

# Understanding South African start-ups:

## insights and advice from successful entrepreneurs

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## Foreword

Throughout modern history, South Africa has produced extraordinary entrepreneurs; names such as the Oppenheimers, Johann Rupert, Allan Gray and Richard Maponya. More recently, Adrian Gore and Elon Musk have become global household names.

As circumstances evolve and global shifts in the dynamics and complexities of business take root, so too does the socioeconomic context of South Africa and the attributes and competencies that make successful entrepreneurs. Since the advent of democracy and reintegration of South Africa into the global arena in 1994, a new breed of entrepreneurs from different backgrounds, communities and business sectors has emerged.

The authors of this report went out to meet some of them, and several observations and insights emerged from these encounters. The Understanding South African Start-Ups report captures these observations and insights in a way that may hopefully foster debate, even action, to more diligently harness South Africa's amazing entrepreneurial talent.

We are very grateful to SAVCA (the Southern Africa Venture Capital and Private Equity Association) for their support, and to Intellidex for the research and relentless pursuit of the elusive founders of South Africa's successful businesses.

Yours sincerely,

*E2 Investments ([www.esquared.org.za](http://www.esquared.org.za))  
Johannesburg, 2 September 2020.*

## Executive summary

For most of 2020, South Africa, like many countries around the world, has been in the grip of the escalating coronavirus pandemic. The need to create and nurture resilient high-growth businesses that generate employment opportunities went from being important to critical. The economic consequences of the virus have compounded South Africa's pre-existing weak GDP growth. Unemployment was already stubbornly high at levels between 25% and 30%. Small businesses are at the forefront of job creation and the need to understand what has made small businesses succeed in South Africa has never been more important.

With this alarming context, we undertook a study of a selected number of entrepreneurs who have built high-growth businesses in South Africa in the past 25 years. These entrepreneurs were selected from private equity firms' portfolios, as well as JSE-listed companies. Collectively, the companies founded by the entrepreneurs who were selected and interviewed employ a staggering 312,957 people – an average of 12,518 jobs per entrepreneur.

For this study, we designed a flexible conceptual framework to guide the inquiry. We did not set hypotheses. These imply preconceived assumptions of cause-and-effect relationships between variables. Instead, drawing on the prior work of diverse and influential thinkers on the topic of entrepreneurship, such as Dr Richard Maponya, Bill Gross, Scott Shane, Olav Sorenson, the Global Entrepreneurship Monitor (GEM) and data analytics provider CBInsights, the research team created a model that incorporates different themes associated with entrepreneurship.

In the end, the framework captured five layers, with the aim that each layer would illuminate a particular aspect of the overall entrepreneurial project: the individual; the social context of the entrepreneur; the business; the industry; and the economy in which it operates. The scope of such a framework is ambitious but not unprecedented, as we found when reviewing authoritative literature on entrepreneurship.

We define the five layers of the framework as follows:

Figure 1: Conceptual framework for this study



- **The individual:** The founder has psychological and demographic attributes; examples of the former attributes are motivation and cognitive abilities, while examples of the latter are education and prior work experience.
- **The social context:** The founder's network of families, schools, churches, universities and communities play an important role in enabling their success.
- **The business:** A successful entrepreneur gets five aspects of a business right: timing, team, idea, business model and funding.
- **The industry:** Industry dynamics such as level of competition or geographic concentration of stakeholders affect the ability to grow successful businesses.
- **The economy:** The wide economy can be a tailwind or headwind for entrepreneurs, while specific economic sectors can experience higher growth relative to others. These environmental factors influence or inhibit the individuals' decisions and outcomes as they pursue entrepreneurial initiatives.

There is certainly no golden key to scientifically unlock the mystery of entrepreneurial success. To pretend otherwise is to simplify a complex process, and this study is not a blueprint or a handbook on how to create successful start-ups. However, the various experiences related in this report do foster hope and a sense of optimism as they point to common character traits, attitudes and behaviours successful past and present South African entrepreneurs have displayed.

Furthermore, what has become apparent from this study is that none of the featured entrepreneurs got to build a successful business on their own; it takes a 'village' to raise an enterprise.

The five layers of the conceptual framework used in this study provide a holistic perspective of the entrepreneurial process, and a number of insights emerged from each of these elements.

## Main insights

### The individual

Some common themes on individual attributes emerged in this study: creativity, the ability to innovate, resilience, discipline, problem-solving acumen and tenacity in the pursuit of business ideas.

Entrepreneurs featured in this study were motivated by a variety of factors. Some had a deep passion for a specific field. Others recognised an opportunity in an untransformed or untapped market. Most entrepreneurs were simply searching for greater control and independence in their professional lives and felt that entrepreneurship was a means to achieve that.

We found that business ideas were a combination of passion, the right opportunity and applicable skills and knowledge. These factors combined, led to success for most of the entrepreneurs in this study. They also frequently said that they came to the business idea by chance rather than by design, and that their interest in a particular field led them to acquire knowledge, skills and work experience, which then gave them the right exposure to business opportunities. With a few exceptions, the entrepreneurs agreed that formal education played an important role in their entrepreneurial journey.

Most importantly, our research revealed that the key motivator for starting their own business was a desire for independence from corporate structures. This link between corporate work experience and entrepreneurial success is noteworthy because it reveals which entrepreneurs stand a better chance of being successful.

### The social context

Understanding entrepreneurs' social contexts revealed important findings. For example, it showed how support (and at times sacrifice) from immediate families is a crucial component in nurturing of successful entrepreneurs.

Apart from family, entrepreneurs' social networks also consist of funders, business partners, mentors, other entrepreneurs and businesspeople, as well as solid employee teams. These networks of like-minded people provide guidance and expertise especially in the face of the inevitable setbacks and challenges growing businesses go through.

In addition, entrepreneurs' ability to assemble the right team is a paramount factor of success. Many respondents expressed their gratitude for having had a trusting business partner early in their venture, a person who shared their visions and objectives and brought complementary skill sets.

### The business

Access to capital was the most frequently mentioned difficulty that entrepreneurs encountered. Right at the outset or very soon on their journey, successful entrepreneurs face the daunting task of raising capital. Many of the successful founders surveyed in this study spoke about how early in their journeys they were able to sell their visions and build strong relationships with capital providers – angel investors or venture capitalists – who believed in the business and ended up playing a huge role in the venture's success. This finding should be understood in the context of this study which mostly included entrepreneurs that secured private equity investments.

The next biggest challenge for entrepreneurs was building their teams. The entrepreneurial journey is rife with obstacles and challenges; one such challenge is appointing the right employees. This critical task is often made difficult by the unwillingness of some highly skilled people to work for start-ups. The founders featured in this study felt that because businesses are, in essence, the embodiment of the people who work in them, their ability to address this problem was an essential factor of success.

Successful businesses always have some way in which they distinguish themselves from others. This is accomplished by being cheaper than competitors, being better attuned to customer needs, offering superior service or maintaining higher standards across all functions. Then there is also the reality that although a well-articulated business model drives initial business success, conditions constantly change and entrepreneurs need to remain vigilant to evolve their business model.

## The industry

The majority of entrepreneurs in this study had work experience in the same industry as the one in which they started their businesses. Some had beneficial work experience in other industries that they felt equipped them with good skills and networks to venture out on their own. A very small number had no work experience at all. This finding aligns with other research on entrepreneurship that asserts that most successful entrepreneurs will have relevant work experience in the industry of their business.

The entrepreneurs interviewed in this study all admitted that it can be difficult to deal with competitors. However, they reckon that while it is important to be aware of what competitors are doing, this shouldn't be an all-consuming pursuit. The entrepreneurs mostly dealt with rivals by concentrating on delivering value to their client. A second basic response was that they intentionally disregarded their opposition. Particularly when starting out, entrepreneurs need to realise that there will always be people who are better known, have bigger networks or more capital. It is important, they say, not to lose faith in one's own abilities. Also, some of the best entrepreneurs view competition as a good thing; competition sharpens their competitive edge and makes them better by ensuring that they constantly improve their product or service. Others spoke strongly about the thrill of overcoming South Africa's perceived non-inclusive business culture.

Having competitors in an industry means that the entrepreneurs chose to enter existing markets rather than trying to establish completely new markets. Some thrived on the prospect of introducing new products and services to previously marginalised segments of the population. This finding aligns with international research on industry-level enablement for entrepreneurs which argues that new businesses will flourish in situations where other similar businesses already exist.

The entrepreneurs confirmed that incubators, accelerators and business support hubs play an important role in enabling new entrepreneurs' entry into those industries. This is especially important for those individuals who start businesses in industries other than those in which they have had prior work experience. By attending networking activities at incubators and other industry gatherings, entrepreneurs meet other entrepreneurs, potential mentors and relevant industry contacts. Incubators also support start-up enterprises with general business expertise and industry-specific technical assistance. In South Africa as elsewhere, incubators have the potential to break fragmentation within industries by fostering cooperation and facilitating coalitions to address challenges such as obstructive regulatory environments or inadequate underlying infrastructure.

## The economy

The fifth and final layer of our exploration delves into the extent to which the wider economy affects entrepreneurs' businesses. Most entrepreneurs say that economic cycles do affect them, but it is important to manage these cycles and plan accordingly. However, entrepreneurs shouldn't become complacent when times are good. Paradoxically, we found that robust businesses are built in tough economies. These businesses are by necessity lean and hyper-focused on delivering value to customers. Additionally, our findings echo the sentiments expressed by the late Dr Maponya: government should create an enabling environment that makes it easy to run businesses, but no more than that.

Some entrepreneurs regard bureaucratic red tape and numerous tax and legal regulations as cumbersome. Also, some industries are much more regulated than others and this can complicate the entrepreneurial journey. However, there are those entrepreneurs who embrace these and regard them as necessary to enable feasible businesses and a favourable society for all South African citizens.

## Structure of this report

This report consists of eight sections. Following this executive summary, we outline the background and context of the study. We demonstrate that there are millions of businesses in South Africa, and that the lessons we draw from the 25 entrepreneurs are applicable to many of them, especially those that are similar high-growth start-ups with the potential to generate employment for millions of people.

The core of the report has five parts, which draw on in-depth interviews to illuminate the aspects of entrepreneurial success that we identified in the

conceptual model: the individual's attributes and characteristics; the entrepreneur's social context; what they have to get right in the business; the dynamics of the industry in which they choose to operate; and then, more broadly, the features of the economic environment. Each of these sections contains the interview findings that we showcase with substantial direct quotes, our own evaluation of the findings and the main recommendations for enabling the success of future entrepreneurs in South Africa. The last two parts of the report describe the conceptual model and research methodology in detail.

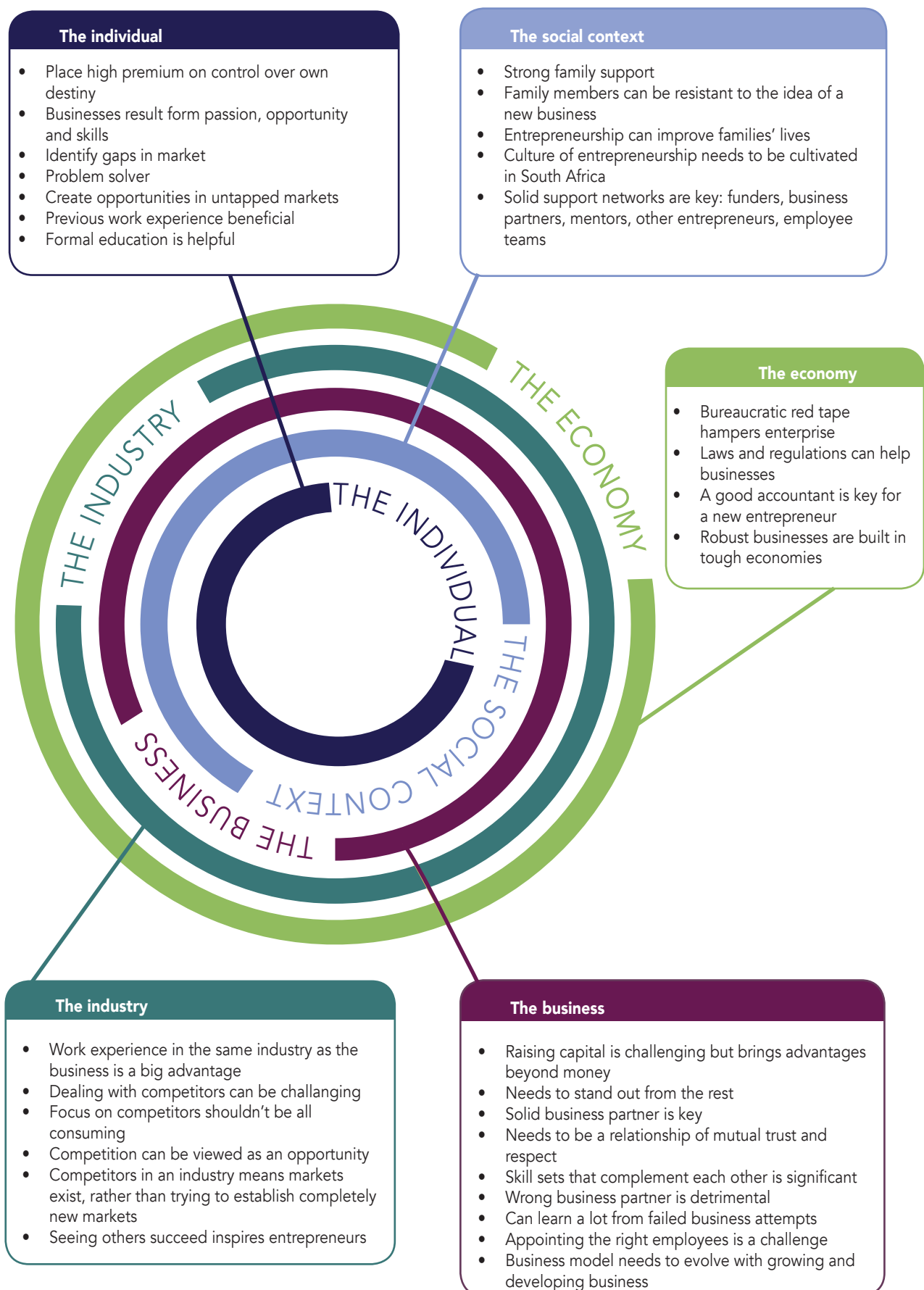
## Study participants

The table below lists the company founders who participated in this study. The list is ordered alphabetically by company name.

