, 2012). The organisation Equal Education has protested against the lack of basic education infrastructure and supplies, protests which included school children. According to Media24 Investigations, official records show that there is a service delivery protest in South Africa at least once every two days. Unless the country's youth are educated and guided into productive economic activity, they are likely to become disenchanted, with the likely end result being that more will become active participants in these widespread protests.

The greatest challenge in fixing the youth unemployment crisis is to create more jobs. Given how topical youth unemployment is around the world, focusing on youth entrepreneurship (as one of numerous solutions to reduce youth unemployment) as the special topic for GEM in 2012 will add insight into the youth's perceptions of entrepreneurship, as well as providing information on those youth who are currently engaged in entrepreneurial activity. It may help to shed light on what needs to be done to effectively stimulate youth to consider entrepreneurship as a career option, as well as what needs to be done to adequately prepare, develop and support them as entrepreneurs. It is vital that those youths who are entrepreneurial, as well as *potentially* entrepreneurial, are well-researched and understood.

This special topic chapter profiles the young respondents and the young entrepreneurs between the ages of 18 and 34 years who participated in the APS survey. The influence of age on entrepreneurial activity has tended to be similar throughout countries involved in GEM. Typically, the prevalence of early-stage entrepreneurial activity is relatively low in the 18 – 24 years age bracket, peaks among 25 – 34 year olds and then declines as age increases. While it is not possible to expect to produce successful entrepreneurs immediately upon completion of school, college or university, young people tend to be full of ideas, can be resourceful and dynamic, and are capable of initiating income-generating activities and contributing to growth and economic development. It is therefore crucial for South Africa that these youthful characteristics are not lost and wasted. It is important that an entrepreneurial culture is embedded in the country in order to harness and develop entrepreneurial spirit and potential.

Entrepreneurs also need to have solid educations to enable them to problem-solve and think quickly on their feet. Therefore, it is necessary to determine whether South Africa is doing enough to educate and equip its youth for potential careers as entrepreneurs, whether it be upon completion of their formal educations or later in life. It is also crucial to understand whether the country is doing enough to create an enabling entrepreneurial environment for them. The purposes of the special topic are as follows:

- To estimate the size of our pool of young *potential* entrepreneurs, using the measures of perceived opportunities and capabilities as outlined in Part I of Chapter 2;
- To determine how many young people have *intentions* to become entrepreneurs, and to develop an understanding of their mindsets, attitudes and perceptions where entrepreneurship is concerned;
- To determine the profiles of the young men and women who are active *early-stage entrepreneurs* as well as owners of established businesses; and
- To identify and better understand the challenges and constraints facing our potential, intentional and active young entrepreneurs.

As GEM only conducts national surveys with respondents from 18 years to 64 years of age, GEM refers to "youth" as those falling in the age range of 18 to 34 years.

Sub-Saharan African comparisons

In 2012, 10 sub-Saharan countries took part in the GEM survey: Angola, Botswana, Ethiopia, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda and Zambia. Chapter 3 thus also offers a preliminary look at youth and entrepreneurship in these countries, which allows for comparisons with the youth in South Africa.

Table 3.1 provides a snapshot of the 10 sub-Saharan African countries (see page 60).

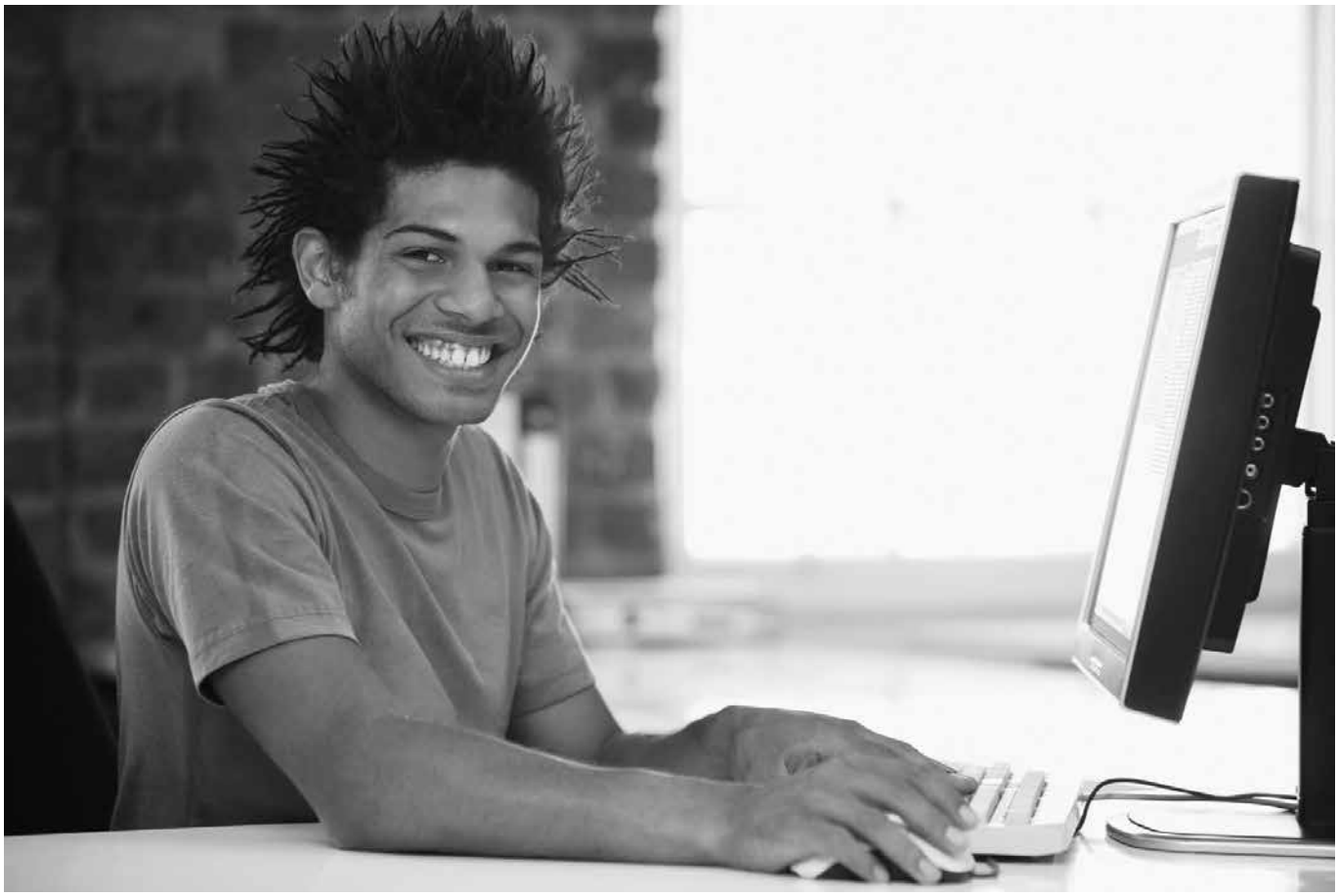
Table 3.1 Population size and unemployment rates in 10 sub-Saharan African countries, 2012

Country	Population*	National unemployment rate**	Youth unemployment rate***	Social welfare for unemployed persons
Angola	20 million	26%	50% (estimated)	No
Botswana	2 million	18%	27%	No
Ethiopia	85 million	18%	24%	No
Ghana	25 million	13%	26%	No
Malawi	15 million	3%	16%	No
Namibia	2 million	38%	60%	No
Nigeria	162 million	24%	38%	No
South Africa	52 million	25%	48%	Yes
Uganda	35 million	4%	22%	No
Zambia	13 million	15%	28%	No

* *Source: African Economic Outlook 2012*

** *Source: www.tradingeconomics.com. The unemployment rate measures the number of unemployed people that are actively looking for a job as a percentage of the labour force*

*** *As provided by GEM Sub-Saharan African national teams. Accurate statistics in Angola are very difficult to obtain, therefore an estimate was made given the average trend in other countries*



POTENTIAL ENTREPRENEURS among youth

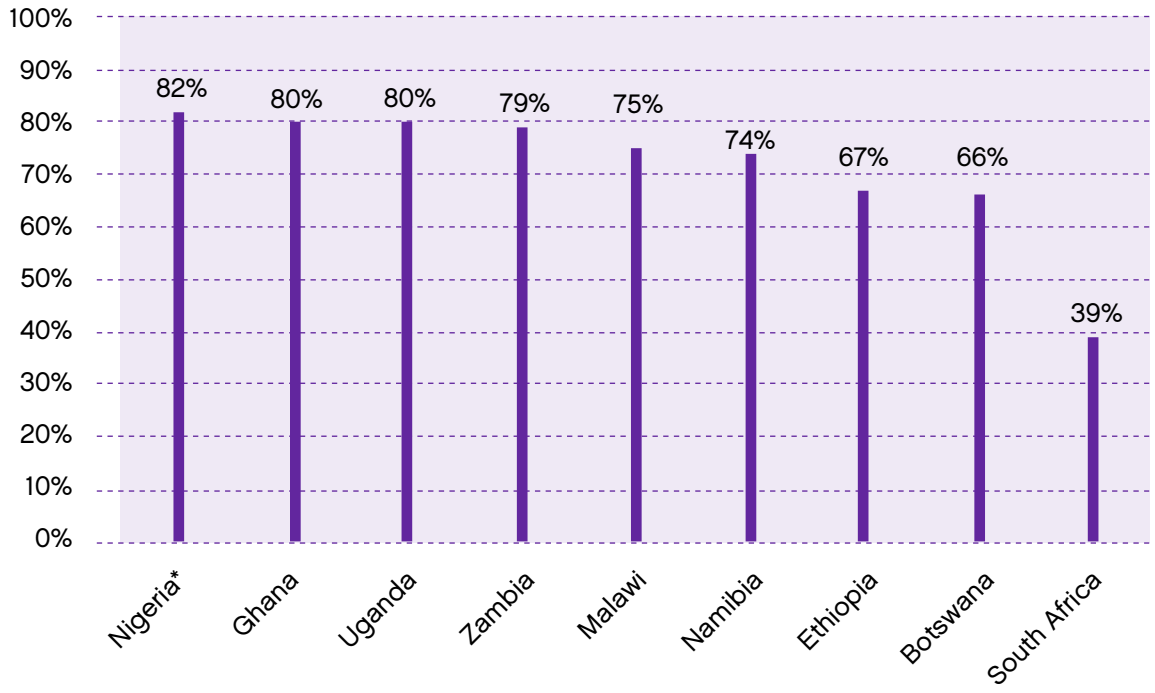
As discussed in Chapter 2, GEM considers potential entrepreneurs as those individuals who perceive good business opportunities and believe that they have entrepreneurial capabilities.

