



# "Building an Entrepreneurial Culture"

## YOUTH ENTREPRENEURSHIP CONFERENCE

Held at the Sandton Convention Centre, Gauteng  
28 & 29 June 2004

### EXECUTIVE SUMMARY

#### A MODERN PHENOMENON

We are seeing a wave of entrepreneurship happening throughout the world with more and more people looking for self-empowerment and business ownership. The role of big business as a provider of jobs is shrinking and people are looking to empower themselves in other ways.

But, is the youth of South Africa ready for this entrepreneurial revolution? According to the Global Entrepreneurship Monitor Report, South Africa has one of the lowest rates of entrepreneurship and job creation amongst its youth, compared to other developing countries, and whilst government has put in place several initiatives to assist and uplift the youth, clearly, a great deal more needs to be done.

This puts more and more pressure on the Umsobomvu Youth Fund (UYF) to find new ways of tackling the problem and it is hoped that the feedback from this conference will inform new strategies and will guide the process in refining existing programmes, so that they are more relevant to the needs of South African entrepreneurs.

#### AN ENTREPRENEURIAL NATION

Building an entrepreneurial nation is not a quick process. A culture of entrepreneurship needs to be inculcated at an early age, throughout the education system, whilst at the same time building an awareness amongst parents and communities at large that entrepreneurship is an honourable and rewarding career option. We need to change the

mindset that sees entrepreneurship as akin to flashy suits, fast cars, and even gangsterism.

Adopting this approach in the long-term will bring the desired results, but in the short-term there is a more pressing need to cater for the out-of-school youth, and the ever-increasing number of jobless graduates.

Small and medium enterprise development (SME) is often presented as a panacea for poverty and unemployment, but it is only part of the answer. In the short-term we need to see youth entrepreneurship move into the mainstream of the economy with growth-oriented and sustainable businesses. In the longer-term, we need to build a strong and lasting culture of entrepreneurship. This must be done through the formal education system, starting at an early age in primary school, right through to the university level where even PhD courses will eventually be offered in entrepreneurship, as it is in some countries.

## **THE FACE OF AN ENTREPRENEUR**

An entrepreneur has vision and the capacity to bring that vision to life under conditions of risk and uncertainty. An entrepreneur is not easily discouraged, is not afraid to take risks, can multi-task, seeks assistance when necessary, is hard-working, can handle stress, and has a strong desire to achieve and attain financial success.

An entrepreneur recognises and pursues opportunities, has the confidence to succeed, has the flexibility to change course when necessary, and possesses the will to rebound from setbacks. Entrepreneurs have passion and talent, and they don't give up.

The Shorter Oxford English Dictionary defines entrepreneur as: "A contractor acting as intermediary between capital and labour." And the South African Concise Oxford Dictionary's definition is: "A person who sets up a business or businesses taking on greater than normal financial risks in order to do so."

The textbook definition of entrepreneur is: "A one-man business, a sole proprietorship, someone who creates change and acts as a catalyst."

Entrepreneurship can also be driven by a social conscience. It is innovative, can create employment, make profits and support economic growth.

However, not everybody is an entrepreneur. In developed countries like the USA and Europe, only 20% of the population become entrepreneurs. In Sub-Saharan Africa, the figure is as low as 4%.

The question generally posed is: are entrepreneurs born or can you create them? Some would argue that there is a bit of entrepreneurship in everyone. It just has to be identified, nurtured and developed, and then see where it takes you.

## **BARRIERS TO SUCCESS**

Some of the barriers that young people face as emerging entrepreneurs include:

- ™ Lack of ability to put together a feasible and realistic business plan;
- ™ Lack of management and interpersonal skills;
- ™ Lack of financial management;
- ™ Lack of strategic planning;
- ™ Lack of financial support;
- ™ Lack of direction;
- ™ Lack of networking;
- ™ Lack of mentorship;
- ™ Poor perception of entrepreneurs;
- ™ Lack of community support, especially in rural areas;
- ™ Heavy collateral requirements by banks;
- ™ A perception that start-up businesses are risky;
- ™ Complex tendering and contractual processes; and
- ™ Long turnaround time for processing applications.

And some of the pitfalls that are encountered along the way are:

- ™ People may be highly trained and technically competent, but lack business management skills to take them over the hurdles;
- ™ Running into cashflow problems;
- ™ Rejection of business plans, without reasons;
- ™ Being debt-dependent and limping from contract to contract and from loan to loan;
- ™ Sectors that have ease of entry soon become saturated by copy-cats;
- ™ Lack of experience in dealing with conflict situations or partnerships;
- ™ Lack of competitive advantage;
- ™ Lack of innovation, ability to keep the business going and to come up with new ideas;
- ™ Lack of information, research and proper groundwork; and
- ™ Unrealistic expectations.