*Table 1: Entrepreneurs in this study*

|    | Company                | Sector                | Founder/s                       | Founded |
|----|------------------------|-----------------------|---------------------------------|---------|
| 1  | Aerobotics             | Software              | Benji Meltzer                   | 2014    |
| 2  | Brenthurst Wealth      | Financial Services    | Brian Butchart                  | 2004    |
| 3  | Calibre                | Investments           | Theunis de Bruyn                | 2002    |
| 4  | Capitec                | Financial Services    | Michiel le Roux                 | 2001    |
| 5  | DSES Project Solutions | Engineering Services  | David Swartz                    | 2008    |
| 6  | Everlytic              | Internet marketing    | Sam Hutchinson                  | 2004    |
| 7  | FinChatBot             | IT                    | Antoine Paillusseau             | 2016    |
| 8  | FirstRand              | Financial Services    | Laurie Dippenaar                | 1998    |
| 9  | GoMetro                | IT                    | Justin Coetzee                  | 2012    |
| 10 | Gradidge Mahura        | Investments           | Kagisho Mahura                  | 2007    |
| 11 | Herotel                | Wireless ISP          | Alan Knott-Craig Jr.            | 2014    |
| 12 | Hirsch's               | Retail                | Margaret Hirsch                 | 1979    |
| 13 | IDF Capital            | Financial services    | Polo Leteka Radebe              | 2008    |
| 14 | IoT.nxt                | IT                    | Nico Steyn                      | 2015    |
| 15 | Kwame Diamonds         | Jewellery             | Jo Mathole                      | 2008    |
| 16 | Ozow                   | Software              | Thomas Pays                     | 2003    |
| 17 | Pet Heaven             | Online Retail         | Schalk Kearney                  | 2012    |
| 18 | Pride Factor           | Education             | Dene Botha                      | 2014    |
| 19 | Real Foods             | Food                  | Dean Kowarski                   | 2013    |
| 20 | Royal Schools          | Education             | Bennie Fourie                   | 1993    |
| 21 | Servest                | Facilities Management | Kenton Fine and Dennis Zietsman | 1996    |
| 22 | Sinayo Securities      | Investments           | Babalwa Ngonyama                | 2015    |
| 23 | Stoffelberg Biltong    | Food                  | Danie Venter                    | 2013    |
| 24 | UCOOK                  | Food                  | David Torr                      | 2014    |
| 25 | WeBuyCars              | Retail                | Faan van der Walt               | 2001    |

Figure 2: Understanding South African start-ups: insight and advice from successful entrepreneurs



## Background and context

The research study was initiated by E<sup>2</sup> Investments to support entrepreneurial activity in South Africa. When we started the project in mid-2019, we did not have the coronavirus to contend with. As we now finalise the report, its contribution and message are even more powerful, necessary and important. South Africa, like the rest of the world, is in the grip of trying to find a way to deal with this pandemic. We have lost jobs and businesses as the economic consequences of the health crisis deepen.

Going into the pandemic, South Africa was already in crisis, with the economy contracting in the last two quarters of last year and unemployment at a stubbornly high 27%. Since the lockdown began, SA's sovereign credit rating has been downgraded to junk status by Moody's Investors Service, a move which had been on the cards for some time, while other ratings agencies have also downgraded the country deeper into junk territory.

The urgency underpinning this report has never been greater. Government is working out how to restart the economy without jeopardising the precarious public health situation. Most businesses regardless of sector, age or size have been forced to pivot their business and operating models. Now, more than ever, we need clear leadership in the public and private sectors. We need to learn the skills that entrepreneurs and founders must have to bounce back from defeat. We need to learn how to be resilient. We need to learn how to be flexible. We need to learn how to see opportunities even in the most challenging situations. These are all lessons that this report captures.

The messages of hope and optimism from the founders in this report are needed now more than ever. That ability to see light in the darkest times is something we found in common among the founders that we interviewed for this report.

When we started working on this research, there was one person we felt would be essential to include in this study: Dr Richard Maponya. We felt that he encapsulated so much of the magic of entrepreneurs that we were trying to distill in this report. Dr Maponya was a self-made businessman who persevered and thrived despite the conditions of apartheid. He and his wife built a business empire that spanned retail, automotive, filling stations and property development.

Sadly, this shining light of South African business passed away in early January, just two months after Dr Allan Gray, founder of the Allan Gray and Orbis Investment Management firms, and the unique philanthropic organisations related to them,

including Esquared. We are grateful for Dr Maponya's contribution to our country. Both Drs Maponya and Gray served as inspiration for this report and we hope their legacy lives on through these pages.

We are grateful for Dr Maponya's contribution to our country. Both doctors Maponya and Gray served as inspiration for this report, and we hope their legacy lives on through these pages.

*"We are now free politically. We have a democracy. But our economic freedom is extremely limited. For our own good we need to act now. Those few of us remaining entrepreneurs who succeeded in the old regime have not lost our appetite for solutions, nor our love and commitment to this country. We believe in the potential of the youth of our country, and that new circumstances must be created to generate our own Oppenheims, Gordons, Gates, and JP Morgans. We must create future business heroes. Such a future is available. South Africa requires a turnaround. I may have my best years behind me, but I give my full support to such efforts."*

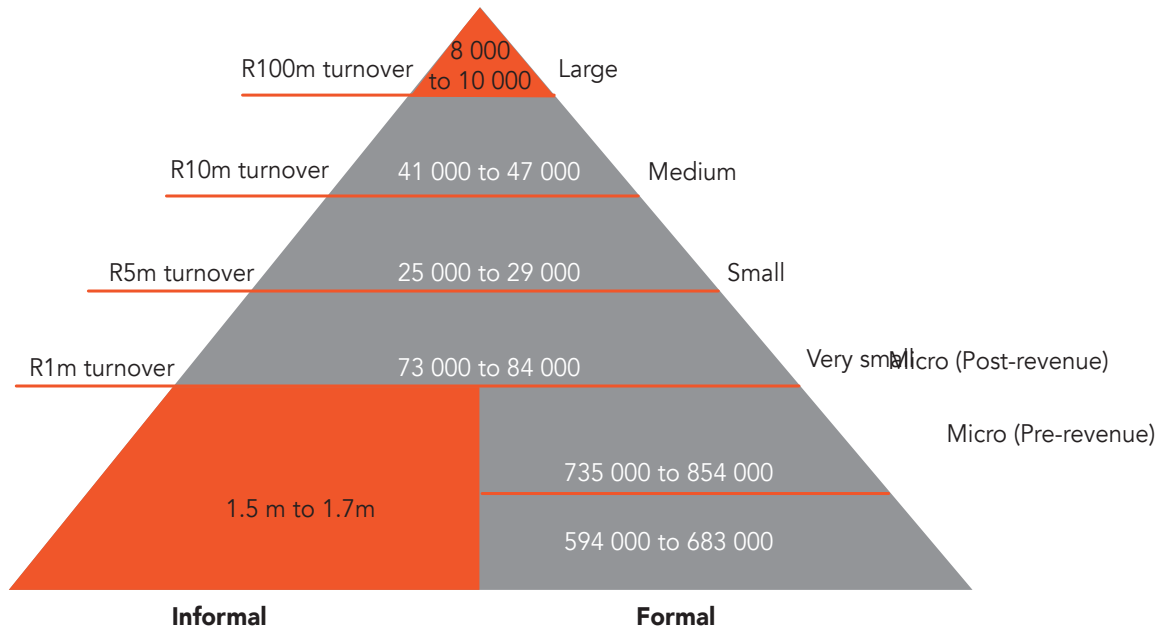
*– Dr Richard Maponya*

Entrepreneurship is instrumental to the competitiveness of an economy and the creation of jobs is probably one of the most valuable aspects of entrepreneurship. Entrepreneurs provide employment opportunities which in turn ensure that the quality of life and living standards of many families improve.

However, innovation and technological development, which are often driven by entrepreneurs, can also lead to the demise of certain businesses and subsequent job losses. When a new business is successful and introducing new ideas, the existing market is disrupted. A world that is becoming increasingly digital changes certain industries forever. For instance, many newspapers and magazines have forgone their print versions in favour of online versions, while streaming services such as Netflix and Showmax were the final death knell for DVD rental shops.

A special category of entrepreneurship is the start-up company. There were an estimated 4 million businesses in South Africa prior to the strict lockdown instituted in South Africa to curb the effects of the coronavirus that has seen many businesses go under. The diagram below shows that breakdown of businesses by level of turnover.

Figure 3: A taxonomy of businesses in South Africa



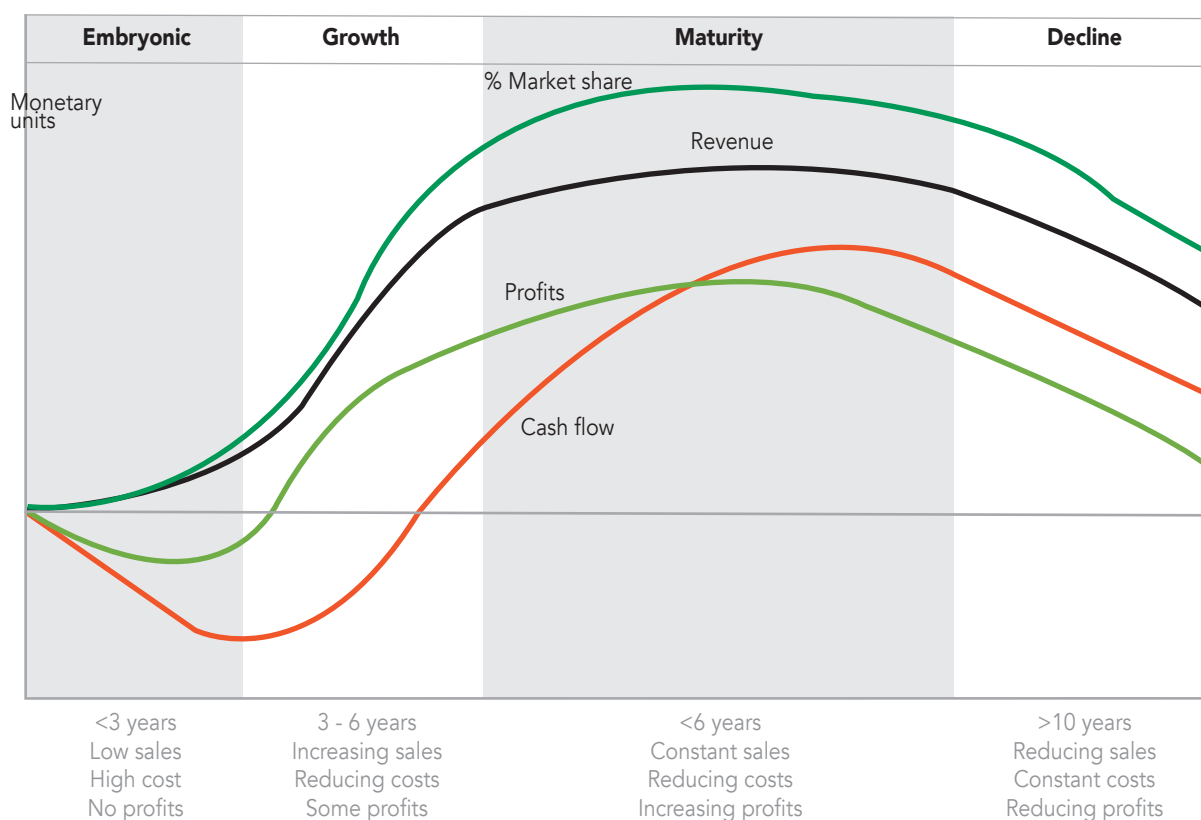
Source: FinFind. (2019)

The vast majority of businesses are in the micro category, with turnover under R1m. Not all business remain in this category and may move between levels relatively quickly. Such businesses achieve high rates of growth in revenue in a short space of time. To achieve this, they have developed highly scalable business and operating models. They may, in some cases, attract investor funding to enable their growth, but this is not the case for most start-ups. The business lifecycle model (illustrated below) shows the different growth stages of businesses. Start-ups, like other businesses, begin their life in the embryonic stage.