Perceived opportunities

Where perceived opportunities are concerned, **Figure 3.1** shows that South Africa's rate for perceived opportunities for its youth (39%) is the lowest of the sub-Saharan African countries, as well as substantially below the average of 64%.

GEM studies have shown that individuals in factor-driven countries tend to have higher perceptions that there are good business opportunities than other economy types. These findings hold true for the eight factor-driven countries in sub-Saharan Africa that took part in GEM 2012 (Angola, Botswana, Ethiopia, Ghana, Malawi, Nigeria, Uganda and Zambia). The average for factor-driven economies worldwide is 74%. Namibia, however, which is an efficiency-driven economy like South Africa, showed a rate of 66% – higher than the factor-driven average. The three sub-Saharan African countries with the highest rates for perceived opportunities in 2012 (Nigeria, Ghana and Uganda) had among the highest growth rates of the 10 countries in 2011 (World Bank, 2012). Nigeria and Ghana are also ranked highest of the 10 countries in the *Global Competitiveness 2012–2013 Report* for capacity for innovation and nature of competitive advantage. As outlined in Chapter 2, a growing, rapidly changing and dynamic market which thrives on competition and innovation, driven by entrepreneurial individuals, is a key condition to enable entrepreneurship development. While South Africa is ranked favourably in the *Global Competitiveness Report* for its capacity to innovate (41st out of 144 countries), it is ranked poorly (107th) for nature of competitive advantage. It is important that these two factors work together: innovation should lead to competitive advantages for an economy, which in turn will create new opportunities in the market-place.

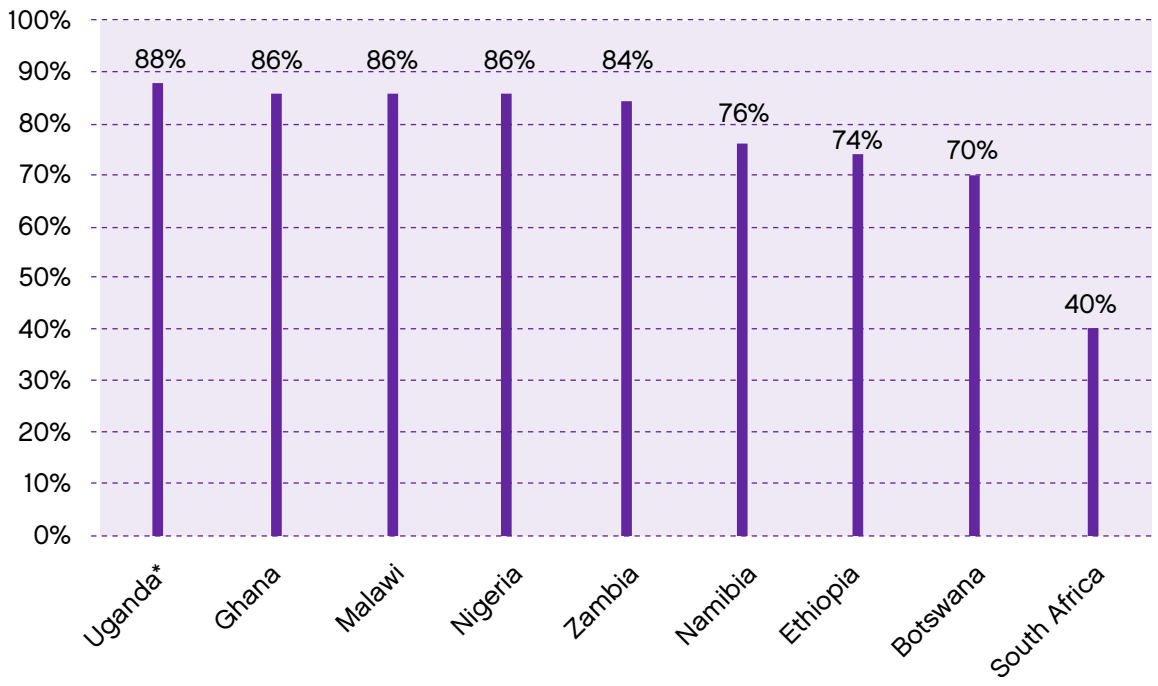
South Africa's rate of perceived opportunities of 39% for the youth is higher than the rate for the non-youth (32%). The youth have become increasingly in touch with current affairs and more connected to the market-place, owing to the exponential growth in social networking and their usage of mobile telephony and internet. These factors, together with youth's general resourcefulness and openness to new ideas, may help to explain in part why their rate for perceived opportunities is higher than the rate for the older age cohort.



* *Read as: 82% of 18-34 year olds in Nigeria perceive a good opportunity for starting a business*

^ *Average rate: 64%*

Figure 3.1 Perceptions of good business opportunities among the youth in sub-Saharan African countries



* *Read as: 88% of 18 to 34-year-olds in Uganda believe that they have entrepreneurial capabilities*

^ *Average rate: 69%*

Figure 3.2 Perceptions of entrepreneurial capabilities among youth in sub-Saharan African countries

Table 3.2 Perceived capabilities among youth and quality of education systems in 10 sub-Saharan African countries

Country	Perceived capabilities	Quality of the educational system (ranking out of 144 countries)*
Uganda*	88%	69
Ghana	86%	62
Malawi	86%	65
Nigeria	86%	83
Zambia	84%	39
Namibia	76%	126
Ethiopia	74%	85
Botswana	70%	55
South Africa	40%	140

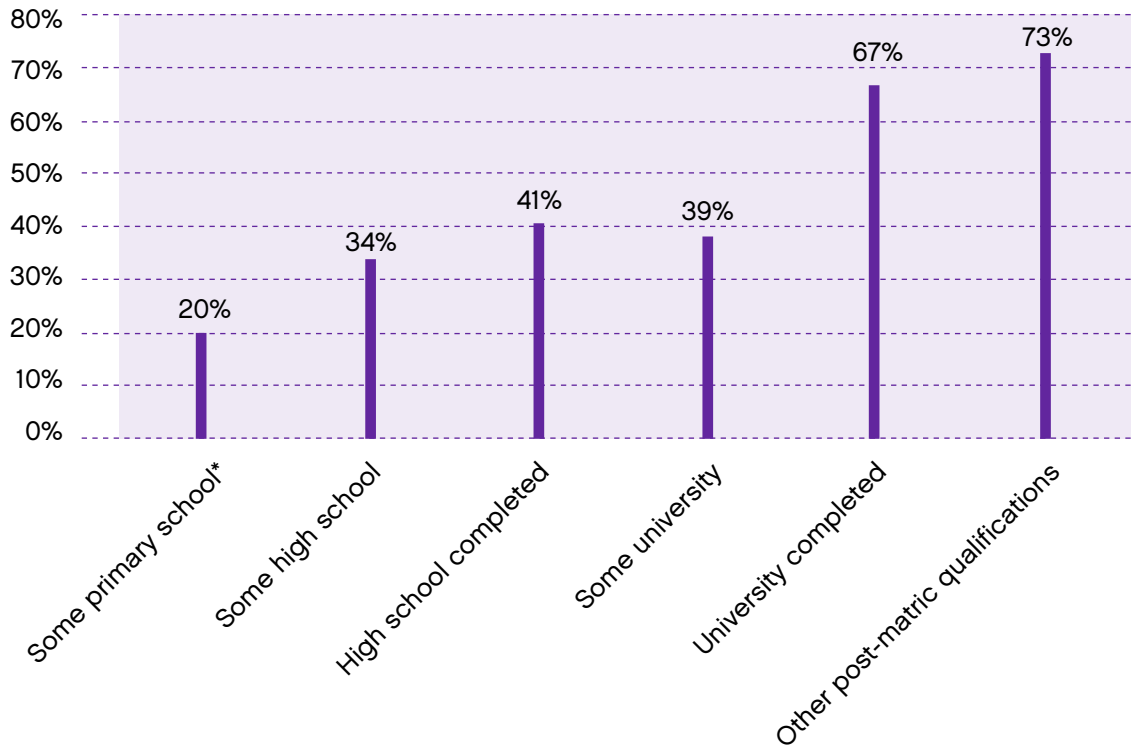
* *Source: World Economic Forum Global Competitiveness Report, 2012 – 2013. Note that Angola is not ranked in the GCR.*

** *Read as: In Uganda, 88% of the population believe that they have entrepreneurial capabilities, and the country is ranked 69th out of 144 countries for quality of its education system*

Perceived capabilities

Figure 3.2 shows that South Africa's rate for perceived capabilities among its youth (40%) is also the lowest of the 10 sub-Saharan African countries, as well as far below the average of 69%.

Table 3.2 shows the rankings provided in the *Global Competitiveness Report 2012–2013* relating to quality of educational system for the 10 sub-Saharan African countries. Generally, those countries with the highest rates for perceived capabilities are ranked higher for the quality of their education systems. South Africa, with the lowest



Read as: 20% of individuals in South Africa who have completed primary school (and have not gone further) have perceptions of entrepreneurial capabilities

Figure 3.3 Youth's entrepreneurial capabilities by education level in South Africa

rate for perceived capabilities, also has the lowest ranking for quality of education.

As found in the overall adult population in South Africa, **Figure 3.3** shows the relationship between those that have perceptions of entrepreneurial capabilities and level of education attained. The highest rates are seen among those with post-matric and university qualifications.

