

What is the State of Entrepreneurship in South Africa?

Seed Academy recently unveiled the "State of Entrepreneurship in South Africa" after surveying more than 1,000 entrepreneurs across the country.



2019 marks Seed Academy's fifth year of engagement with local entrepreneurs, with the latest findings showing that entrepreneurs are optimistic and resourceful even as the sector is enduring one of the most difficult economic periods. The 2019 report explored the theme of South Africa: A society in transition and what this means for those engaged in entrepreneurial ventures.

Donna Rachelson, director of Seed Academy comments, "The positivity of entrepreneurs is encouraging, and we have seen that when they are supported, they acquire skills that give them a much better chance of succeeding. The granularity of our survey results combined with our in-depth understanding of the ecosystem allows for this study to be one of the most highly quoted reports with respect to findings on entrepreneurship in South Africa."

Rachelson underscores that the entrepreneurial ecosystem is tough to navigate, with several entrepreneurs reporting that they don't know how to access available support.

A sluggish ecosystem

Overall, the 2019 survey illustrated that the entrepreneurial ecosystem is sluggish: revenues are not increasing significantly enough and challenges have remained the same over the past five years (with the added burden of blackouts, xenophobia and climate change). New businesses need to grow rapidly to significantly impact the economy.

Yet entrepreneurship has been recognised, at the highest levels, as necessary to boost economic growth, create jobs in a country with record-high unemployment, and make SA globally competitive.

President Cyril Ramaphosa stated at the South Africa Investment Conference 2019 that small enterprises presented the greatest potential to the growth of the economy but were often overlooked when it came to both government planning and investment.

“We need to offer confidence to investors to want to put their capital in our SMMEs by growing this sector and improving its viability,” said Ramaphosa, adding that it is the government’s priority to give greater support to the SMME sector.

What needs to happen?

Drawing on the findings of the survey, which tracks the ‘health’ of entrepreneurship in SA, it appears that the ecosystem is making incremental improvements year on year.

According to Rachelson, the key factors to success for entrepreneurs are the same as 2018 and include strong personal networks; proper business planning; access to business support services and the ability to present for new market opportunities.

Key challenges have featured in the research findings each year for five years. They include finding customers; inability to raise funds; wearing too many hats followed by lack of guidance; slow sales; customers paying late and the unpredictability of business conditions.

“An interesting finding of the research is that 47% of businesses are engaged in business to business products and services, business to consumer and business to government at the same time – thus making market focus very difficult.” she says.

A young democracy in transition

This year, it is apparent that businesses are being severely impacted by the transitions that are underway in our young democracy. SME growth is inhibited by various micro and macro-economic factors, ranging from power shortages to climate change. As with 2018, public sector corruption has been flagged as a key risk factor and appears to add costs to SMEs that tender for business.

Improving entrepreneurship in SA

Rachelson recommends that a multi-stakeholder consultative process should be undertaken to improve the entrepreneurial ecosystem - both in terms of the policies guiding entrepreneurs and the current offerings.

“We need greater awareness among entrepreneurs about how to access funding interventions,” says Rachelson. “Both the

development finance institutions (DFIs) and private sector funders need to develop appropriate marketing, and have accessible online/digital tools to assist entrepreneurs.”

She adds that entrepreneurs are often too risky for investment by DFIs and there need to be more accessible funding options for early-stage entrepreneurs who need small amounts of working capital. Additionally, sector-based interventions need to be tailor-made to address barriers to entry and to achieve real transformation and inclusion of SMEs within the economy.

“If changes are implemented to support entrepreneurs, there will be more new entrants to entrepreneurship as a job choice, and the lines between full time and part-time entrepreneurs will become increasingly blurred. For this to happen, we need economic stability and a dynamic, enabling environment,” concludes Rachelson.

Download the [Real State of Entrepreneurship Survey Results 2019](#).

For more, visit: <https://www.bizcommunity.com>