In this report we focus on those start-ups that have achieved this growth. Our intention is to understand what is required to create many more successful start-ups in South Africa. Their success leads to a growing economy and much-needed job creation.

We explore a range of issues and themes that come to mind when we think about entrepreneurship and particularly the factors that contribute to success. From the outset, we challenged ourselves to go beyond only the individual entrepreneur. We designed a guiding conceptual framework that was narrow enough to

Figure 4: Business life cycle market share, sales revenues, profits, and cash flows



Source: Channon, McGee and Sammut-Bonnici (2015)

focus our interviews, but also wide enough to allow the peculiarities of the entrepreneurs' own experiences to come to light. Our design was informed by the rich history of entrepreneurial research, but we were careful not to be dogmatic about one perspective or theory.

In particular, our approach was to reach across time to bring together some of the historical personal and contextual aspects to the entrepreneurs' experiences.

The 25 entrepreneurs interviewed for this study each have unique stories. We evaluate their insights and make recommendations on how to nurture future entrepreneurs. We try not to contract their stories into simple dichotomies, but rather seek to capture the richness of 25 individual experiences.

As South Africa emerges from the coronavirus situation, the entrepreneurial spirit that pervades this report will be essential to rebuilding and restructuring the economy and adapting and disrupting industries to new ways of doing business.

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*What are the psychological  
(motivation and cognition)  
and demographic  
(education and experiences)  
attributes of successful  
entrepreneurs?*

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# Part 1 – The Individual



## Summary

- Entrepreneurs are motivated by a variety of factors such as a desire for freedom from corporate structures and to be in control of their own lives. Other motivations include that becoming an entrepreneur was simply the next step for them in their lives, or that they either had no other option, had a desire to solve a particular problem, wanted to learn new skills or wanted to move outside of their comfort zone.
- For many, their business was a result of passion and opportunity combined with the right skills and knowledge. Sometimes an entrepreneurial opportunity presents itself by chance rather than by design. Unique ideas are often the result of an entrepreneur's passion for something or a deep interest in a specific field.
- Successful entrepreneurs are able to identify a gap or a problem in the market and then work towards solving the problem or introducing new products or services to the market.
- Some entrepreneurs in this study recognised that there were opportunities in areas that were still largely untransformed in South Africa.
- Entrepreneurs sometimes start a business because they realise that a service they themselves would use is absent from the market.
- Entrepreneurship requires tenacity and a great deal of discipline to see things through.
- There is also the view that although certain skills are needed. The right attitude and mindset are often more significant in the creation of success.
- Characteristics such as innovation, respect, integrity, loyalty and good values are important.
- Being a successful entrepreneur involves continuous problem solving and being able to face numerous daily challenges.
- Most entrepreneurs said that formal education played an important role in their entrepreneurial journey. This was not the case for some, however, who felt that it played no role, only helped in a small way or even played a negative role.

According to Shane (2003), the individual is seen as operating in specific a context and draws on personal attributes to identify opportunities in their environment which they turn into businesses. He writes: "Entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of

organising, markets, processes and raw materials through organising efforts that previously had not existed." (Shane, 2003:4). Our findings bear this out as we found one of the most common attributes across the entrepreneurs was their orientation to problem solving. Successful entrepreneurs build businesses that solve specific problems for the end-user. They have the ability to recognise a specific problem and then work incessantly to find ingenious ways to resolve it. These solutions often transform lives and industries.

## The entrepreneur's motivation<sup>1</sup>

Entrepreneurs in this study frequently mentioned their desire for freedom from corporate structures and a desire for independence as the primary motivator for pursuing their own business. The next highest motivator was that becoming an entrepreneur was simply the next step for them in their lives. Then, an equal number of entrepreneurs said that they either had no other option or had a desire to solve a particular problem, wanted to learn new skills or wanted to move outside of their comfort zone.

Justin Coetzee from GoMetro says that the only way to have control in his life is to build a business and says that this notion drove him while he was still studying.

*"When I was a student, my father was forced to take early retirement and I realised how quickly things can change. In a corporation you are just a number and I don't trust them. Companies don't look after you for 40 years or more and the moment you are no longer useful, you are not wanted. You can either be a number or manage your own future. I chose to be the master of my own fate, for better or for worse."*

– Justin Coetzee

Coetzee says this is what motivated him to become an entrepreneur, as well as a hunger for learning. "I pushed myself to learn about things that I never otherwise would've been exposed to. You need to go outside of your comfort zone and in this way you learn more and faster than when you are in a corporate job," explains Justin.

According to Benji Meltzer, co-founder of Aerobotics, his previous work experience, community and social environment consisting of friends and family, inspired him. He says that he finds himself within an entrepreneurial ecosystem and that his parents, who both run their own businesses, exposed him to entrepreneurship from a young age.

Aerobotics is an agritech software development start-up founded in 2014. It uses drones and AI to help farmers optimise their crop management and detect

<sup>1</sup> Question: What motivated you to become an entrepreneur?

pests and diseases. Meltzer explains that he and co-founder James Paterson realised that farming is a risky business. Farmers struggle to make data-driven decisions, because data to support such decisions did not exist, nor the tools to interpret the data.

*"It has always been my belief to drive impact and change and that is easier to achieve when you are in control – your ability to make an impact is bigger. I am being driven by a desire to create something myself. Also, as an engineer, the opportunity to invent and create something out of nothing is an exciting prospect and I enjoy being in control of my own destiny."*

– Benji Meltzer

Jo Mathole from Kwame Diamonds is another entrepreneur who places a high premium on the sense of control that comes along with entrepreneurship. She says that she loves owning her own time and being in control of her time.

*"Owning my time was really my greatest motivation. The money – yes, that is nice too, as well as celebrating all my milestones and achievements. But for me the biggest aspect was owning my time and being able to allocate time to myself and my family. I have the time to do the things I enjoy doing, I can travel and study whenever I want to, which would've been rather impossible if I was holding down a nine to five job."*

– Jo Mathole

Faan van der Walt, the co-founder of WeBuyCars, believes an entrepreneur is born rather than made. Van der Walt and his brother, Dirk, founded WeBuyCars in 2001 with the vision of being a reputable name in an industry that is often perceived as being rather unsavoury. The company aims to make second-hand car sales safe and convenient and does so by going to a location that is suitable to the seller. It offers expert sales advice and secure transactions and second-hand car buyers have access to a wide range of thoroughly inspected vehicles with the required documentation.

*"I don't think one chooses to be an entrepreneur; it is part of your DNA. The essence of being an entrepreneur is to be unhappy and uncomfortable with the status quo. An entrepreneur has an eye for improvement. My brother and I have the longest list of things we want to improve even though we've been in the business for almost 20 years."*

– Faan van der Walt

Justin Coetzee from GoMetro believes that aspiring entrepreneurs should follow their own paths.

*"Entrepreneurs shouldn't compare themselves with others. Their journeys are their own. If someone else can do it faster, that is their journey. People should be patient and give themselves time. When you are building a business, everything takes longer than expected. Also, it is a tough life – the highs are very high, and the lows are very low. The journey will make entrepreneurs doubt themselves, it will test them like nothing else can. But if they have the talent and skills, they owe it to themselves and the universe to do it."*

– Justin Coetzee

Some entrepreneurs told us that their motivation was to remain in control of their lives, their future or their time. Apart from the prospect of making a lot of money, motivations for becoming an entrepreneur might also include the flexibility it allows, personal fulfillment and growth, the satisfaction of doing something one really loves or wanting to leave a legacy. For some of the entrepreneurs we interviewed the disillusionment with and even distrust of the corporate world were drivers. Another set of motivations are social and perhaps specific to South Africa. We found cases where women entrepreneurs wanted to prove themselves in male-dominated industries or black people wanted to break the colour barriers in industries in a transforming South Africa. Then, in contrast to those that cite external motivators, others were internally motivated, stating that becoming an entrepreneur was simply in their DNA.

## Passions, prospects or pure chance<sup>2</sup>

Entrepreneurship is often linked to passion or a desire to solve a particular problem. Drawing on the insights from Shane (2003), we added a question probing whether their action was deliberate or by chance. Many entrepreneurs indicated that there was a link between the two. They had a passion for a particular type of work and then had the good fortune to find an opportunity in line with that passion. They shared a further link with having specific knowledge about the industry, work or skills that enabled them to take advantage of the opportunity that presented itself.

Passion is a prevalent element as numerous respondents emphasise their passion for the field they enter. What distinguishes successful entrepreneurs from others is their ability to recognise what they enjoy doing, what they don't enjoy doing and what they want to spend their time on – and then have the aptitude to turn their passions into profitable businesses. Passion doesn't necessarily pertain to the products or services on offer, but it might rather be a passion for starting a business or being self-employed.

<sup>2</sup> Question: Did you encounter an opportunity by chance or was it as a result of your passion or knowledge of a particular sector?

According to Dean Kowarski, his company Real Foods was the result of his passion for healthy food and how healthy food can improve people's lives in the same way it improved his own. Kowarski wanted to share his love for wholesome, nutritious food with the public and started Real Foods in 2013. He started with his first brand, Nü Health Food Café, which is a casual dining restaurant that serves local and sustainably sourced produce. He then acquired Kauai, one of South Africa's biggest health-focused fast casual restaurant groups. Other brands that the company owns are Schoon (consisting of a small café, experimental kitchen, bakery and patisserie), Highveld Honey and Brother Bees Honey.

Antoine Paillusseau, the founder of FinChatBot, attributes his business success to a combination of knowledge, opportunity and a passion for entrepreneurship. FinChatBot develops chat bots to help financial service providers acquire and retain customers through artificial intelligence-powered conversations. Paillusseau has a background in digital marketing and was working for a web marketing agency that generates leads for the financial industry.

*"I realised there was a drop-off point in the conversion funnel because we were sending those leads to the call centres and they were not really calling back those leads. Therefore, I decided to create a solution that can enhance this customer experience and provide a full conversion without human intervention."*

– Antoine Paillusseau

Babalwa Ngonyama from Sinayo Securities says of her equity sales and trading business: "This was always a passion project for me, I always knew I wanted to start this business." Sinayo Securities is a majority black woman-owned and -managed firm. It has a level 2 black economic empowerment (BEE) rating and is a member of the Johannesburg Stock Exchange.

Ngonyama started the firm in 2015 and initially the Public Investment Corporation was its only client. "In order to grow the business, I knocked on the doors of insurance companies, fund managers and asset managers," she says.

The business grew to such an extent that it could no longer fund the capital adequacy requirement. Ngonyama had to bring in another shareholder, Khumo Shongwe, who provided the capital that was required. The two shareholders built the business together until both of them combined could no longer put in the necessary capital. "At this point we decided to look for a strategic partner once and for all and that is when we found African Rainbow Capital through Patrice Motsepe. We had worked together before and he

knew I have integrity so doing business together was easy. Integrity is important when you want to succeed as an entrepreneur," says Ngonyama.

Sometimes entrepreneurship blossoms as a result of a deep interest in a particular field. Sam Hutchins, the founder of Everlytic, says that he always wanted to be involved in technology. Everlytic is a digital messaging platform that helps businesses communicate personally, reliably and automatically using bulk email, SMS and voice broadcasting at scale. "I was obsessed with computers from a very young age and starting a business in any other field would've been against my calling. The formation of Everlytic was a culmination of my desire to start a technology business and the fact that I had difficulty in finding a job."