Gender and race in South Africa

Table 3.3 shows the gender and race breakdowns for South Africa. Young males have higher perceptions than young females where good business opportunities and entrepreneurial capabilities are concerned.

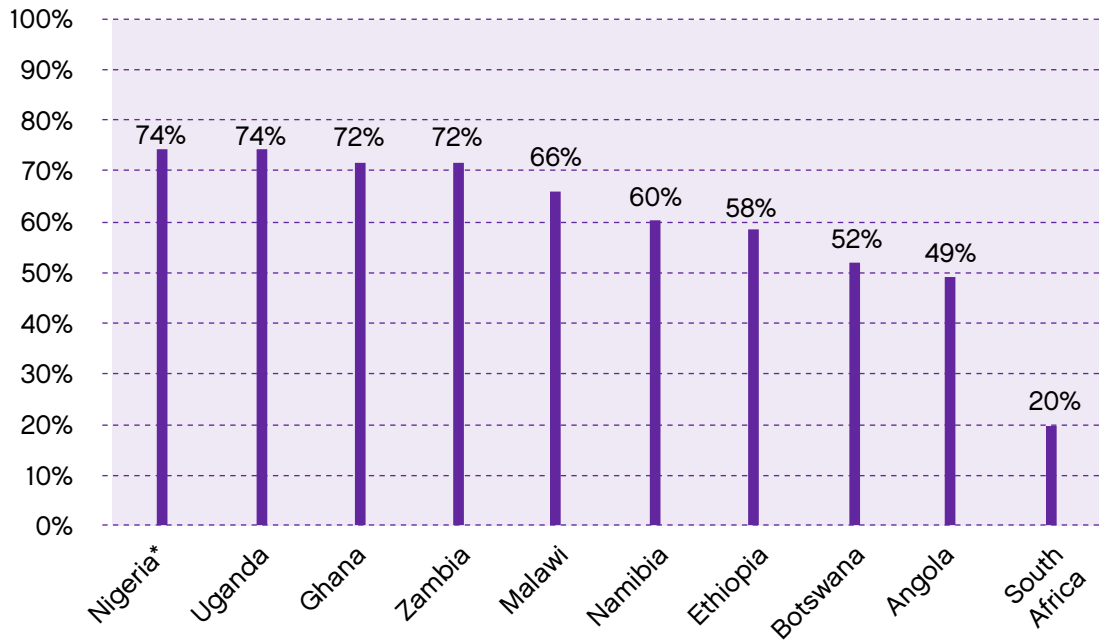
Young Black Africans have the highest perceptions of good business opportunities (41%). However, they also have the lowest rate of perceived capabilities (38%), a cause for concern as they are part of the majority race group in South Africa. As with the overall adult population (as shown in Chapter 2), a low percentage of Indians perceive there to be good business opportunities (21%); conversely, they have the highest perceptions of entrepreneurial capabilities (65%).

Table 3.3 Entrepreneurial perceptions among youth in South Africa, by gender and race, 2012

	Perceive good business opportunities	Believe they have entrepreneurial capabilities
Gender (% within each gender group)		
Young males*	41%	45%
Young females	37%	34%
Race (% within each race group)		
Young Black Africans**	41%	38%
Young Coloureds	37%	43%
Young Indians	21%	65%
Young Whites	18%	43%

* *Read as: 41% of the young male population in South Africa perceive there to be good business opportunities, and 45% believe that they have entrepreneurial capabilities*

** *Read as: 41% of the young Black African population in South Africa perceive there to be good business opportunities, and 38% believe that they have entrepreneurial capabilities*



* *Read as: 74% of Nigeria's 18-34 year old population are potential entrepreneurs*

^ *Average rate for the 10 countries: 60%*

Figure 3.4 Pool of potential entrepreneurs among youth in 10 sub-Saharan African countries

Pool of potential entrepreneurs

In order to estimate the size of the pool of potential entrepreneurs among 18–34 year olds in each of the 10 sub-Saharan African countries, a cross-tabulation was performed of those who perceive good opportunities AND believe they have entrepreneurial capabilities. **Figure 3.4** indicates that Nigeria and Uganda have the biggest pool of potential entrepreneurs (74%), while South Africa has the smallest (20%). South Africa's pool is also far below the average of 60% for sub-Saharan Africa.

SUMMARY of Potential Entrepreneurship among the Youth

- South Africa's rate of perceived opportunities for its youth is 39%, the lowest of 10 Sub-Saharan African countries that participated in GEM. The rate is also far below the average for Sub-Saharan Africa of 70%.
- South Africa's rate of perceived capabilities for its youth is 40%, the lowest of the 10 Sub-Saharan African countries, and far below the average for Sub-Saharan Africa of 76%.
- The pool of potential entrepreneurs in South Africa's youth population is 20%, far below the average of 60% for Sub-Saharan Africa.
- Young males in South Africa have higher perceptions of opportunity and capabilities than young females.
- Young Black Africans have the highest perceptions of good business opportunities of the 4 race groups (41%) but have the lowest perceptions of capabilities (38%). A low percentage of young Indians perceive there to be good business opportunities (21%), but, conversely, they have the highest perceptions of entrepreneurial capabilities (65%).
- A positive correlation exists between the perceptions of capabilities among youth in South Africa and level of education attained.

ENTREPRENEURIAL INTENTIONS among youth

Even when individuals have favourable perceptions (see a good business opportunity and believe that they have the requisite skills), it is not a guarantee that they will take the opportunity any further. Those that do decide to pursue the opportunity become intentional entrepreneurs. They are important to GEM because they provide an indicator for what a country's early-stage entrepreneurial activity (TEA) rate could be over the next few years.

Respondents in GEM's survey (excluding those already involved in entrepreneurial activity) were asked if they had intentions to pursue a business opportunity within the next three years. **Figure 3.5** shows the rate of entrepreneurial intentions in the youth population of the 10 sub-Saharan African countries. South Africa has by far the lowest rate (15%), which is also significantly below the average of 56% for the 10 countries.

Gender and race in South Africa

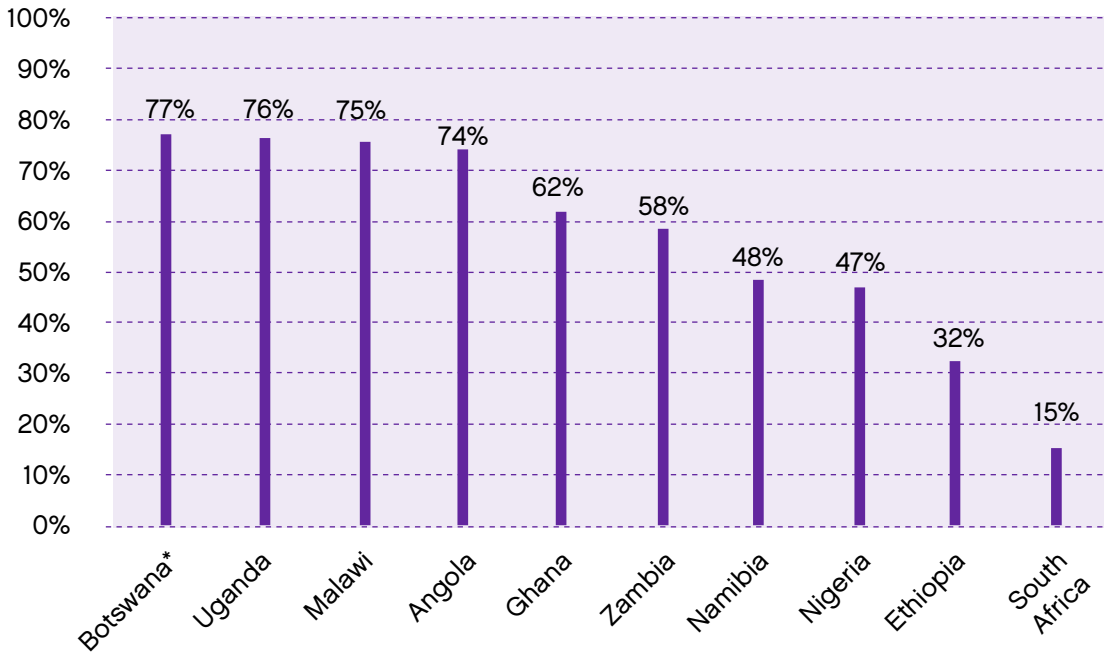
Disaggregating the youth of South Africa's rate of intentions, it can be seen from **Table 3.4** that slightly more males have entrepreneurial intentions than females. **Table 3.4** also shows that Black Africans and Indians have the highest entrepreneurial intentions. However, of note is that there is a bigger drop from perceived opportunities to intentional entrepreneurship in Black Africans (41% to 16%) than for Indians (21% to 16%). In other words, while 41% of Black Africans see good business opportunities, only 16% have entrepreneurial intentions. Conversely, while only 21% of Indians perceive a good business opportunity, a much higher proportion, compared to Black Africans, intend to pursue an opportunity.

Table 3.4 Youth entrepreneurial intentions by gender and race in South Africa, 2012

	Have entrepreneurial intentions
Gender (% within each gender group)	
Young males	16%*
Young females	14%
Race (% within each race group)	
Young Black Africans	16%**
Young Coloureds	10%
Young Indians	16%
Young Whites	7%

* *Read as: 16% of South Africa's young male population have entrepreneurial intentions*

** *Read as: 16% of South Africa's young Black African population have entrepreneurial intentions*



* *Read as: 77% of Botswana's 18-34 year old population have entrepreneurial intentions*

^ *Average rate for the 10 countries: 56%*

Figure 3.5 Entrepreneurial intentions among youth in 10 sub-Saharan African countries

Personal desirability

As discussed in Chapter 2, the level of desirability of entrepreneurship to an individual has an influence on whether or not that person will ultimately pursue an opportunity. Cultural and social norms play significant roles in the lives of individuals and may influence the extent to which an individual perceives entrepreneurship as a desirable option. **Table 3.5** summarises the societal attitudes towards entrepreneurship among South Africa's youth.