## **WHAT CAN BANKS DO?**

The question is: Are banks really so unfeeling? After all, they are not social institutions, they are in business to make money. They have to account to their shareholders, pay dividends, and protect their clients' savings. In fact, in most countries, banks would probably use the same stringent criteria when evaluating loan applications.

However, we are in a new phase of development and banks need to come up with new products and innovative ways of supporting this entrepreneurial revolution that is happening world-wide. South Africa should not be left behind because of a lack of finance. South Africa's youth possesses willingness, passion, and expertise, and they need to be supported in their entrepreneurial efforts by both government and the private sector. For example, contracting authorities and banks need to work together to solve the problem of funding for short-term contracts. There are many such supportive measures that can be put in place.

## **WHAT CAN GOVERNMENT DO?**

SME development is a key factor in the government strategy for job creation. There is legislation to support the strategies and a whole range of institutional support and interventions already in place to create an enabling environment.

But, there also needs to be a long-term strategy on entrepreneurship education, which should not be confused with business education. There needs to be a policy document on the practice and teaching of entrepreneurship, initiated by the heads of Ministries of Education, Trade and Industry, and Labour, and enforced down to the grassroots level, entrenching it in our education system and making it part of our education culture. There should in fact be an entrepreneurship component in every discipline.

The Department of Education recognises the importance of creating a culture of entrepreneurship and this is inculcated into the system through the revised national curriculum and the use of new methodologies. Such changes are taking place but they are not being widely implemented, partly because of a lack of trained educators in the subject of entrepreneurship.

Capacitating educators is a long-term process and appropriate educator and learner support material is needed to facilitate effective implementation of the Economic and Management Sciences curriculum.

## **WHAT CAN UYF DO?**

There are steps that UYF can take in the short-term to improve the current situation. For example:

- ™ Establishing a greater presence, especially in rural areas;
- ™ Becoming more accessible;
- ™ Improving turnaround time for processing applications;
- ™ Developing new products specifically designed for the entrepreneurial market;
- ™ Encouraging rural entrepreneurship as a priority;
- ™ Closely monitoring BDS providers;
- ™ Conducting opportunity scans in sectors hitherto unexplored, e.g. the construction industry;
- ™ Establishing a mechanism for assessing the impact of the various interventions;
- ™ Co-ordinating the activities of service providers so that they do not work in isolation;
- ™ Finding ways of integrating non-financial and financial support;
- ™ Ensuring that service provision is relevant to the needs, and is sector-based; and
- ™ Focusing on growth-oriented businesses since job creation cannot happen at the micro level.

## **GENERAL COMMENTS AND EXPECTATIONS REGARDING THE CONFERENCE**

It is hoped that at future conferences there would be a stronger presence or representation from institutions like the Banking Council, the Department of Labour, Department of Education and Department of Trade and Industry. People on the ground also need to be heard with a collective voice on their hopes and aspirations.

Some of the delegates expressed disappointment as they felt that this was more of a

practitioners' forum than an entrepreneurs' forum. It was suggested that the media pitch should be more explicit in future.

It was suggested that in future conferences -

- ™ There should be greater representation from the private sector as well as government departments;
- ™ A platform should be provided for young people to voice their needs and concerns;
- ™ More case studies should be included so that delegates can learn from existing successful enterprises; and
- ™ An exhibition space should be made available for entrepreneurs to showcase their businesses and network.

## **WHAT NEEDS TO HAPPEN**

We need a total entrepreneurship strategy, long-term and short-term.

We need role models that young people can aspire to.

We need to start thinking outside the mindset of the labour reserves.

We need the corporate sector to start believing in young black entrepreneurship.

We need to see youth entrepreneurship move into the mainstream of the economy.

We need a youth desk in all municipalities to deal with youth matters.

We need a marketing drive directed at the youth, the education system, government, financial institutions and the public at large.

We need mentors at tertiary institutions to encourage young graduates to utilise their diplomas and degrees in going out and creating employment, rather than going out to seek employment.

We need a marketing campaign to uplift the image of entrepreneurship. Children are conditioned from a young age to become professionals, like lawyers or doctors. Entrepreneurship should also be put forward as a good career option; both social and developmental entrepreneurship.

Youth should be encouraged to look for opportunities for growth that are linked to the economic development of the country.

A database should be created so that government and the private sector can locate emerging entrepreneurs and small businesses, especially with the Expanded Public Works Programme in mind.

A strong policy drive should be initiated with Umsobomvu acting as a catalyst between ministerial departments, ensuring cohesion and a common goal orientation between all the stakeholders.

We need to adopt a strategy whereby as many young people as possible can turn the wheels of poverty and unemployment around, from a nation of hawkers and survivalists, to a vibrant, successful and sustainable entrepreneurial phenomenon.

The journey in South Africa is just beginning.