Entrepreneurship also requires a great deal of perseverance. More than anything, it's about having the discipline to see things through. For David Swartz, the founder of DSES Project Solutions, the path to success was not easy and straightforward. The company services mechanical and piping products, manufactures tanks, fabricates structural steelwork and also undertakes project construction management from concept stage to commissioning and optimisation.

Swartz started his career in a construction company owned by his father and then entered the engineering field where he worked his way up. After four years he became an artisan. In 2000 he was able to start his studies thanks to a businessman who sponsored him. "My qualification earned me a position at Mondi and while working there as a contractor my wife and I decided to start DSES Project Solutions," says Swartz.

Initially Mondi was their only client and Swartz explains that the period between 2009 and 2014 was particularly tough. He says: "I had to take on additional consulting jobs. It was erratic at times and our income fluctuated and we suffered many losses."

In 2015 the company took a turn for the better when it was contracted by Engen. "At this point the success of the business really kicked off – we managed to complete our work ahead of schedule and Engen recognised our hard work."

Last year Engen renewed DSES Project Solutions' contract and it now has 20 depots across the country. An important issue for entrepreneurs is that the problems they seek to resolve are not just their own: they seek to solve problems for their clients. Indeed, entrepreneurs thrive on solving problems and regularly ask themselves how their products and services can provide compelling solutions to client problems. Many saw a gap in the market and went on to create unique and prosperous businesses. Others recognised that an overseas concept would fit perfectly into the South African market.

## Solving problems and pain points<sup>3</sup>

An important issue for entrepreneurs is that the problems they seek to resolve are not just their own. They seek to solve problems for their clients. Indeed, entrepreneurs thrive on solving problems and regularly ask themselves how their products and services can provide compelling solutions to client problems. Many saw a gap in the market and went on to create unique and prosperous businesses. Others recognised that an overseas concept would fit perfectly into the South African market.

Justin Coetzee, the founder of GoMetro, saw a problem in October 2001 when he got increasingly frustrated with the train he took to work being continually late. This led Coetzee to think: "Surely we can know where trains and buses are? Then maybe more people will use them. That will give them more budget and political relevance and improve transport." This is how GoMetro got started.

*"The aim of the business is to improve the way we move. Since 2011 I've been building a business that sits at the intersection of transport and technology."*

– Justin Coetzee

The company's aim is to enhance the efficiency of public transport systems. It does this by using an artificial intelligence (AI) platform to map and measure current patterns and then optimise public transport operations to most effectively meet demand. GoMetro already has operations in six countries and its system is deployed in 10 countries. The business has shown 100% year-on-year growth since it was established in 2014 and has attracted the attention of notable backers along the way. GoMetro's core technology was acknowledged by the University College of London, at the Urban Age Convention in Addis Ababa in 2018, as "world-leading in reforming public transport".

David Torr's love of food led him to co-found UCook. The company was started in a garage in Newlands, Cape Town, in 2014. Torr and co-founder Chris Verster-Cohen realised that people want to eat delicious and nutritious meals, but don't always have the time to cook them. Their concept entails weekly meal kits that can be ordered online and delivered to customers. These include easy-to-follow recipe cards and pre-portioned ingredients that are sourced ethically and sustainably.

In 2014 the business consisted of three people – Torr, Cohen and co-founder Katie Barry – who did everything. Now it has 150 people on the payroll and a turnover of R40,000 in the first year rocketed to

R800,000 in 2017, then to R38m in 2018.

Some entrepreneurs recognised that there were opportunities in areas that were still largely untransformed since apartheid ended. Jo Mathole was a stockbroker when her curiosity and sense of adventure led her to the diamond industry.

*"With the dawn of democracy there was a rush into mining because opportunities were opening in those areas that were previously closed. I decided that the mining industry was the one industry that was not transformed at all. It was very closed and secretive."*

– Jo Mathole

Jo and her sister, Khomotso Ramodipa, founded Kwame Diamonds in 2008 and both hold dealing and beneficiation licences which allow them to trade in rough and polished diamonds. "The diamond industry is perceived by many as being mafia-like, people think it represents something sinister. Diamonds are supposed to symbolise love and I want to change this wrong perception," says Jo.

Kagisho Mahura says the idea for his and co-founder Craig Gradidge's company, Gradidge Mahura Investments, came about in the halls of Old Mutual, where they both worked. They started talking about all the BEE deals that were happening and they were concerned that although these were great deals offered to the public, people were not really investing in them. It became apparent to Gradidge and Mahura that this came down to insufficient knowledge of how investing actually worked.

*"The country was changing – the black middle class was developing, and many black professionals were coming on board. But the average financial adviser was your middle-aged, white Afrikaans male."*

– Kagisho Mahura

Mahura further explains that he was concerned that many of his own financial advisers knew less about investing than he did. "We realised that there was a big gap in the market from a cultural perspective. We wanted to fill this gap and provide the investment knowledge that we've honed over the years," he says.

Sometimes an entrepreneurial opportunity presents itself by chance rather than by design. Schalk Kearney entered a start-up accelerator with incubation hub and private seed fund, 88mph. In this start-up accelerator, Kearney met Courtenay Farquharson, the founder of Pet Heaven, at a co-founders' evening. Kearney and Farquharson then became business partners and eventually Kearney took over the operations as CEO of

<sup>3</sup> The content for this section is derived from answers to the questions: How did your business get started? Take us into the mind of an entrepreneur. Did you recognise a specific problem that led you to start a business? What did this problem entail and how did you uncover it? Why did you decide that starting a business would be the best way to solve that problem?

The company had been started in 2012 by Farquharson, who came across an online pet company in Australia and realised there was nothing similar in South Africa. Pet Heaven is now one of the biggest online pet stores in South Africa and delivers pet food and pet accessories to customers' doors.

Dene Botha believes his company, Pride Factor, is the culmination of his life's work. Botha explains that he has worked in many different fields during his life but wasn't really passionate about any of them. However, all these different occupations provided him with the necessary skills and knowledge to start his company.

Pride Factor is a life-skills academy that aims to enhance the quality of life for teenagers and young adults. Students are inspired and guided on how to challenge their assumptions, broaden their aspirations, identify their passion and create successful careers and lifestyles. Botha was recognised as one of the 100 Most Influential Young South Africans in 2019 in the fourth edition of the rankings compiled annually by African media and public relations agency Avance Media.

For Alan Knott-Craig Jr from Herotel, the trigger to take some action was the birth of his first daughter. It led him to consider the pervasive inequality in South Africa. He realised that his daughter had so many privileges in terms of schooling, parenting, books and unlimited access to the internet, while the children in the Stellenbosch township Kayamandi had none of these things.

*"One way to overcome a weak school or a bad teacher is to get children online. That was my motivation, but it wasn't a purely altruistic motivation. I wanted to live in South Africa forever and I couldn't see how that would be possible if we continue with this inequality – this unequal access to knowledge and opportunities. There will always be rich and poor people in any society, but it is unfair when a big chunk of the population cannot escape their circumstances. I did have a stint in the NGO space, but in truth the only real sustainable model in the world is a model that generates profit. I like this idea of having a business that makes a positive difference and helps people, while still making money."*

– Alan Knott-Craig Jr

UCook's David Torr wanted to create a unique client experience that enhances and simplifies people's lives. He notes that TV programmes such as MasterChef became hugely popular and inspired people to learn how to cook.

*"People got discouraged by the difficulty of cooking healthy and nutritious meals and we realised that there is an opportunity to make cooking accessible and easy. Meal kits was an idea that interested me and after I'd been introduced to the international*

*company HelloFresh, I concluded that there was room for such a concept in South Africa. At the time, the country was in a technical recession yet brands like Woolworths and Yuppichef were still doing well, which showed that people were willing to spend money on premium food. Convenience is at the heart of UCook and it combats all the tediousness that can be associated with cooking – sourcing of recipes, shopping for ingredients and making decisions on what to cook."*

– David Torr

Babalwa Ngonyama from Sinayo Securities and Polo Radebe from IDF Capital are two women who created their companies to make a real and significant impact in the lives of certain people.

According to Ngonyama, she realised that there were not many women in the financial services industry and felt that those who were in the industry didn't really play meaningful roles.

*"I formed this business so that women can have significant roles in the financial services industry with their voices being heard. And while I wanted to add value to the sector and provide excellent client service, I aimed to make the feminine element central to the business."*

– Babalwa Ngonyama

Radebe previously worked at the Department of Trade and Industry (DTI) where she was responsible for the codes of good practice on BEE and understood that the BEE legislation was going to provide opportunities to black entrepreneurs.

*"It dawned on me that these black entrepreneurs lacked the knowledge that is required by traditional funders and banks in order to be financed. IDF Capital was therefore created to help bridge the gap by financing this new group of entrepreneurs. The focus was on being a private equity firm that did not only provide financial support but also business support to small, early stage and growing businesses."*

– Polo Radebe

In addition, this group of diverse entrepreneurs – from investment experts and food connoisseurs to techno buffs and animal lovers – have many attributes in common. Apart from an entrepreneurial spirit, they have curious minds and are innovative, passionate and adventurous.

The entrepreneurs all emphasise that starting a business is not an easy journey. It does not only entail a great idea but also takes a tremendous amount of work that often takes them away from their families for extended periods. Entrepreneurs say that dedication, sacrifice and the tenacity to see a plan through are all important attributes.

## Knowledge, skills and values<sup>4</sup>

Antoine Paillusseau from FinChatBot says entrepreneurs don't necessarily need specific skills, but rather the right mindset, which is a combination of being humble and being open to what others think, as well as an ability to learn fast. Paillusseau says skills can be learnt while the right attitude is something that cannot be learnt.

The founder of Real Foods, Dean Kowarski, says specific skills are needed in the health food industry. He believes that apart from a knowledge and understanding of food, technological, logistical and operational skills are also required; however, these skills can all be learnt.

*"But the skills like natural thinking and being able to make quick decisions require a certain amount of EQ rather than IQ. You also need the comprehension of how to deal with and understand people. For me those are the skills that are far more important than the specific operational requirements of a job. Those are generally the type of people whom we look for – people who can think differently. They shouldn't be shallow in their approach [and should have] the ability to contribute to the overall business rather than only consider their position."*

– Dean Kowarski

Schalk Kearney from Pet Heaven agrees with Paillusseau on the importance of learning in entrepreneurship.

*"Apart from the functional skills, entrepreneurs also need to have the skill or the ability to learn new things and to upskill themselves. When you start a business, you might be a software developer, but you will soon find that you also need to do marketing and accounting and be involved in human resources. Problem-solving and learning are the most important skills in the beginning. Business is ultimately a succession of solving problems. At the start of a business it is solving a problem for the market. If there is no problem in the market you do not have a product or a service. So, when you start solving these big market problems, every day brings some challenges. Your ability and persistence to solve these daily challenges are what will drive you forward."*

– Schalk Kearney

For Brian Butchart from Brenthurst Wealth Management, strong mentorship has been fundamental to his success and he says he learnt about the business and investing on the job. He explains that the firm is very selective about whom it employs and only appoints people who are experienced, ideally with

the appropriate qualifications. He also explains that the firm strongly encourages ongoing education and the expansion of knowledge.

*"We constantly attend seminars and every six months we hold financial planning workshops with external speakers and discussions on various topics. This ensures that our financial advisers' knowledge is up to date. Constant education, not necessarily formal, but through work experience, learning and reading, is so important. This is particularly significant for the financial services industry, but every industry gains from it. One needs to be committed to ongoing self-education – this provides assurance to clients. You need to invest in yourself to ensure that you shine and are on top of things."*

– Brian Butchart

Michiel le Roux from Capitec Bank says when you start a business and have a big dream, you need a team of people who can achieve the dream.

*"One of the most important skills an entrepreneur can have is the ability to appoint the right people. The type of person you need to run a big organisation is often not the type of person you can afford in the beginning. But we needed people who were able to do that – people who could manage 100 branches, not just a few branches."*

– Michiel le Roux

Perseverance is one of the most important attributes an entrepreneur can have, says Dr Bennie Fourie from Royal Schools.

*"Mainly, when you build a business, you should never give up. Tenacity and grit are everything. It is important to surround yourself with good people. Having the right partners, such as funding and property partners, is also vital. You will need these partners to help you take your business to the next level. Also, you shouldn't be afraid to give away shareholding and some control, because it can ensure that you will be in a better position than before."*

– Dr Bennie Fourie

Laurie Dippenaar from FirstRand has a wealth of valuable advice for aspiring entrepreneurs and he places a high premium on principles such as innovation, respect, integrity, loyalty and good values. He also believes that entrepreneurs should aim to embark on something that differentiates them from others, something that they have a real passion for, as well as something that greatly interests them.