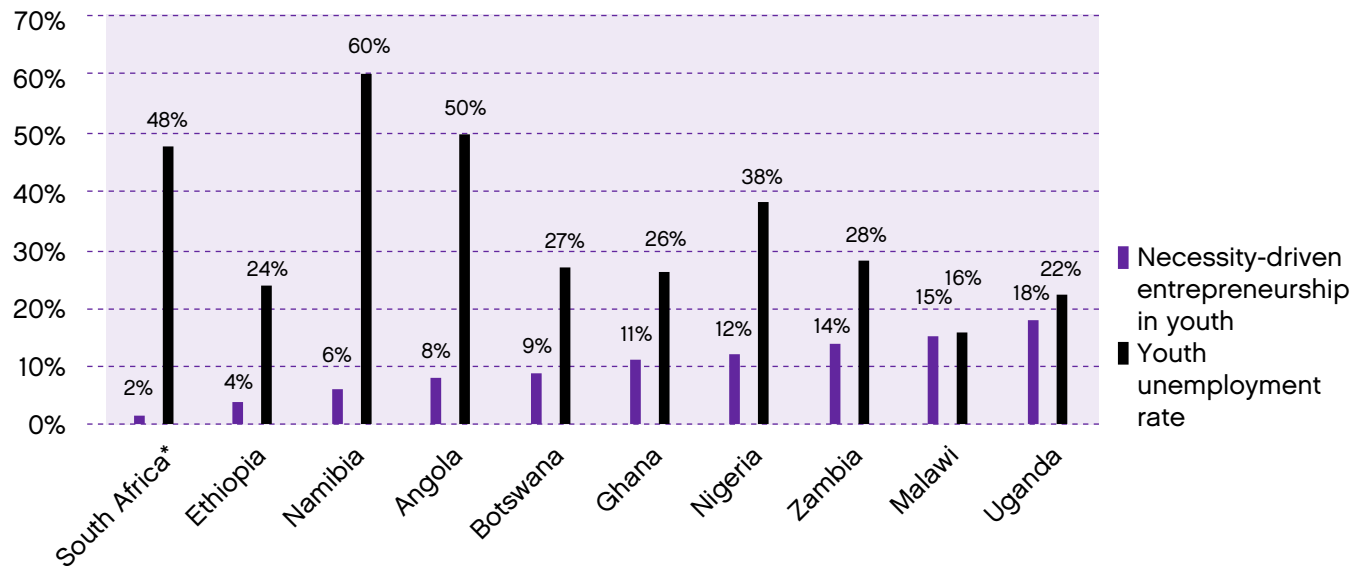
For each of the three attitudes (as depicted in **Table 3.5**), GEM's data also shows that, of those youth with entrepreneurial intentions, more than 80% believe there to be favourable societal attitudes towards entrepreneurship, thus indicating that desirability of entrepreneurship as a career choice is an important factor for an individual who is considering pursuing a business opportunity.

However, there are other cultural and social norms at play which may decrease the desirability of entrepreneurship, and prove to be disincentives to pursuing a business opportunity. While successful entrepreneurs may be highly regarded in society, individuals' personal experience with entrepreneurs within their own communities may paint a different and perhaps more realistic picture. The survey conducted in the Free State by the International Labour Organisation and GEM South Africa in 2012 showed that the majority of business owners within the young respondents' communities were running informal, survivalist businesses, which decreased the desirability of entrepreneurship as a career choice (Turton et al., 2012). According to the Branson Centre of Entrepreneurship's *Young Upstarts 2010 Report*, most young people reported not having enough role models to look to or learn from, so they find it easier to settle for the comfort and predictability of a job than to take on the risk

Table 3.5 Societal attitudes towards entrepreneurship in South Africa, as seen from the perspective of the youth

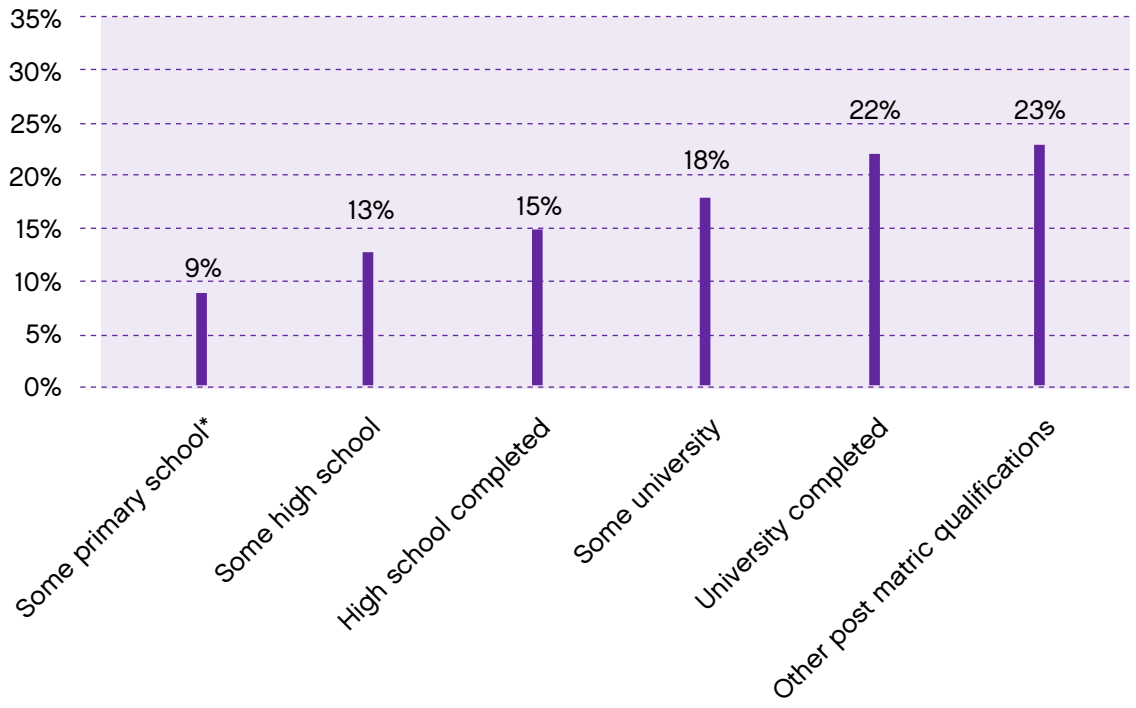
	See entrepreneurship as a good career choice	Believe successful entrepreneurs have high status	Believe media pays high attention to entrepreneurship
2012	77%*	75%	75%

* *Read as: 77% of South Africa's youth see entrepreneurship as a good career choice*



* *Read as: 2% of South Africa's youth population are driven into entrepreneurship through necessity, with South Africa's youth unemployment rate at 48%*

Figure 3.6 Necessity-driven rates in youth in sub-Saharan African countries, relative to each country's youth unemployment rate, 2012



* *Read as: 9% of young individuals in South Africa who have some primary school education have entrepreneurial intentions*

Figure 3.7 Entrepreneurial intentions and education in youth, South Africa, 2012

of trying to start a business. Another ILO/GEM finding revealed that nearly half the respondents believed that entrepreneurs work too hard for too little money. Since personal desirability is also influenced by expectations of what the personal impact of the behaviour will be (e.g. success, remuneration, independence), these negative perceptions are likely to make entrepreneurship less desirable to young people.

Furthermore, governments characterised by "welfare status", as is the case to a certain extent in South Africa, could reduce the incentives to pursue entrepreneurship. Some of GEM's national experts stated that the population is becoming dependent on the government to provide, which is likely to decrease entrepreneurial instinct and the inclination to take risks. Of the 10 sub-Saharan African countries in GEM's survey in 2012, only South Africa provides social welfare to unemployed persons. Many youth in South Africa are learning from leaders and elders that the government is responsible for a certain standard of living, whereas in other parts of the world, the youth are more likely to take matters into their own hands. 49% of respondents in the ILO/GEM youth survey in the Free State stated that the most important reason why they would pursue entrepreneurship is if they were unemployed (i.e. motivated by necessity). However, **Figure 3.6** shows that in reality only 2% of the youth are actually pursuing entrepreneurship out of necessity. This is the lowest of the 10 countries, even though South Africa has one of the highest youth unemployment rates.

Personal feasibility

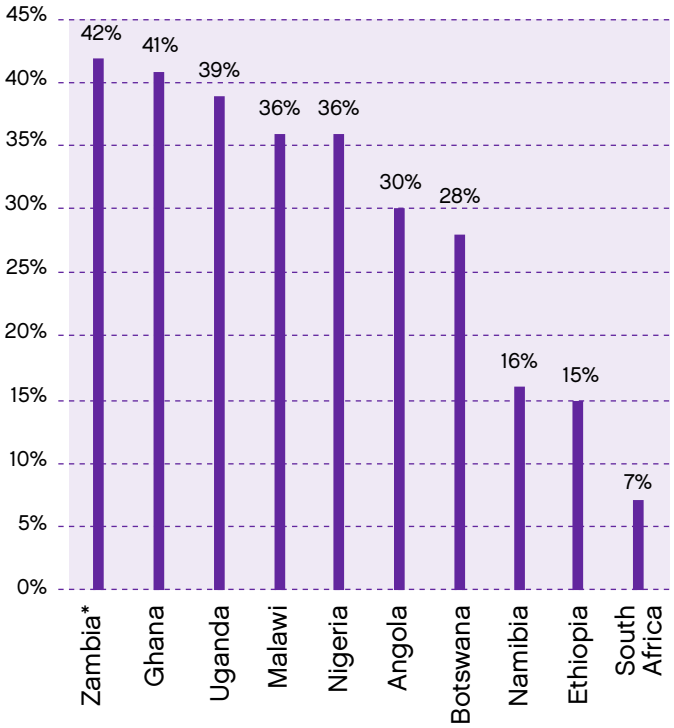
Of the total youth respondents in the ILO/GEM survey, 53% stated that they perceived entrepreneurship to be either challenging or very challenging. The quality of South Africa's education system, as already highlighted in previous sections, has been ranked one of the worst in the world, leading to a low skills base which is likely to have a negative impact on young people's sense of self-efficacy (Cichello 2005 in Turton, 2012). These aspects are likely to make entrepreneurship less feasible for many young people.