<sup>4</sup> Question: What skills, competencies and knowledge did you and your team need to have to perform the functions needed for success? In your opinion, what is the best advice new entrepreneurs should follow?

*"It is important that entrepreneurs understand finances, no matter what field they're in. Often people don't understand how proper cash flow works and they manage their finances poorly.*

*When starting a business, entrepreneurs have to hustle a bit and they need to figure out how to do things as cheaply as possible. It is important that they make do with what they have and realise that huge start-up capital is not always necessary.*

*Good discipline is greatly beneficial. For instance, we ran the business as if it was a public company from day one. There was no running of the grocery bill through the business, as well as no tax fiddles. We produced good management accounts and kept proper minutes of meetings. The company was not run as a proprietor type of business, it was done professionally with the rigours and discipline that is required from a listed company. In hindsight, these practices were very important. In the financial services industry, you need that rigorous discipline and governance because you are working with other people's money.*

*Innovation is instrumental in entrepreneurial success and ours can be summarised in four words: 'traditional values, innovative ideas'. A strong thread of innovation runs through our group, it has been core to our success and still is.*

*Traditional values, the ones that people's mothers taught them – respect, integrity and loyalty – can take people far. Good manners are also important. For instance, when you dine with other people and they are paying the bill, you shouldn't order the most expensive item on the menu."*

– Laurie Dippenaar

## The role of formal education<sup>5</sup>

The overwhelming majority of entrepreneurs said that formal education played an important role in their ability to start and run their own businesses successfully. There were some, however, who felt that it played no role or helped only in a small way. For one of the entrepreneurs, formal education played a negative role because it disincentivises people from taking risks.

*"The best kinds of entrepreneurs are those who aren't educated. Education tends to give people tunnel vision. It gives people a safety net which often means that they are less inclined to take risks."*

– Theunis de Bruyn

We found that entrepreneurs operating in knowledge-intensive businesses such as IT or financial services emphasised that prior knowledge and experience were necessities. In addition, we noted that understanding

the fundamental financials of business were key skills for success. Other entrepreneurs state the job-specific skills can be learnt and place a higher premium on skills that are much harder to learn, such as having a problem-solving mindset or a desire to learn. Almost universally, the entrepreneurs mentioned that starting a business requires a great deal of perseverance. They say, more than anything, it's about having the discipline to see things through.

Kenton Fine, the founder of Servest, feels that a formal education played no role whatsoever in his success. Servest offers personalised, integrated facilities management solutions across multiple sectors. The SABC, Standard Bank, Woolworths, De Beers and the University of Pretoria are among its clients. "I have a management diploma, but it didn't really play a major role in building my business. Most of my skills were acquired hands on," says Fine.

In contrast, Laurie Dippenaar, one of FirstRand Limited's co-founders, reckons that formal education played an enormous role in building the group. He says all four co-founders – himself, GT Ferreira, Pat Goss and Paul Harris – were well-qualified. Two are chartered accountants, one is an economist and one holds a master of business administration (MBA) degree.

*"Given the nature of the business, it would've been impossible to start it without any tertiary education. I believe that if you want to become an entrepreneur you are at a big disadvantage without a good qualification. Statistics and research show that a success factor in entrepreneurship is a well-educated person."*

– Laurie Dippenaar

Interestingly though, Michiel le Roux, one of the co-founders of another big banking group, Capitec Bank, feels differently to Dippenaar. He says formal education had very little to do with his entrepreneurial success. "I don't feel that education is a significant indicator of what one will end up doing in life; rather, it provides a background, perspective and broad knowledge of society. However, what you read during your spare time is important," Le Roux says.

Nico Steyn, the founder of IoT.nxt, shares Le Roux's sentiment and says qualifications did not influence his business efficacy. IoT.nxt provides Internet of Things solutions to global businesses. Its technology allows all systems, processes, machinery and "things" to become interconnected and interoperable, delivering a clear overview of what is happening in every part of businesses' ecosystems, without disrupting operations.

<sup>5</sup> Question: What role did formal education play in your entrepreneurial journey?

"I studied law and in my third year I dropped out of university to open a restaurant. That was really it for me and I really enjoyed doing my own thing," says Steyn.

Two other entrepreneurs in the financial services industry – Brian Butchart and Kagisho Mahura – feel that their degrees are definitely an advantage. Butchart, one of the co-founders of Brenthurst Wealth Management, reckons that a formal education is very important, especially in wealth management.

*"Our clients want to associate themselves with highly qualified people who know what they are talking about and I realised that it is necessary to qualify myself as a certified financial planner."*

– Brian Butchart

Mahura is an MBA graduate and believes this played a huge role in the success of Gradidge Mahura Investments. "Being educated helps an entrepreneur with the structuring of a business and it also gives one much more confidence," he says.

He and his business partner, Craig Gradidge, who also holds an MBA, have spent a great deal of time creating a detailed business plan. Their education combined with their financial knowledge ensured that the business plan is watertight. "The downfall of many financial planning businesses is that although people are good at giving advice and creating financial plans, they simply do not have the necessary business acumen to drive the business," says Mahura.

Opinions differed on the importance of formal education in entrepreneurship. Some of the most successful entrepreneurs in the world – Steve Jobs, Bill Gates and Mark Zuckerberg – are famous for being college dropouts, while others like Richard Branson never even went to college. However, many entrepreneurs do have degrees and often a degree is essential in taking a business to the next level. This raises an interesting question of whether formal education is indeed necessary for entrepreneurial success.

## Recommendations

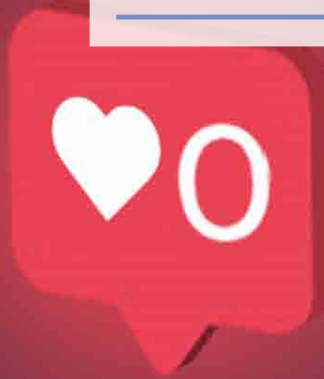
Our findings highlight a set of important attributes (psychological and demographic) that should ideally be in place. The main insight from this theme is that entrepreneurs find their way to their own business after having experience in corporate environments. This is where they build the skills and networks in a particular industry. Entrepreneurs are then those corporate employees that reach a point at which their desire for independence outweighs the risks associated with starting their own businesses. Based on this main finding, we recommend that entrepreneur support programmes target their offerings, programmes and support systems to attract these kinds of individuals.

Our research also revealed that the set of characteristics includes an orientation to problem identification and problem-solving for a specific market; an inclination towards creativity and innovation; the ability to take calculated risks; perseverance and tenacity to persist through tough challenges to complete a project; and a desire for control over their destiny and their day-to-day activities outside of a corporate environment. Indeed, entrepreneurs need problems to thrive and regularly need to ask themselves how their products and services can provide compelling solutions.

We also found a common trend that entrepreneurs feel they are driven by a particular passion, often a desire to delve more deeply into a specific issue or as an expression of their talents and skills. There are various ways to test for these attributes through psychographic and aptitude tests. In addition, some formal education appears to be helpful, but is not a prerequisite.

Previous work experience and tertiary qualifications can be a powerful combination, but entrepreneurs will do themselves a disservice if they don't invest in themselves. This can be done by attending seminars and workshops, as well as further education. Most importantly – and many entrepreneurs have stressed this point – they have to read widely and do this daily. It is important for entrepreneurs to keep abreast of developments in their industry and beyond.

*Do founders' families, schools, churches, universities or communities play a role in enabling their success?*



## Summary

- Strong support from family members is instrumental when entrepreneurs are getting businesses off the ground.
- Family members also need to understand that starting your own business requires a great deal of sacrifice from entrepreneurs.
- When family members are also entrepreneurs or businesspeople it ensures great support systems.
- However, family members can also be resistant to the idea of a new business because of the potential instability and uncertainty it entails.
- Entrepreneurship often greatly improves the lives of entrepreneurs and their family members. More time to spend with family is often cited as a great advantage. When parents are entrepreneurs, it gives children the confidence to start their own entrepreneurial journeys.
- Strong support networks are key to entrepreneurial endeavours. Apart from family members these consist of funders, business partners, mentors, other entrepreneurs and solid employee teams. These networks can serve as valuable soundboards.
- Some entrepreneurs find it very rewarding to be educators and mentors for upcoming professionals and entrepreneurs in their specific industries.
- Entrepreneurs tend to surround themselves with like-minded people – mostly other entrepreneurs, businesspeople and professionals who have an insatiable appetite to succeed, to make things work and to improve South Africa.
- However, some feel that a culture of entrepreneurship is absent in South Africa and that this needs to be cultivated.

Next, we consider the social context of successful entrepreneurs. We examine this factor at three levels: immediate family; support from business associates; and a broader network of supportive entrepreneurs. In this section we explore the social lives of the entrepreneurs in this study.

## The role of family and community<sup>6</sup>

The entrepreneurs in our study all agree that family support is vital in an entrepreneurial journey. Entrepreneurs agree that support from family members is crucial, but that they have to realise that the entrepreneurial journey often entails great sacrifices. Theunis de Bruyn, the co-founder of Calibre Capital, says family members need to understand

that entrepreneurship is an all-or-nothing pursuit and that they will have to be willing to live with the inevitable risks that are involved. Calibre Capital is an independent long-term investment business that invests its own permanent capital in both private and public companies across a range of industries and geographies that meet its investment principles.

Nico Steyn from IoT.nxt's says his family's support was key to his success.

*"I have an unbelievably supportive family. My wife and children are amazing. Surprisingly, I don't like travelling and my business often takes me away from my family for long periods of time. This causes my family to make huge sacrifices and it is very difficult for them. Yet they still support me and don't make this an issue. They just say that what I am doing is great and that they are there for me and will support me. Their support is what has carried me through and without that I would not be able to do what I do."*

– Nico Steyn

David Swartz from DSES Project Solutions says he received a great deal of support and encouragement from his father and brother who were entrepreneurs themselves.

*"When I told my father that I am going into business, he said that I should go for it. That gave me the courage to do it. My father began with nothing when he started his business. My brother took over my father's tiny business and grew it into a R100m business in less than five years. In the beginning my brother mentored me a lot and now we mentor each other. Also, we are each other's clients and subcontract work to each other. We had a disadvantaged but happy upbringing which strengthened the bond between us."*

– David Swartz

David also finds great support in his wife, Melanie Swartz, who owns 50% of the business. Swartz says it is necessary to choose your business partners very carefully and that there needs to be chemistry and synergy between partners.

*"I know my wife's strengths and weaknesses and it is very beneficial having her as a business partner. She has the business qualifications that I lack and takes care of the business administration and finance management. We complement each other well – I take care of clients and operational issues. Our combination has proven to be very powerful. Also, I trust Melanie and you don't necessarily have this trust with an outside partner. Trust is very important when building a business."*

– David Swartz

Familial encouragement was also beneficial to Benji Meltzer from Aerobotics. He says his family members

<sup>6</sup> Question: What role did your community and family play in enabling or encouraging you to pursue your business venture?

are all entrepreneurs and they encouraged him to start his business. Also, he explains, he is fortunate to have many entrepreneurs in his immediate circle who understand what entrepreneurship entails.

A family of businesspeople played an instrumental role in Danie Venter's entrepreneurial journey. The founder of Stoffelberg Biltong says his brother-in-law retired as the board chairperson of the Spar Group, while his sister has a couple of Spar franchises. These people guided Venter and he says that a great deal of business discussions take place at family gatherings.

Schalk Kearney from Pet Heaven surrounded himself with entrepreneurs in order to prepare himself for the entrepreneurial role.

*"From the beginning I immersed myself within the culture of entrepreneurship. I attended every entrepreneurial conference, gathering, discussion or presentation in my area – all the different places where I could possibly learn. The key for me was to learn how to identify problems and then solve them. I started preparing myself to become an entrepreneur before I actually was one. All these endeavours taught me what income statements and balance sheets are. I've learnt how to read cash flow statements, how digital marketing works and how to design a website. I've connected with entrepreneurs and discussed business opportunities with them, listened to their opinions and bounced ideas off them. So, when I started the business I had a network of entrepreneurs whom I could get advice from."*

– Schalk Kearney

A supportive life partner is very important in building business success, says Laurie Dippenaar from FirstRand Limited.

*"My wife has been a big contributor to my ability to build a business. I always go back to a stable home and my children are well looked after. We married soon after the business was started. I reckon it must be difficult if people have drama at home – if a marriage isn't working yet you still have to perform well at work."*

– Laurie Dippenaar

Faan van der Walt from WeBuyCars shares Dippenaar's viewpoints, saying he has a very supportive family and wouldn't have been able to reach entrepreneurial success without his wife. He says his wife believed that he could do this even though he had no track record. Also, he states, friends and staff members played a significant role in the company's accomplishments.

Kagisho Mahura from Gradidge Mahura says supportive family members play a major role in entrepreneurial success because starting a business is probably one of the most difficult and traumatic things people can go through.

*"Families are often the most difficult people to convince that starting a business is a good idea because you are moving from a stable, income-generating environment to an unstable income-generating environment. Entrepreneurs must expect some sort of resistance from families due to fear of the unknown. Family members are not you; they are not in your mind. They are concerned with school fees being paid, food on the table and keeping the lights on."*

– Kagisho Mahura

Dr Bennie Fourie, co-founder of Royal Schools, also alludes to the importance of family members in entrepreneurial success. Royal Schools is a group of private schools that aims to provide affordable, quality education. It started in 1993 at a time when there was a dire need for low-cost, quality education in South Africa. Royal Schools manages 13 independent schools with almost 5,000 learners and more than 280 staff members. The plan is to open four more schools in the next four years, which will ensure learner numbers of more than 9,000.

WeBuyCars founder Faan van der Walt is in two minds about whether the business has improved his family's lives. "The business has demanded a lot of my time. I would've liked to spend more time with my family, but I couldn't due to business obligations. On the other hand, my family is very proud of my achievements."

Michiel le Roux from Capitec Bank says his entrepreneurial journey has been very rewarding. "A successful business can open up many opportunities for one's children. All my children are also entrepreneurs and I believe my accomplishments gave them confidence. It feels good when you are associated with success."

It is well known that both Gates and Zuckerberg come from upper middle class families that enabled their entrepreneurial aspirations. While that is not the case for most of the entrepreneurs in this study, we found an interesting family connection for some of them. There are cases where the entrepreneurs had parents or siblings who themselves were entrepreneurs. Then there are those whose partners are also entrepreneurs. There are also instances where the entrepreneurs' children have themselves decided to follow that path. Building a business can be a long, arduous and often lonely process. It is not as glamorous and exciting as many perceive it to be and certainly brings along challenges and hurdles. Exchanging a stable job for instability and uncertainty can create emotional turmoil and often resistance from family members.

## Support networks<sup>7</sup>

Our respondents also, without fail, mention that they enjoy close supportive relationships with their investors, board members, co-founders, management and employees.

Justin Coetzee from GoMetro reckons that a strong support network has been key to his endeavour. He says he has a supportive family, and investors and board members serve as incredible mentors. "Also, our management team is very tight and focused," says Coetzee.

IoT.nxt's founder, Nico Steyn, says he has a good network. "Our initial investors, Talent10, played an important role in building the business. Wayne Fitzjohn, the CEO of Talent10, is our chairperson and he is an out-of-the-box thinker from whom I receive good support. Then I have a strong management team that consists of very senior people who have come a long way with me."

Swartz says their investors, Edge Growth, also played an instrumental role in the success of DSES. "Apart from funding, Edge Growth provided so much other support. I've already invited them to stay on the board once we've paid up the loan to possibly come in as equity partners because their support is invaluable."

Fourie says his brother, mother and late father were all educators and they played a big role in developing the schools' educational content, while Fourie oversaw the business and operational aspects. According to Fourie, its investors, Old Mutual Alternative Investments as well as its property partner, Cosmopolitan Projects, have also been instrumental to the group's success.

## A social circle of success<sup>8</sup>

The third layer, which consists of social contact with other entrepreneurs, is an interesting finding. Here an important support network is revealed. The scale varies across our respondents, but many believed it was incredibly important to be connected to other entrepreneurs, and preferably ones who were themselves successful. We found that they were either connected through informal friendships or more formalised relationships, such as mentoring (both as mentors and mentees), and also in formal networks of entrepreneurs.

Dene Botha from Pride Factor believes that networking and talking to the right people on a daily basis are very

important. He says there are many entrepreneurs in his immediate circle but reckons there is a difference between an entrepreneur and a professional, a self-employed person or a businessperson.

*"It is very important to surround yourself with like-minded people, people who live the kind of life that you want to have. If you surround yourself with successful people, this success becomes tangible and it rubs off on you, their energy inspires you. Being around these people is vitally important."*

– Dene Botha

According to Dean Kowarski from Real Foods, there tends to be more entrepreneurs than corporate people in his personal social circle.

*"I don't really fit into the corporate space and therefore would rather be with people who are inclined to entrepreneurship. A generalisation exists that people who leave the corporate world are not good at it. But that was not the case with me – I was good at it. I've met some amazing people in that sphere, but I just prefer the entrepreneurial relationships I've established."*

– Dean Kowarski

An entrepreneurial environment is also important to Kenton Fine from Servest. He says he knows quite a few entrepreneurs and that he also backs fellow entrepreneurs with capital and other support. Fine explains that these entrepreneurs are from a range of sectors and bring different skills and attributes to the table. According to him, the most successful entrepreneurs are humble and fair, while the least successful ones are those who think they know it all. These types are not prepared to learn and are not aware of their blind spots.

Babalwa Ngonyama from Sinayo Securities says she knows many entrepreneurs, especially female ones, with whom she regularly connects to discuss how they can improve their businesses. She also cultivates young professionals.

*"There is a group of 60 professionals whom I mentor, and I regularly invite industry professionals to come and have talks with them. I also support women who want to become chartered accountants and I've started an organisation called African Women Chartered Accountants which focuses on accelerating the development and advancement of female chartered accountants. This organisation was started in 2003 and has produced more than 4,000 chartered accountants."*

– Babalwa Ngonyama

<sup>7</sup> Question: Do you have a support network consisting of co-founders, friends, family and investors? How closely were you working with any of these? How important were they in creating success for your venture?

<sup>8</sup> Question: How many successful entrepreneurs are in your immediate circle or network? Describe them and what you learned from them?

Like Ngonyama, Margaret Hirsch from Hirsch's has a large network due to her role as entrepreneurial mentor and educator. She interacts with approximately 10,000 entrepreneurs through the entrepreneurial classes she presents. Also, she works with a business coaching company because she believes that in the same way a professional tennis player needs a tennis coach, businesspeople need a business coach.

She says this company teaches the theory side of business while she teaches the practical side.

Polo Radebe from IDF Capital learns a great deal from the many entrepreneurs she knows.

*"The entrepreneurs in my circle have taught me that one needs to be unapologetic about what you want to achieve. A clear, audacious vision is necessary, while remaining focused. One should be unwilling to listen to people who tell you that something is not possible. You should be like a dog with a bone. Perseverance, focus and dedication are important. Also, the ability to be decisive is critical as an entrepreneur. You don't have the luxury to hide behind a big company if you make bad decisions. If you want to succeed, you need to be nimble and move with the pace."*

– Polo Radebe

One entrepreneur who played a significant role in the life of Sam Hutchins from Everlytic is his father-in-law who owns a carpet shop. He says he has also met many other entrepreneurs by joining the organisation Endeavour South Africa, which supports a group of about 800 entrepreneurs.

Kagisho Mahura from Gradidge Mahura Investments says many of the firm's clients are professionals and entrepreneurs.

*"Our clients run private equity firms, engineering companies, some are doctors and others have their own legal practices. One thing these people have in common is a determination to succeed. They have an insatiable appetite to make things work and make the country better. This is the overriding attribute I notice among these entrepreneurs and professionals. But they also complain about the same things. These include the social, political and financial support that are simply not forthcoming. Our lives are made very difficult with these limitations. We cannot always achieve what we are trying to achieve. However, these people are determined to succeed and will not give up without a fight."*

– Kagisho Mahura

Finally, Laurie Dippenaar from FirstRand laments: "South Africa doesn't have an entrepreneurial culture like the United States, for instance. We need to ask ourselves how such a culture can be cultivated."

Entrepreneurs convey a strong need for solid networks,

whether these consist of family members, investors, mentors or management teams. Supportive networks are vital for entrepreneurial success, especially in the early years of a business. These people can listen to ideas and provide feedback and advice as well as much-needed emotional support. It promotes the ethos of: "You can succeed." In essence, this means that successful entrepreneurs draw a tremendous benefit from being surrounded by like-minded people who affirm what they are doing.

## Recommendations

Successful entrepreneurs need social support at three levels. In general, entrepreneurial support programmes tend to focus only on building the business by empowering the entrepreneur. Family members can also be resistant to the idea of a new business because of the potential instability and uncertainty it entails. We recommend that some interventions be developed that give their immediate families and friends the skills to support entrepreneurs. This will engender a level of understanding and appreciation for the difficulties of becoming and being an entrepreneur. It is important that entrepreneurs get their families on board before they start this journey and prepare them for the many sacrifices that will lie ahead. Understandably, family members might be hesitant because starting a new business inevitably entails instability and uncertainty. However, family members need to realise that entrepreneurs will need their unconditional support in order to succeed. Many entrepreneurs say that a loyal family, as well as a happy and stable home life, allowed them to reach the heights they did.

The next set of supportive relationships is at the business level, such as co-founder partners, solid employee teams, funders, and mentors. Some successful entrepreneurs become mentors themselves. Many entrepreneurs find it highly rewarding to give back and to be a source of entrepreneurial knowledge and wisdom to upcoming entrepreneurs and professionals in their industries.

Finally, entrepreneurs should build a wide network of other entrepreneurs who can share their experiences, encourage each other and share their lessons, successes and challenges. Some of the entrepreneurs in this study say it was extremely beneficial to attend entrepreneurial conferences, gatherings, discussions or presentations and to learn as much as possible.

Entrepreneurs in this study concur that solid support networks have been instrumental to their success. Many entrepreneurs reckon that these networks don't only provide business support, but also much-needed emotional support.

*What does the entrepreneur  
have to get right in the  
business?*

# Part 3 – The business



## Summary

- Raising capital to start a new business can be a big challenge for entrepreneurs. However, many say that funders – such as private equity and venture capitalists – play a huge role in the success of their businesses.
- The entrepreneurial journey can be rife with obstacles and challenges and some entrepreneurs state that one of the biggest challenges is appointing the right employees.
- The majority had a business partner and feel that one of the biggest advantages are for complementary skill sets and joint problem solving. However, having the wrong business partner – one who is untrustworthy, unsupportive or who has a different vision – can be detrimental to a business. Some entrepreneurs say that the wrong partner has caused previous business attempts to fail.
- Getting the right solution to market, at the right time and at the right price, are very important.
- For a new business to succeed, it needs to clearly distinguish itself from others. This can be accomplished by being cheaper than competitors, being customer-centric, or by creating a unique customer experience.
- Although some entrepreneurs focus on providing excellent products and services rather than on competitors, it is important to take note of what competitors are doing.
- Entrepreneurs learnt a great deal from previous failed business attempts. For instance, businesses should be managed “hands-on”, not remotely, and dreams should be connected to reality.
- Although most entrepreneurs had a business model when they started their businesses, they agree that such a model cannot remain static but needs to evolve as the business grows, develops and changes.

In 2015 Bill Gross, the successful entrepreneur and founder of tech incubator IdeaLab, undertook a research project to find out what makes some businesses successful when many others fail. He wanted to explore which of five factors contributed most to business success. He concluded that the following factors, in order of priority, made the biggest difference: timing, the right team, the right idea, a scalable business model and funding. Our findings do not quite align with the order in which Gross ranked the factors of success. Granted, Gross undertook a wide survey of more than 100 businesses while our study is based on interviews and hence the results are not directly comparable. Still, it is interesting

to note the frequency with which our respondents mentioned their challenges and hurdles, unprompted by the interviewers. Securing investment was the most common challenge cited by the entrepreneurs, followed by building their teams, managing cash flow, legal and regulatory constraints and finally the difficulties associated with scaling their businesses.

## Access to capital<sup>9</sup>

The majority of respondents benefited from private equity investments. This positive experience naturally shapes their views on this topic, but that does not detract from how difficult they said it was. Many felt that the process of finding investors and securing investment was particularly difficult. The entrepreneurs who did receive PE/VC investment lauded the investors throughout for bringing in expertise in a range of fields, often in areas where the entrepreneur is lacking. This includes corporate governance, expansion into new markets, HR and driving operational efficiencies.

Venture capital played an instrumental role in the success of UCook. “We saw Silvertree as an exceptionally valuable partner, particularly because of its operational experience in the e-commerce sector,” says co-founder David Torr.

UCook closed its venture capital deal with Silvertree, which was keen on improving UCook’s operational experience, in 2016. Silvertree came on board with a significant expansion plan, introducing best-practice procedures in a specialised manner. UCook presented immense growth potential which was a key factor to Silvertree. The immediate purpose of the capital was geared towards growing operational capacity to serve a bigger order volume, as well as scaling up aggressively.