As with the pool of potential entrepreneurs, the importance of education can be seen in the findings of GEM's survey where entrepreneurial intentions are concerned. **Figure 3.7** shows the percentage of youth within each education group who have entrepreneurial intentions. The rate of entrepreneurial intentions within each group increases with higher levels of education.

South Africa, whose quality of its educational system is ranked the lowest of the 10 sub-Saharan African countries (see **Figure 3.2**), also has the lowest rate of entrepreneurial intentions in its youth population of the 10 countries (see **Figure 3.5**).

EARLY-STAGE ENTREPRENEURIAL activity among youth

Where the 10 sub-Saharan African countries are concerned, South Africa ranks the lowest in terms of early-stage entrepreneurial activity among its youth, with a TEA rate of 7% (**Figure 3.8**). Namibia, the only other efficiency-driven economy of the 10 countries, has a TEA rate which is more than double (16%) that of South Africa.



* *Read as: 42% of Zambia's youth population are early-stage entrepreneurs*

^ *Average TEA rate of the 10 countries: 29%*

Figure 3.8 Early-stage entrepreneurial activity in youth in 10 sub-Saharan African countries, 2012

As discussed in Chapter 2, one of the entrepreneurial framework conditions likely to have a large impact on the transition from entrepreneurial intentions to actual early-stage entrepreneurial activity is government policies. GEM research has shown that there is a relationship between the level of TEA and the country's hiring and firing practices. The countries with the highest TEA rates in the 10 sub-Saharan African countries (Zambia, Ghana, Uganda, Malawi and Nigeria) have among the most relaxed policies where hiring and firing are concerned (31st, 30th, 7th, 58th and 17th respectively out of 144 countries).

SUMMARY of Intentional Entrepreneurship among the Youth

- South Africa has the lowest rate of the 10 sub-Saharan African countries for entrepreneurial intentions in its youth population (15%), which is also significantly below the sub-Saharan African average of 56%.
- Slightly more males than females have entrepreneurial intentions (16% versus 14%).
- Black Africans and Indians have the highest rate of entrepreneurial intentions (16%).
- Youth's societal attitudes towards entrepreneurship are favourable. However, the prevalence of survivalist businesses in respondents' communities, together with a lack of role models, decreases the desirability of entrepreneurship as a career choice.
- 2% of South Africa's youth entrepreneurs are necessity-driven. This is the lowest rate of the 10 sub-Saharan African countries, even though South Africa has one of the highest youth unemployment rates.
- A positive correlation exists between entrepreneurial intentions among youth and level of education attained.

A profile of South Africa's early-stage youth entrepreneurs

Age

Table 3.6 shows that there was a slight decrease seen in both youth cohorts from 2011 to 2012. South Africa's high unemployment rate in the youth (48%) means that more jobs will need to be created – since the existing public and private sectors are not going to be able to absorb a surplus labour force, alternative means such as entrepreneurship need to be pursued in earnest. If only 5% of 18 to 24-year-olds and 9% of 25 – 34 year olds are pursuing entrepreneurship, South Africa's youth unemployment rate is going to be a very tough challenge to overcome.

Table 3.6 Youth in South Africa involved in early-stage entrepreneurial activity (TEA), by age, 2012

TEA	Youth (18 – 24 years)	Youth (25 – 34 years)
2012	5%*	9%
2011	7%	10%

Read as: 5% of the 18 to 24-year-old population in South Africa are involved in early-stage entrepreneurial activity

Gender and race

While the gender gap in South Africa's overall population widened in 2012, an encouraging finding among the youth population is that the gap was fairly small. **Table 3.7** shows that 8% of young males and 6% of young females are involved in early-stage entrepreneurial activity. Findings from the ILO/GEM youth survey in the Free State in 2012 showed highly favourable attitudes where female involvement in entrepreneurship is concerned, with the majority of respondents (both male and female) believing that culture no longer dictates that women remain in traditional roles. These balanced findings (i.e. the absence of any skewed views by gender) are positive in terms of the liberalisation of social norms in South Africa, and bode well for interventions aimed at increasing the number of females involved in entrepreneurship.

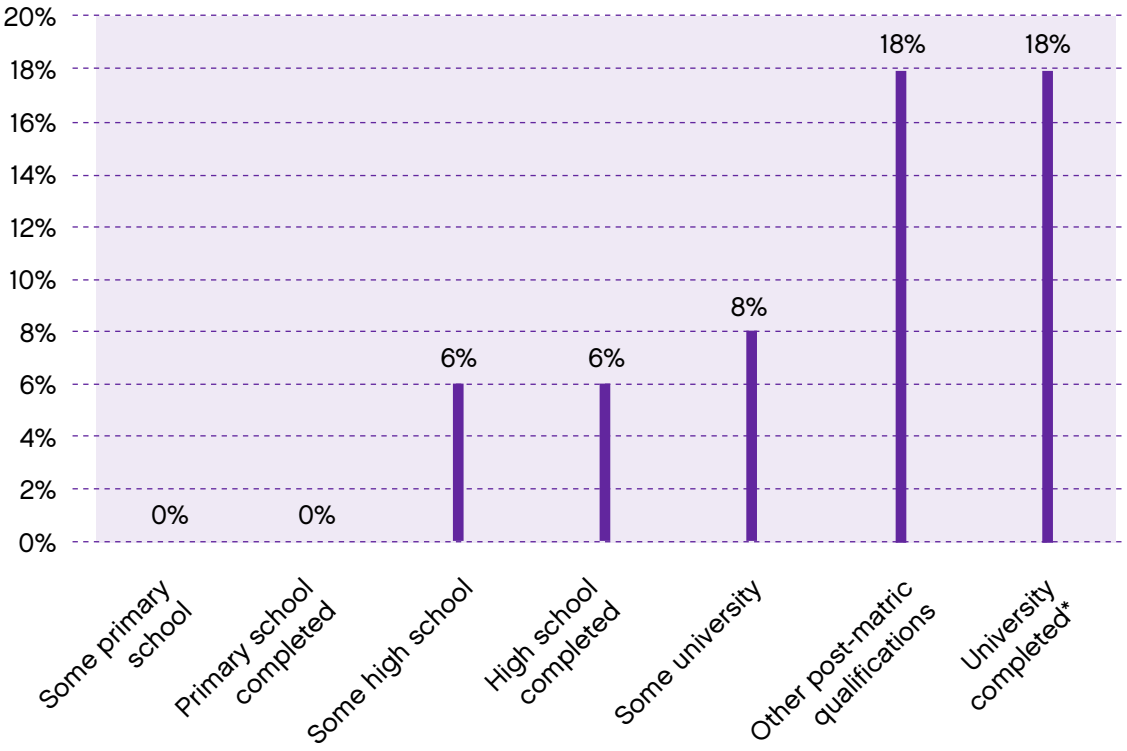
Table 3.7 also shows that, where race is concerned, the highest percentage of entrepreneurs in the youth population in South Africa is found in Indians (8%), followed by Black Africans (7%). These findings are similar to those for the rate of entrepreneurial intentions, which also saw Indians and Black Africans holding the highest percentages.

Table 3.7 Youth entrepreneurs in South Africa involved in early-stage entrepreneurial activity (TEA), by gender and race, in 2012

	Early-stage entrepreneurs
Gender (% within each gender group)	
Young males	8%*
Young females	6%
Race (% within each race group)	
Young Black Africans	7%**
Young Coloureds	5%
Young Indians	8%
Young Whites	5%

* *Read as: 8% of South Africa's young male population are early-stage entrepreneurs*

** *Read as: 7% of South Africa's young Black African population have entrepreneurial intentions*



* *Read as: 18% of youth in South Africa who have completed university are involved in early-stage entrepreneurial activity*

Figure 3.9 Involvement of youth in entrepreneurial activity, by level of education

Education

As with potential and intentional entrepreneurs, education plays a large role in early-stage entrepreneurial activity. **Figure 3.9** shows that those with higher levels of education are more likely to be involved in early-stage entrepreneurship.

Job creation

Table 3.8 shows that early-stage entrepreneurs in the older youth cohort (25 to 34 years) employ more people than those in the younger age cohort (18 to 24 years). This is a consistent finding in GEM surveys.

Table 3.8 Job creation of new businesses owned by youth in South Africa, 2012

	% of new businesses	
Number of employees excluding owner-managers themselves	**18 – 24 year olds**	**25 – 34 year olds**
No employees	9%*	25%
1 – 5 employees	82%	57%
6 – 19 employees	9%	14%
20+ employees	0%	4%
Total	100%	100%
Mean employees per firm**	2.4***	4.4

* *Read as: 9% of South Africa's 18 to 24-year-old entrepreneurs are currently employing no employees*

** *This is an estimate based on the following assumptions regarding the mean number of jobs in each category: 1–5 employee firms have a mean of 2, 6-19 employee firms have a mean of 9, and 20+ employee firms have a mean of 50 (GEM South African 2005 Report)*

****Read as: a mean of 2.4 jobs are created by the 18-24 years cohort*

Table 3.9 Job creation by the 25 to 34-year-old cohort in South Africa, by level of education attained

	% of early-stage firms owned by 25 to 34-year-olds, by level of education attained			
Number of employees excluding owner-managers themselves	**Some high school**	**High school completed**	**Some university**	**Other post-matric qualifications, including completion of university**
No employees	42%*	22%	0%	0%
1 – 5 employees	58%	67%	50%	50%
6 – 19 employees	0%	11%	50%	25%
20+ employees	0%	0%	0%	25%
Total	100%	100%	100%	100%
Mean employees per firm**	1.2	2.3	5.5	15.8

* *Read as: 42% of the 25 to 34-year-old entrepreneurs in South Africa with some high school education are currently employing no employees*

** *This is an estimate based on the following assumptions regarding the mean number of jobs in each category: 1–5 employee firms have a mean of 2, 6-19 employee firms have a mean of 9, and 20+ employee firms have a mean of 50 (GEM South African 2005 Report)*

Table 3.9 shows that, when education is taken into account in the 25 to 34-year-old cohort, the number of employees increases as entrepreneurs' level of education increases. This finding further reinforces the importance of education for growth of entrepreneurial activity in South Africa and, critically, for growth of businesses with the potential to create much-needed jobs.