Venture capital providers also play an important role in building the start-up ecosystem by creating hubs and accelerators that in turn connect founders to each other. The co-founders of Pet Heaven, Kearny and Farquharson, met at one such event hosted by 88mph – a start-up accelerator.

Everlytic received private equity funding and founder Sam Hutchins says that without it the business wouldn’t have reached the heights it did.

*“However, I would like to see private equity and venture capitalists investing in entrepreneurs who build businesses based on their own ideas and intellectual property. Often, especially in the technology industry, companies resell other people’s ideas and I don’t believe that this creates wealth for themselves or the country.”*

– Sam Hutchins

<sup>9</sup> Question: What impact, if any, did the availability of capital (venture capital, private equity backing, etc.) have on the success of your business? What are the challenges and hurdles that you encountered?

Dean Kowarski from Real Foods says he was fortunate enough to have his own capital and was therefore not dependent on anyone to get his business off the ground.

*"However, I reckon if businesses do need access to capital it will be easier to get if the business is already strong, growing significantly and showing a profit. Also, there are many funders that would invest in Real Foods should we need to raise money. We would know how and where to get capital. But today it is difficult for entrepreneurs to get funding if they don't have a proven concept and a good track record. If these metrics are in place, it will be considerably easier for entrepreneurs to access capital."*

– Dean Kowarski

Schalk Kearney says external funding had a low to medium impact on the success of Pet Heaven.

*"In my opinion money is just a tool, it is not what makes a business succeed or not. But today it is difficult for entrepreneurs to get funding if they don't have a proven concept and a good track record. It is the application of money that makes a business work. You can raise R20m and fail because you don't know what to do with the money. For me, money without a purpose, or money without support, is quite a dangerous thing. The first time we got capital, it was from a start-up accelerator. We were in a three-month programme and we needed to reach a specific outcome with the investment money we received. Our second round of funding was from a venture capitalist who had experience in our industry. Therefore, this experience was greatly beneficial to us. So, we bought into their networks as opposed to them just giving us money."*

– Schalk Kearney

Aerobotics's challenges included developing a market, building trust and raising capital, says Benji Meltzer.

*"Initially we weren't familiar with the business world. Scaling was challenging because we grew quickly and that was a difficult journey because we progressed from only five people to different geographies and a global footprint. Raising capital from venture capitalists proved to be a daunting process in South Africa. Our business ecosystem was new, and it was tough convincing people to invest in a start-up. While there is capital in South Africa, it is not a simple process to invest in novel technology with a new model. In Israel and Silicon Valley, for example, this happens a lot more. But seed funding to back a new idea was not very common in South Africa when we started out."*

– Benji Meltzer

Theunis de Bruyn from Calibre Capital says finding interested investors proved to be very difficult, especially in the formative stage of the business.

"Our anchor investor was willing to invest on the condition that we find more investors," he says. He and his business partner travelled South Africa for 18 months in an attempt to rally more investors. However, this was after 9/11 and the dotcom crisis and while businesses were cheap, money wasn't available. They then decided to build the business with their own funds. "Another challenge is that there are often long periods when it is difficult to find suitable businesses to invest in," says De Bruyn.

Dr Bennie Fourie from Royal Schools says the group also encountered challenges with access to funding: "Traditionally institutions such as banks and the Public Investment Corporation were unwilling to invest in schooling. Old Mutual Alternative Investments has therefore played a big role in enabling us to build this business."

## Solo or team<sup>10</sup>

The majority of entrepreneurs we interviewed had a business partner when starting out and many feel that one of the biggest advantages of this is that it allows for complementary skill sets to come together. Entrepreneurs value the ability to solve problems with co-founders and it is equally important that the partners' values are aligned. Lessons from the challenges reported by the entrepreneurs include that major problems are caused if founders are misaligned. Similarly, a major common challenge is the difficulties of recruiting and retaining competent staff who are like-minded with the founders.

According to Kagisho Mahura from Gradidge Mahura investments, the biggest advantage of having a business partner is being able to apply more than one mind.

*"Like most things in life it is better when you have more than one mind to think, to plan and to interrogate. You get to benefit from each other's intellectual capacities. I came from the product development side while Craig comes from the sales side. The skills each bring along are critical; both bring something different to the table."*

– Kagisho Mahura

According to Mahura, trust between partners is crucial. "You need to have a significant amount of trust in the person you are dealing with. If you are sensing at any point that you cannot trust that person, you shouldn't be going into business with that person. At some point in the future it will come back to bite you. Part of my and Craig's success is the mutual respect and trust that have lasted for 12 years," says Mahura.

<sup>10</sup> Question: Were you part of a team or did you start the business by yourself? What are the pros and cons of each?

Radebe, the founder of IDF Capital, shares many of Mahura's sentiments. She had two business partners when she started the business and believes there should be alignment between partners, as well as respect for what each person contributes.

*"Trust, respect and alignment in terms of objectives are very important. Also, the benefit of having partners is that there is someone you can bounce ideas off and different hypotheses can be tested. We as entrepreneurs sometimes fall in love with ideas and then it is good if there is someone else who can be the voice of reason, someone who will reduce emotionality and remain rational. Entrepreneurship is not easy; it can be very stressful and sometimes it becomes very difficult to bear the burden on your own. There is an African saying: "If you want to go fast, go alone, but if you want to go far, go together." If you have partners it is easier to pivot the business model and decision making is quicker."*

– Polo Radebe

Danie Venter, the founder of Stoffelberg Biltong, says the advantage of having a team is that there is always someone you can have a discussion with. "It is important to have people you can talk to about your plans, challenges and the complexities of running a business. These people are good soundboards and it allows you to play around with different ideas," states Venter.

Schalk Kearney from Pet Heaven is another entrepreneur who sees great value in having a business partner. He says the best part of having a partner is that there is another person who is not motivated by a salary but rather by the successful outcome of the business.

*"You have this equal partner who helps you drive towards an end goal. When you start a business, there are so many things that you need to know, understand, prioritise and focus on. Having a co-founder allows me to focus on what I am good at, while he can focus on what he is good at. You can collaborate and bring together your skill sets as opposed to having to do everything yourself. A complementary co-founder is someone who has a skill set that is different from your own."*

– Schalk Kearney

Jo Mathole from Kwame Diamonds owned a restaurant which failed because the entrepreneur did not have the right team in place.

*"The reasons why this restaurant failed were bad partnership, financial mismanagement and not sharing the same view as my business partner. I gave the power to my partner and my initial vision didn't correlate with her vision. It simply boils down to two minds that weren't in sync – my partner pulled this way while I pulled the other way – to the detriment of the business. The business failed dismally. I then decided to focus on diamonds, and this is where I found my peace."*

– Jo Mathole

Bad partnerships also played a role in Antoine Paillusseau from FinChatBot's failed business ventures. "When I was 16 years old, I imported smartphone cases and I was doing a few sales on eBay, but I never registered the business. I became scared when competitors told me I was selling below price because I don't have a real business. This was quite a big failure and I've learnt the hard way," says Paillusseau.

The biggest hurdle Schalk Kearney from Pet Heaven encountered was in the hiring of personnel.

*"When you start out you are looking for someone with a broad skill set who can fulfil a variety of duties. The hiring process is quite difficult, especially in the beginning. You are always looking for someone who stands out, almost a replica of yourself. South Africa's labour laws are very strict, so if you employ the wrong person, it will hurt your business. The impact is severe, and this often causes businesses to fail. You also have to compete with corporations, which is very challenging. Corporations often tend to overpay people and when these people are released back into the market, they have certain expectations which are very difficult for small companies to match. Sometimes people were willing to compromise and work for a reduced salary, but we found that they quickly become unhappy because they have expectations that were created by big corporations."*

–Schalk Kearney

Kagisho Mahura from Gradidge Mahura Investments shares Kearney's sentiments regarding the hiring process.

*"We were looking for highly-skilled people and this was a very big challenge. Getting the right people with the right skills to service the market we were targeting was difficult and continues to be challenging. Once we've attracted the right people, we needed them to be entrepreneurial and this was a challenge because they were used to big corporations with big salaries. They also had to take a bit of a salary cut and build a business with us, as well as equity. Most people, even successful ones, don't have an entrepreneurial mindset. People are more concerned with their month-to-month salaries than they are about building equity and value over the long term. So, we often couldn't keep them as long as we wanted to. We had to compete with the bigger companies that had deeper pockets. Hunting for skills and then keeping these skills were very difficult because it disrupts us. You spend hours interviewing people and these are hours that you need to spend in front of your clients and generate revenue. It was a big challenge."*

– Kagisho Mahura

## The right value proposition at the right time<sup>11</sup>

The problem-solving orientation of the entrepreneur we mentioned above ties directly into the core offering of the business. Respondents revealed that getting the right solution to market, at the right time and at the right price, are very important. Generally, aiming for lower pricing in a competitive market is a strategy that works. When the offering is unique or novel, however, it is possible to charge a premium. Learning from examples of failure or where the entrepreneurs experienced challenges also shows that a good idea, at the wrong time, can lead to failure. So too can too much focus on getting the product or services right. A dedication to innovation must be balanced with commercialisation and generating cash flow.

Royal Schools's philosophy is to provide efficient and affordable private schooling and three components have enabled this, says Dr Bennie Fourie.

*"Our investors, Old Mutual Alternative Investments, our property partner, Cosmopolitan Projects, and a good management team that includes educators as well as people with good business skills ensured that we reach our goals. Specifically, our partnership with Cosmopolitan Projects enabled us to build schools at a lower cost, which meant we could charge lower fees."*

– Dr Bennie Fourie

Danie Venter from Stoffelberg Biltong says the company had to carefully consider its price points to ensure it was able to compete with more established brands such as Takis Biltong.

*"We are also working on franchising Stoffelberg Biltong to help smaller biltong retailers to become part of our brand. We will then provide them with our biltong and other resources, as well as helping them to get stores up and running. We have furthermore appointed someone who ensures that our halaal practices are in place so that we can make our biltong available to the halaal community."*

– Danie Venter

According to Sam Hutchins, Everlytic distinguished itself from other email marketing players by being cheaper. He says this is why the company survived while other similar businesses had to exit the market.

Antoine Paillusseau from FinChatBot believes that one of the most important things a business can do is to create a special client experience and says his business is customer-centric and puts people first.

*"How you engage with your clients, how you sell your product and how you service are important touch points in any industry. We are trying to create an amazing client experience and are doing this by being a conversational AI solution. The ability to converse with multiple businesses ensures simplification. We realised that financial institutions don't really know their clients and don't know how to engage with them, and that's where we saw a big opportunity for our solutions. Our conversational intelligence that has multi-language capabilities allows financial institutions' clients to engage in their own language. We believe that if you speak the client's language, you speak to the heart."*

– Antoine Paillusseau

Brenthurst Wealth Management has gone to great lengths to enhance its value proposition. Brian Butchart explains that the business conducted research to establish what similar companies were doing because it is always good to consider competitors as a starting point. Also, the company positioned itself in such a manner that its services were neither too cheap nor too expensive.

*"As time went on, we expanded our offerings. We started off with investment and retirement planning, but have now also included tax, estate and risk planning, as well as legal advice and offshore investments. In terms of cost and our suite of financial planning services, we are very competitive. We have a team of highly qualified people and we also use external people when necessary. An office was opened in Mauritius and we also obtained a licence to offer forex services."*

– Brian Butchart

David Torr says part of UCooks's value proposition is that it provides convenience but at the same time enables clients to eat healthily.

*"Although fast food and microwave meals are convenient, they are usually rather unhealthy. Many people enjoy experimenting with food but are too busy to deal with the shopping and planning it entails. We aim to engage our clients in a novel way, we want to excite them. Our recipes are created by renowned chefs and our clients can thus create gourmet meals themselves."*

– David Torr

IDF Capital is a female-led private equity fund that aspires to become a catalyst of economic growth across Africa by supporting people on their entrepreneurial journey. Polo Radebe, the founder, believes its bespoke service offering gives entrepreneurs the boost they need to grow operationally and become financially independent.

<sup>11</sup> Question: How did you determine the value proposition for your product/service (target customers, their needs, your pricing, distribution and customer service model)? What are the challenges and hurdles that you encountered?

Real Foods's value proposition is similar to UCook's. Dean Kowarski explains the company was started with the dream of providing healthy food in a world that is filled with fast-food outlets.

*"When we started, very few people offered the kind of products we do. All the items on our menu are compliant with health guidelines. The meals are somewhat pricey, but the customers understand the value of this. We found that people don't mind paying a bit more for good-quality products."*

– Dean Kowarski

Dene Botha says Pride Factor aims to teach children skills that are not usually taught in schools.