Source of funding

The youth are particularly vulnerable where access to finance is concerned, as they often lack collateral and business experience. **Figure 3.10** indicates that most

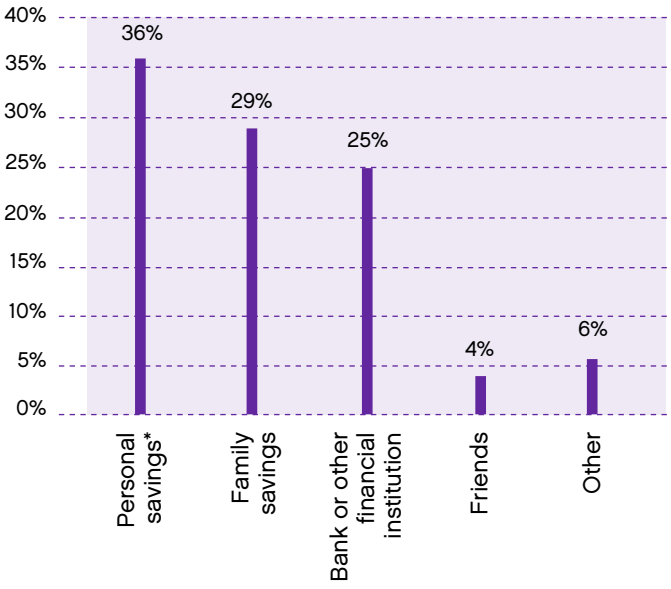
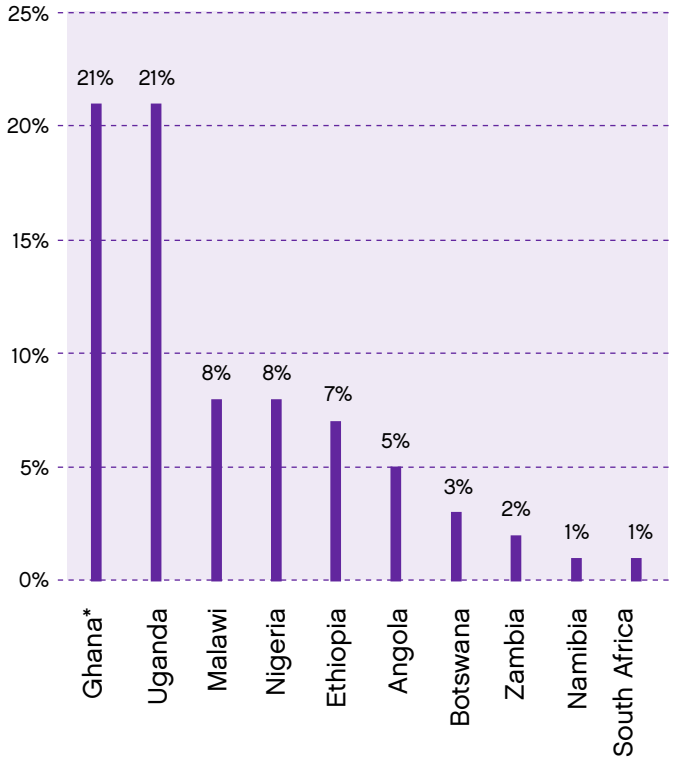


Figure 3.10 Source of funding for youth entrepreneurs in South Africa, 2012

of South Africa's young entrepreneurs are sourcing their start-up funds either from personal savings or from family members. GEM's survey found that 4% of South Africa's youth had discontinued a business in the past year. Of those, 29% stated that the primary reason was "problems accessing finance". Most of GEM South Africa's national experts agreed that micro-credit facilities are not efficient enough and that financers (banks, venture capitalists, business angels etc) are not prepared to fund the youth owing to the inherent risk involved.

ESTABLISHED BUSINESS activity among youth



* *Read as: Ghana's established business rate for its youth (18-34 years) is 21%*

^ *Average established business activity rate for the 10 countries: 8%*

Figure 3.11 Established business activity in youth in sub-Saharan African countries, 2012

Figure 3.11 shows the established business activity rates for the 10 sub-Saharan African countries. Together with Namibia, South Africa has the lowest rate (1%), which is also substantially below the average of 8% for the 10 countries.

GEM South Africa's national experts agreed that the youth face far greater challenges and have far less support than their older counterparts where entrepreneurship is concerned. That the youth's business discontinuance rate (4%) far exceeds the youth's established business rate (1%) is testament to that.

Role of family in South Africa

The ILO/GEM survey in the Free State in 2012 revealed that family members and friends play significant roles in young entrepreneurs' lives. In addition to family members being primary influencers (**Table 3.10**), nearly half of the young entrepreneurs in GEM's survey revealed that they expected 50% of their sales to be to family and friends. This possibly indicates a lack of skills required to turn a product or service into a marketable and profitable offering to a wider customer base. According to the *Western Cape Status of the Youth Report 2008*, businesses run by youth with a low base of entrepreneurial skills will likely compete at the lowest end of the sector, where businesses compete for survival on the basis of low cost, low price and low quality.

The ILO/GEM Free State survey revealed that the highest percentage of youth entrepreneurs turned to relatives for business advice. According to the GEM survey, only a small percentage of young entrepreneurs have entrepreneurial parents (**Table 3.11**). These findings, together with findings from the Branson Centre of Entrepreneurship's *Young Upstarts 2010 Report* which showed that the youth do not have any role models to turn to for business advice, indicate

Table 3.10 Primary influencer in decision to start business

	Parent	Friend	Other family member	Sibling	Other
Primary influencer	34%*	24%	20%	5%	12%

* *Read as: 34% of the youth entrepreneurs stated that a parent was their primary influencer*

Table 3.11 Main occupation of young entrepreneurs' parents in South Africa

	Employed by others	Not employed	Run own business
Occupation of father	52%*	40%	9%
Occupation of mother	45%	51%	4%

* *Read as: 52% of the youth entrepreneurs' fathers are/were employed by others*

Table 3.12 Long-term employment preference of youth entrepreneurs in South Africa, 2012

	To run own business (be an entrepreneur)	Employed by others	No preference / it depends
Employment preference	89%*	8%	3%

* *Read as: 89% of the youth entrepreneurs in South Africa want to remain business owners in the long term*

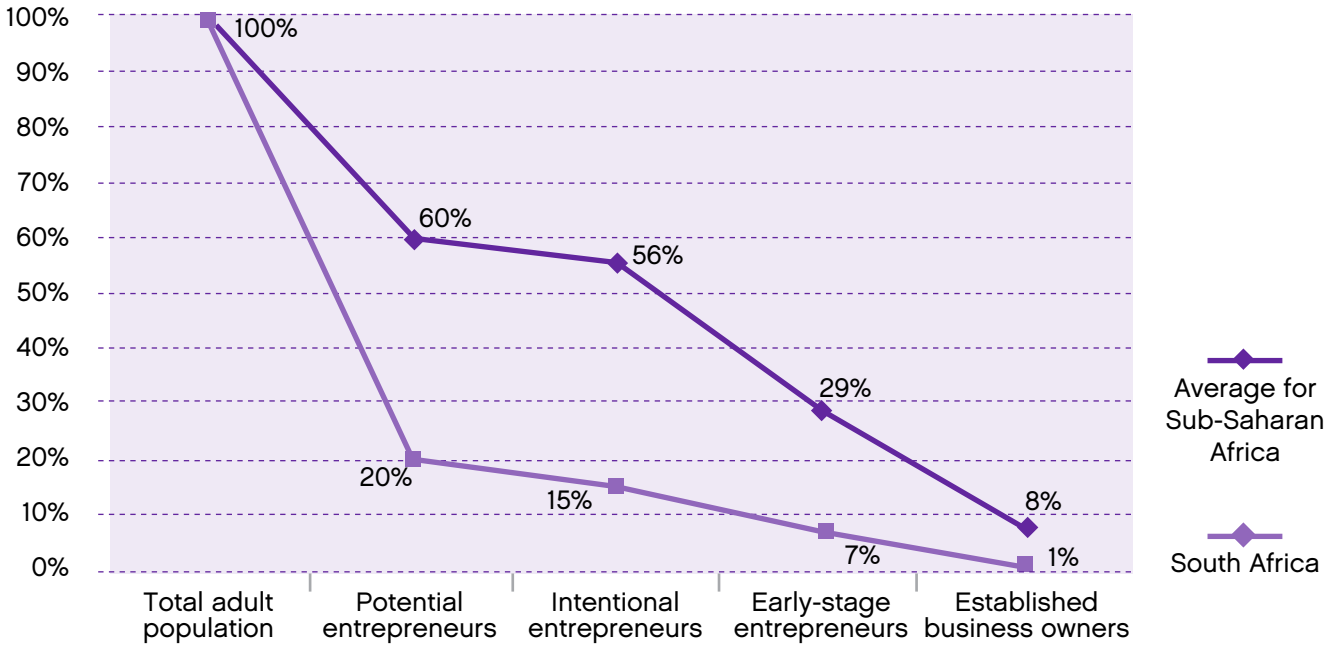


Figure 3.12 The entrepreneurial pipeline for youth in South Africa, compared to the average for 10 sub-Saharan African countries, 2012

a lack of mentors and appropriate support structures in young entrepreneurs' immediate communities. This situation is not conducive to successfully supporting and growing businesses owned by youth from the early stages to the established business phase.

Employment preference for youth entrepreneurs in South Africa

Encouragingly, a significant majority of the youth involved in entrepreneurship in South Africa stated that they would prefer to remain owners of a business in the long term (**Table 3.12**). However, it is important that these young entrepreneurs function within an enabling environment to provide them with optimum chances of growing their businesses and earning a respectable living from them. If this is not achieved, they are likely to become disillusioned and negative, with some choosing to discontinue their business. As a result, they will not become much-needed role models of entrepreneurship for others.

Given that sub-Saharan African countries have among the youngest populations of any region in the world, with millions of young people projected to enter the marketplace in the coming decade, it is important that public and private initiatives are geared towards supporting youth with real entrepreneurial potential. This is particularly important in South Africa, where, in the face of a massive youth unemployment rate (48%), the youth's business discontinuance rate (4%) is higher than its established business rate (1%). GEM South Africa's experts agreed that the youth face far greater challenges and have far less support than their older counterparts where entrepreneurship is concerned.

Figure 3.12 shows the entrepreneurial pipeline for South Africa's youth in comparison to the averages for the 10 sub-Saharan African countries. It is clear that South Africa needs to do more to adequately prepare its youth for a possible career in entrepreneurship. The experts suggest the following: develop a greater number of

potential entrepreneurs through good quality education, research & development and a dynamic market; stimulate entrepreneurial intentions by making entrepreneurship a more desirable career choice and by negating the attitudes that government should provide, as well as through better quality education; and finally, develop more early-stage and established business entrepreneurs by supporting them with sound government policies, an open market, access to finance, incubation, local role models and a network of mentors.

SUMMARY of entrepreneurship activity among the youth

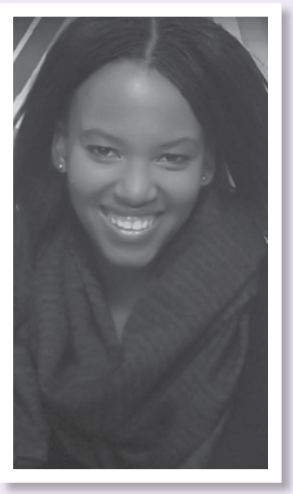
Where South African youth are concerned:

- 5% of 18 to 24-year-olds and 9% of 25 to 34-year-olds in South Africa are involved in early-stage entrepreneurial activity, a slight decrease from 2011.
- The gender gap in the youth entrepreneur population is fairly small (8% young males versus 6% young females).
- Of the four race groups, the highest percentage of entrepreneurs in the youth population in South Africa is found in Indians (8%), followed by Black Africans (7%).
- A positive correlation exists between early-stage entrepreneurial activity among youth and level of education attained.
- A positive correlation exists between the number of people employed by youth entrepreneurs in the 25 to 34 years cohort and level of education attained.
- 89% of the youth entrepreneurs in South Africa want to remain business owners in the long term.
- Where comparisons with sub-Saharan African countries are concerned:
- South Africa has the lowest early-stage entrepreneurial activity rate for its youth (7%), significantly below the average of 29% for the 10 sub-Saharan African countries.
- Together with Namibia, South Africa has the lowest established business rate for its youth (1%), far below the average of 8% for the 10 countries.

A YOUNG ENTREPRENEUR'S PERSPECTIVE

Indira Tsengiwe is a 24-year-old early-stage entrepreneur. She founded Youngpreneur Media, a media and production company which uses the mediums of TV, magazine and the internet to create awareness for youth entrepreneurship and to foster it. She is also writing a book on youth entrepreneurship which has afforded her the opportunity to travel extensively around the world to meet other young entrepreneurs. Her experiences have taught her that South Africa, in relation to other countries, is failing to harness the entrepreneurial potential which exists in its youth.

"I have travelled throughout Africa, experiencing the riches of the varying peoples and soils. And though the economic, financial, political and social environment of each country differs, there is one category in which South Africa, the economic hub of the continent, falls staggeringly behind: entrepreneurship.



In my personal experience, young entrepreneurs are celebrated in many countries because their role is understood. And valued. According to the South African Oxford Dictionary, entrepreneurs are no more than individuals who start their own businesses. But entrepreneurs are not just people who are self-employed – they are the visionaries who connect a problem with making money. When the world had no meeting place, Facebook occurred; when upcoming musicians had no place to showcase their talents, SBTV emerged. Global entities such as Dropbox, Soundcloud, Flickr, FourSquared, Wordpress, Faria Media, Burpple, Google, Facebook and Iroko TV were started by young entrepreneurs. Unfortunately, young South Africans typically fail to recognise and pursue great business opportunities.

Media, politics and parents are failing the potential of this country's youth. Young people have become bored of the idea of entrepreneurship because the culture's portrayal of it is shocking. Growing up, I never wanted to be called an entrepreneur because the idea of owning my own tuck shop didn't accommodate the extent of my vision. I wanted to build my own media empire dedicated to youth at the helm of businesses. But I didn't want to become an entrepreneur. It didn't make sense. When I travelled to Cairo I was fascinated and inspired to see young millionaires roaming the streets of the business jungle; I met young people who had started their own hotel chains, created traffic mobile applications and built software that is being used by corporations such as Microsoft. It was there that I realised that South Africa wasn't selling entrepreneurship – it was selling self-employment. As media, we have taken entrepreneurship and forced it into our understanding of business principles. But look around – we are the only ones who are doing that and, what's more, it is not working.

Where television media is concerned, half of the entrepreneurship shows are aired at times that only really speak to those who are unemployed or are looking for educational opportunities. This seems like subliminal messaging that entrepreneurship is for those who has no other choice. The other shows do interview young entrepreneurs, but the timing of the broadcasts and their contexts (usually during late night news) mean that few young people are actually watching. Social media has made watching the news on TV unappealing to today's average young person.

The government needs to get out of entrepreneurship and rather focus on building ecosystems that support young entrepreneurs. Look at ideas

such as Start-up Chile, Silicon Valley and Tel-Aviv Start-up Incubators. Start-up Chile is a programme created by the Chilean government but executed by Corfo via InnovaChile. The programme attracts early-stage, high-potential entrepreneurs to set up their businesses in Santiago, using it as a platform to enable their businesses to go global. Silicon Valley in San Fransisco is home to many of the world's largest technology corporations and small companies, with a third of the United States' investment funding allocated in the region. Tel-Aviv Start-up is an incubator launched by Google that caters for a large number of Israel's technology entrepreneurs. A commonality in all of these entrepreneurial systems is that entrepreneurship has been left to the private sector, where it belongs. It is an investment opportunity, not a charity arm for the unemployed.

I've heard many conversations between young people and their parents where entrepreneurship is being discussed in a very negative light. Parents try to deter their children from taking on the risks. As a society, we have developed an unfortunate dependency on the government, and it saddens me that the youth are becoming dismissive of their potential as a result. We wait on the government to deliver – and then because of its failure to meet those expectations much of life is approached with fear, caution, and sometimes anger. That is the wrong mentality. Because entrepreneurship is viewed as risky, and as a "last resort" career option, not only are we wasting the talents of many young people, but we are losing innovative opportunities. And without innovation, there is no economic development. So imagine South Africa, 20 years from now, doing the exact same thing: following trends instead of setting them, and trying to cope with millions of youth dependent on welfare.

Show entrepreneurship for what it really is – a journey. Filling out a business plan and opening up a shop does not make me an entrepreneur. Entrepreneurship is exciting. I have lost over R100 000 in starting up new ventures; spent sleepless nights crying over missed opportunities. I have sued and been sued. I have been interviewed all over Africa, and have flown around the world for my business. I have almost had my car repossessed, twice. All for one idea: Youngpreneur. And all by the age of 24. That's the journey that young people really want to be a part of."

Stimulating entrepreneurship, and then supporting it appropriately, will need considerable reforms. The following recommendations were provided by GEM South Africa's national experts.

RECOMMENDATIONS for Policy and Practice

The recommendations below have been provided by GEM's 38 national experts and relate to the Entrepreneurial Framework Conditions. These have been grouped into the phases where likely to have the most impact.

Potential entrepreneurs

In order to increase the size of South Africa's pool of potential entrepreneurs, it will be important to focus on increasing the levels of perceived opportunities, through market dynamics and R&D, as well as on increasing levels of perceived capabilities, through education.

Market dynamics

- Allow vigorous competition in all sectors, and ensure the inclusion of micro, small and medium businesses.
- Encourage and applaud companies which innovate. Innovation reduces costs to consumers and enables markets to change frequently. This will result in the development of a culture that embraces new ideas and change, thereby increasing the likelihood of the discovery and creation of opportunities.

Research & development

- Transfer the knowledge gained and new technology developed from R&D institutions and universities to the marketplace so that potentially valuable business opportunities can be exploited by alert individuals.
- South Africa must link its universities to policies aimed at growing the economy. For example, choose the tertiary institution which is best at information technology, and assign it a VC fund for the exploitation and commercialisation of ideas coming from that institution.

Education

- A complete overhaul of the education system is required, with a particular focus on improving the country's uptake and pass rates in maths and science.
- The administration of education needs to become a meritocracy at all levels.
- Ensure that competent individuals are leading the education sector's reforms.

- Improve the quality of teachers.
- Ensure that decent education infrastructure, conducive to learning, is in place for school children.
- Deliver text books, on time.
- Expand interventions to deal with grassroots skills gaps (e.g. apprenticeships).
- Experienced business people with proven track records in business should be sought and recruited for mentorship programmes.
- Support and strengthen FET colleges and other organisations that have a focus on enterprise development.

Entrepreneurial intentions

To increase the number of individuals with entrepreneurial intentions, focus would need to be on increasing the levels of personal desirability through cultural and social norms, as well as on increasing levels of personal feasibility through education.

Cultural and social norms

- Embed a culture of entrepreneurship at community level. Find positive entrepreneurial and business rolemodels within communities and enlist their support in creating awareness of entrepreneurship in local school classrooms. Focus should be on their journeys as well as on the importance of knowledge, skills and hard work. Ideally, local rolemodels with whom learners can identify, in terms of background and demographics, should be sought.
- The media needs to embrace entrepreneurship by celebrating the personal journeys of successful entrepreneurs, highlighting their triumph over obstacles and the sense of achievement gained from perseverance.
- Halt the growing belief that government should provide, by advocating the rewards of hard work. South Africa's leaders should set the example.

Education

- The introduction of entrepreneurship education as a compulsory subject in primary and secondary schools is important to inculcate a positive attitude towards entrepreneurship and self-employment as a viable future career choice.
- A stronger focus on entrepreneurship as a life skill is needed in order to foster problem-solving skills and self-confidence that will benefit any young person, whether he or she starts a traditional for-profit business, a social enterprise or simply becomes a more desirable employee by being equipped with an enterprising mindset, skills and attitude.
- Business studies as a subject at school has been shown to have a positive correlation with entrepreneurial attitudes, aspirations and perceptions of feasibility, therefore it must be taught more widely, by qualified teachers.
- Drive entrepreneurship education through colleges and universities for all qualifications.

Early-stage entrepreneurial activity (TEA)

To increase the levels of early-stage entrepreneurial activity in South Africa, it is important that focus is on government policies (registration process), finance and education.

Government policies

- Improve processing of regulatory applications and make the business registration process easier and quicker in practice.

Finance

- Incentivise established and large businesses to support new and growing businesses, for example through tax deductions.
- Incentivise private individuals or corporations that provide equity to new ventures, through tax deductions. Venture capitalists and angel investors with an appetite for risk and a willingness to provide mentorship are required.
- New funding models should be encouraged. This should involve state and grant supported funding models coupled with business development support.

Education

- As a positive correlation was found between early-stage entrepreneurs and level of education attained, the country will need to ensure that enrolment in post-matric institutions increases.

Established business ownership activity

It is believed that a number of EFCs influence the transition of early-stage entrepreneurial activity to established business ownership. To increase the rate of established business ownership in South Africa, focus will need to be on:

Commercial infrastructure

- The cost of using the services of sub-contractors, suppliers and consultants will need to be made more affordable to new and growing businesses. A possible solution is the setup of legal and accounting clinics which provide specialised but affordable services and advice to small business owners.

Physical infrastructure

- Timely and appropriate investment into physical infrastructure (including roads, railways and ports)

is required, to reduce the costs to new and growing businesses.
- Pressure should be placed on the large, dominant companies in the communications sector to reduce their prices to customers. Liberalisation of the telecommunications sector to allow for increased competition is vital to assist in bringing down the cost of telecommunication and broadband connectivity.
- Transport and communications facilities as well as reliable power must be provided in rural areas.

Government policies

- The private sector should be encouraged to support new businesses, for example through tax incentives.
- Remove the burdensome labour laws.
- Exempt new and growing businesses from onerous legislation, for example the dismissal procedures.
- Tax incentives should be offered to encourage large companies to invest in and actively grow new businesses.
- Better tax breaks are needed for early-stage entrepreneurs to decrease the costs of doing business during the start-up phase.
- Policies could be broadened to ensure that funding is made available to viable new and growing businesses through banks, specific development funds or the like.
- Government departments must pay businesses on time.
- Reduce bureaucratic barriers, improve processing of regulatory applications and reduce statutory requirements.

Internal market openness

- Improve networks between large and small firms, as well as between established and new firms, within similar sectors.
- Large businesses must embrace the important role that SMMEs play in the economy. Provide incentives to promote partnerships between entrepreneurs and established businesses, for example tax incentives for firms that do business with new entrepreneurs.
- Re-channel SMME support budgets to enforce the competition policy and strengthen the competition authorities.

Government programmes

- Incentivise privately-run incubators to support business ideas with potential for high growth and innovation.
- Link support programmes to mentorship. Mentors should be experienced business people with proven track records. This is an essential step in promoting the sustainability of small businesses, as many entrepreneurs in new businesses – particularly the youth – lack the skills and experience required for business growth and survival. Youth entrepreneurship promotion programmes, in particular, have a responsibility to ensure that youth without the necessary skills for succeeding in business are not pushed into creating their own enterprises without proper support structures such as mentoring, coaching and access to business development services.
- Government should consider removing itself from involvement in supporting entrepreneurs with skills and knowledge, and instead focus on funding privately run organisations with the skills, expertise and experience to do so effectively.
- Review government institutions involved in supporting entrepreneurs to assess their impact.

Corruption, crime, health and education

It is crucial to note that changes made in any of the above phases of the entrepreneurial pipeline will have no lasting effect until such time as four main inhibiting constraints are addressed and rectified.

- **Corruption**: from the top down, corruption is having a massive impact on the economy and unless brought under control will continue to negatively affect entrepreneurship development. According to Corruption Watch, widespread corruption in the market place is on the rise in South Africa. The latest Transparency International Corruption Perceptions Index ranks South Africa 69th out of 176 countries. While this does indicate that South Africa is nowhere near the worst, the findings also reveal that the country is sliding in rankings from year to year. While the post-apartheid government inherited an intrinsically corrupt system of governance, this seems to have been perpetuated (Plaut, 2012). In August 2011, it was reported that about 75% of the cabinet's 35 members had financial interests, as well as 59% of the 400 MPs. Some of the political elite and their families have been doing very well in business. The country's finance minister stated in 2011 that approximately R25 billion worth of public tenders were being investigated for fraud (*Sunday Times*, 11th March 2011). An indicator that reflects the scale of the problem is the fact that some large construction companies are starting to stay away from tenders for physical infrastructure developments by government, owing to corruption and a belief that, after millions of rands are spent on the bidding process, contracts are awarded to unqualified companies (Reuters, 2013). The WEF's *Global Competitiveness Report* further showed that corruption was one of the most cited problematic factors for doing business in South Africa, a huge concern as it

serves to stifle business activity, especially for smaller businesses. It also shows a contemptuous attitude towards entrepreneurs' legitimate efforts and hard work, and negates much of the progress made towards a more enabling entrepreneurial climate. One of GEM's experts commented: "Government must enable market access for legitimate small companies by putting an end to 'fronting' and tenderpreneurship'". Corruption must be eradicated completely, at all levels of society, to allow legitimate new and growing businesses a fair chance at survival and success. Furthermore, not only does corruption have a negative impact on entrepreneurs in existing businesses, it could also lead to a decrease in both perceived opportunities and the desirability of entrepreneurship, thereby affecting our already small pools of potential and intentional entrepreneurs.

- **Crime**: The unacceptably high levels of crime are affecting all business, from micro-enterprises to large corporations. The Global Competitiveness Index ranks South Africa extremely poorly where business costs of crime and violence are concerned, at 134th out of 144 countries.
- **Health**: Good health is the cornerstone of any successful economy yet South Africa's health system has declined dramatically over the past 10 years. An unhealthy society cannot start and run businesses successfully. The Global Competitiveness Index ranks South Africa extremely poorly where life expectancy is concerned, at 133rd out of 144 countries, while business impact of HIV/AIDS is ranked even more poorly at 141st.
- **Education**: Even though education has been discussed extensively throughout this report, it cannot be over-emphasised. Without an educated population very little will happen to lift the economy from its current malaise.

These four challenges, unless resolved, will continue to debilitate this country's capacity to develop and support entrepreneurs, and may in fact prove to negate some of the positive initiatives which are taking place, rendering them a complete waste of time and money. Stimulating entrepreneurship, and then supporting it appropriately, will need considerable reforms, starting at the uppermost echelons of government.

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APPENDIX
South Africa's 38 National Experts in 2012

Expert	Title
Justin Barnes	Chairman, Benchmarking and Manufacturing Analysts SA (Pty) Ltd
Jaci Barnett	Director: Technology Transfer, Nelson Mandela Metropolitan University
Sol Bezuidenhout	Associate, Hasso Plattner Ventures Africa
Rose Blatch	Executive Director: International Trade Institute of Southern Africa (ITRISA)
Amanda Brinkmann	Advertising, Marketing, Business & Management Consultant, Indigo Consulting
Septi Bukula	Director, Osiba Management
Alderman Patricia de Lille	Executive Mayor of Cape Town
Carien Engelbrecht	Director: Strategy and Operations, Aurik Business Accelerator
Fiona Forde	Journalist and Author
Ebrahim-Khalil Hassen	Chief Executive Officer, Zapreneur
Stuart Hendry	Director: UCT Development Unit for New Enterprise (DUNE)
Vincent Joyner	Founder & CEO, Zazida Institute of Entrepreneurship
Marcel Korth	Research Specialist
Ajay Lalu	Managing Director: Black Lite Group
Ray Leonard	Director of Companies
David Lewis	Executive Director: Corruption Watch
Tarisai Mchuchu-Ratshidi	Director: Young in Prison (SA)
Sisa Ntshona	Head: Enterprise Development, Absa Group
Christoff Oosthuysen	Business Improver and Flow Coach
Boyse Pillay	Manager: CSIR Enterprise Creation for Development
Rodney Prinsloo	CEO: Enterprise Support SA
Brian Purchase	Retired Research Director (Sugar Industry)
Leora Rajak	Founder: Enterpriseroom
Neil Rankin	Associate Professor: Department of Economics, University of Stellenbosch
Neren Rau	Chief Executive Officer: South African Chamber of Commerce & Industry
Anton Ressel	Senior Business Consultant: Fetola
Judi Sandrock	CEO and Co-Founder: Micro Enterprise Development Organisation
Laurie Scholtz	Impact and Credit Analyst: Atlantic Specialised Finance
Martin Scholtz	CEO: The President's Award for Youth Empowerment Trust
Barrie Terblanche	Business Journalist
Stephen Timm	Small Business Journalist and Policy Analyst
Catherine Townshend	Managing Director: Endeavor South Africa
Dr Rudi van der Walt	Director: Technology Transfer North-West University
Dr Lia Vangelatos	Head of Zimele: Anglo American's enterprise development programme
Bruce Wade	Programme Manager, Cape Town Activa
Tracey Webster	CEO: Branson Centre of Entrepreneurship
Eben Welby-Solomon	Director: Social Alpha Ventures
Egbert Wessels	General Manager: The Business Place Philippi

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