*"Five years ago, we were teaching children about entrepreneurship. However, we later realised that the children have different needs. Their confidence needed to be bolstered and their emotional intelligence improved. We now teach them how to present themselves, how to prepare for job interviews and how to make money."*

– Dene Botha

Thomas Pays from Ozow Secure Payments says that they had to decide if the business would be restricted to a brick-and-mortar setup where it serviced a thousand clients, or whether they should move online with an unlimited footprint. Pays states they realised people are increasingly doing online shopping and this spurred them to move from e-commerce into online payments.

Consumers can select Ozow at checkouts, which ensures that they have an additional trusted payment option. It means consumers don't need to rely on debit or credit cards to shop, but they can instead complete their purchases using their online savings or cheque accounts. Ozow's clients include Takealot, Hirsch's, Exclusive Books, NetFlorist, Vodacom and Dis-Chem.

When considering failed business attempts, Pays says it's not about the failure per se, but rather what you do with it and what you learn from it. He thinks that it is critical for entrepreneurs to take feedback, be introspective and understand their role in the failure.

*"I've noticed that people like to learn about your failures because they want to know if you've learnt anything from them and they want to know how you managed success out of them. The challenge with failure is entrepreneurs that are quick to blame external factors without looking at themselves and taking ownership. I haven't had any failed businesses myself but through the businesses I've encountered failures. The first business I started was a dating business in 2009 in South Africa and that was before Tinder and all these other businesses came about. The biggest learning curve was not adapting to the culture here and thinking the European mindset was going to work. People in Africa don't need*

*websites to date and that was the bottom line and after numerous business deals and getting it out there, and with the tech ready, I realised this wasn't an industry I wanted to be in after 18 months of building, and very quickly we shut down the idea – so it's important to know when to leave."*

– Thomas Pays

## The business model<sup>12</sup>

Although some entrepreneurs in this study had well-articulated business models when they started their businesses, many reckon conventional business models are irrelevant. However, most agree that business models cannot remain static; rather, they have to evolve in conjunction with a business that continuously changes, grows and develops, as well as align with an ever-evolving business environment. Having the wrong business and operating model can be a direct cause for failure, as some entrepreneurs found.

Alan Knott-Craig Jr from Herotel says he had a good business model for every business he started. But, he states, none of these models ever turned out to be what was initially intended.

*"Business models always change – what we have now is completely different from what we had in the beginning. The thing with business models is that people don't want to hear that you don't know what the future holds. So, you kind of have to lie to yourself and people and pretend that you know what the future will bring in order to raise money. And once you've raised that money you need to do anything you can to make money. In the end people don't care at all what path you take as long as you give them back more money than you took. If, on the other hand, you keep every promise you initially made but lost their money, they are not going to be happy. Therefore, you need to be very pragmatic about these things. It is alright to have a theory, but you have to realise that as soon as you hit the ground this theory becomes irrelevant. You have to be flexible."*

– Alan Knott-Craig Jr

According to Brian Butchart from Brenthurst Wealth Management, the firm did not have a well-articulated business model at the start. He says a business model was formed as they gathered more experience. It needs to progress and improve as you go along, explains Butchart. "Our business model has been adapted over time in accordance with our needs."

Margaret Hirsch from Hirsch's concurs with Butchart on the nature of business plans. She says in the beginning they didn't have a business plan; let alone a business model and they knew nothing about any of these things. According to Hirsch they started by doing research and putting themselves out there.

<sup>12</sup> Question: Did you have a well-articulated business model when you started out? If not, do you have one now? If yes, how did this model change over time?

"In 41 years, the world has changed so much, and it keeps evolving, so we constantly need to inform ourselves with what the current trends in the industry are. We then stock the latest appliances and home furnishing and supply these to our customers," says Hirsch.

"In the beginning my business model was much too detailed and I threw it away a month later," states Justin Coetzee from GoMetro. He reckons that business models are useless and that they are meant for banks and institutions that have never managed a business. However, he believes that business planning is key to success.

*"It is essential to do proper business planning and it consists of five areas – domain expertise; new product and technological development; business development and sales; operations, execution and systems; and capital and finance. Business planning entails the knowledge of what you need to accomplish in each of these five areas. Thereafter you need to implement and execute the performance of these areas. I feel that business models have nothing to do with a business's everyday activities. Our business model changes enormously every year. The company has a very clear objective – to improve public transport. We know what we are good at, but the rest happens on the battlefield. A business leader needs to be responsive and agile to conditions in the field without compromising the big strategy. What we're trying to achieve hasn't changed, but how we do it has changed a lot."*

– Justin Coetzee

According to Benji Meltzer from Aerobotics, they had a business model, but it wasn't the right one.

*"Initially we built all the hardware such as drone cameras ourselves and then we wrote the software. The business model entailed that we sell hardware but provided the software for free. However, in hindsight we realised that this was not the correct way to do things. Now we don't supply the hardware but only the software and analytics. Farmers subscribe on a per hectare basis to our platform. That is annuity income and we apply a subscription model. Our business model has therefore matured, and we've developed a pricing system."*

– Benji Meltzer

Previous failed business attempts have taught Polo Radebe from IDF Capital a great deal about setting up the right business and operating models.

*"I had a few buildings in Pretoria that served as student accommodation. But what I've learnt from the lifestyle industry is that it requires the personal touch of the owner. My downfall was that I was trying to manage these buildings remotely. There was, and still is, a huge demand for student accommodation. However, I failed not because of a lack of demand, but because I was not overseeing it properly. So, I've realised that you need to understand the business you are in very carefully, as well as how to run it properly. My current private equity fund business, as opposed to the lifestyle business, runs on processes, systems and technology, which means I can easily run it from anywhere. This will be especially significant during the Covid-19 lockdown period, because the business will not suffer a great deal."*

– Polo Radebe

Nico Steyn says one of the biggest challenges IoT experiences is that it has to manage a fine balance between the innovation and commercialisation of new technology.

*"When you are busy innovating new technology, you are not generating revenue although it will potentially ensure future revenue. A business can grow itself to death, therefore there needs to be a balancing act between innovation and commercialisation. If these two things go out of kilter you can find yourself in trouble. Innovation and commercialisation can take away from one another. When you are in an innovation cycle it can affect your ability to commercialise and vice versa. Businesses are often creating great technology but are not able to get it in the market and create commercial success."*

– Nico Steyn

## Recommendations

We can draw numerous lessons from the successes and failures of the entrepreneurs in this study. First, most businesses benefited from private equity investment (the sample for this study was drawn from private equity portfolios). That does not mean that all businesses need investors to get started, but at some point in their life cycle, access to capital can be important to enable the business to expand. A funder will have to embrace an entrepreneur's idea and – as with business partners – must share an entrepreneur's values, vision and objectives. Entrepreneurs need to understand that a funder can help them to take their business to the next level. Entrepreneurs should not be afraid to sell some equity and cede some control because such partnerships can ensure that they will be in a better position than before.

Second, it is advisable that entrepreneurs find like-minded co-founders or business partners along with whom they can build the business. Solo entrepreneurs may enjoy more autonomy but will face a lonely and difficult journey. It is also very advantageous when different sets of skills complement each other. Business partners who have a solid relationship built on mutual trust and respect will be able to establish a strong and efficient business together. In contrast, the wrong business partner can be detrimental to the success of a business. Then, as the business expands, they will need to hire the right team, a difficult endeavour in itself.

Third, entrepreneurs may have their own business ideas, but they often need help to rapidly establish their product-market fit. Skills such as lean start-up and design thinking are useful in this early stage. They help the entrepreneur to make sure that they are solving problems that exist in the market, and to quickly pivot and adapt their business model as they learn. The business model will adapt and progress as time goes by.

Finally, the right value proposition for the right customer at the right time is core to business success. Entrepreneurs must decide to pursue a competitive pricing strategy or to offer something novel for which they can charge a premium.

*How do industry dynamics  
affect entrepreneurial  
success?*

# Part 4 – The industry



## Summary

- Entrepreneurs reckon that previous work experience equipped them well to build their businesses.
- Work experience can teach entrepreneurs soft skills and can also help them to realise what they enjoy doing and what they are good at.
- A good education combined with work experience can go a long way in the competitive entrepreneurial environment.
- A few entrepreneurs have built businesses in completely different fields from their previous careers, but believe their previous work experience has been advantageous nonetheless and has prepared them for the myriad challenges that come along with entrepreneurship.
- Entrepreneurs admit that it can be difficult to deal with competition but say that it's not beneficial to overthink this. Rather, entrepreneurs should focus on creating their own paths.
- However, some entrepreneurs reckon that competition is a good thing and that it is possible to get ahead of competitors with hard work, creativity and innovation.
- Industry competition means that there are existing markets for the entrepreneurs' products and services. They had to find innovative ways of delivering customer value either through new delivery channels, lower pricing or better quality.
- Some entrepreneurs say that they wanted to make their specific industries accessible to segments that were previously excluded.
- When there is a vibrant start-up scene in a community, it can lead to a sense of positivity and a boom of new businesses.

Sorenson and Audia (2000) researched the underlying causes of success for businesses. By looking at shoe manufacturing in the United States between 1940 and 1989, they concluded that an important factor for business success is the existence of an interconnected industry cluster. They write that "entrepreneurs need exposure to existing organisations in the industry to acquire tacit knowledge, obtain important social ties, and build self-confidence" (Sorenson and Audia, 2000:1).

Sorenson went on to win the Global Award for Entrepreneurship Research in 2018 for his body of work that highlights the social and contextual aspects of entrepreneurship. Shane (2003) also supports exploring industry dynamics as part of the environment in which the entrepreneur operates.

## The role of work experience<sup>13</sup>

Building a business is a hard slog and it can take years to accomplish. Previous work experience can be a great advantage with the knowledge and soft skills it brings along. Only a few entrepreneurs in this study had no experience when they started their businesses. The majority worked in a specific industry and then proceeded to create a business in the same industry. Then there are some who ventured into uncharted territory and started something completely unrelated to what they had done previously. Those without any relevant work experience were the exception in this study. Some work experience, whether directly in the same industry as their start-up or not, proved valuable as they learnt relevant skills and built their business networks.

Thomas Pays, born in France, says that his first year in South Africa was extremely challenging and it was difficult to come across any opportunities.

*"It became very evident that I needed to take matters into my own hands if I wanted to be successful and have an impactful career. Therefore, I decided to become an entrepreneur. I started my first business which provided me with a lot of knowledge and with that knowledge I was better equipped to start my subsequent businesses."*

– Thomas Pays

In 2007 Pays established a gaming development agency that is considered to be one of the biggest industry success stories in the country. It expanded to become the third largest in the world, reaching more than 118 countries in over 20 languages by 2008. In 2010 he founded Smokoo, an auction website that grew to 2.5-million visitors in less than six months before being acquired in 2011. In 2013, Pays co-founded the Just Perfect digital agency, which provides integrated services to companies. In 2014 he, Mitchan Adams and Lyle Eckstein started I-Pay, now known as Ozow Secure Payments.

Ozow is an online payment gateway for buyers and merchants that allows instant bank-to-bank transfers on all smart mobile and desktop devices. Payments can be made via e-commerce sites, SMS, email, QR code or push payments.

Babalwa Ngonyama from Sinayo Securities believes education, combined with work experience, go a long way and give entrepreneurs a head start on their business journey.

<sup>13</sup> Question: Describe your work experience and how that played a role in your entrepreneurial process?

*"There is a lot of professionalism in the financial services industry and if you are educated, it gives you a great advantage because you have been moulded and prepared for the business world. If you're not educated it does come through and people don't have time and tolerance for that."*

– Babalwa Ngonyama

Before starting her own business, Ngonyama spent years in the corporate world. She was a partner at Deloitte, head of internal audit at Nedbank and chief financial officer at SAVCA. "These three positions gave me the experience and knowledge to run my own business," she says.

According to Alan Knott-Craig Jr, the founder of Herotel, work experience has taught him what he enjoys doing and what he is good at. Herotel is on a mission to provide fast, reliable and affordable internet connectivity to everyone in South Africa, no matter where they live or work. The company achieves this through the consolidation of the wireless internet service provider industry, which is central to Herotel's strategy.

Knott-Craig qualified as a chartered accountant and completed his articles of clerkship at Deloitte. "After my clerkship I founded Cellfind in 2003 and in 2006 I was appointed as the CEO of iBurst," he says. In 2010 he founded and became the CEO of World of Avatar, an investment house for apps for Africa. After that he acquired and became CEO of Mxit which, at the time, was Africa's biggest social network. In 2015 he became the executive chairman of Herotel.

*"Along the way I realised that I am not a CEO. I don't really like the work that comes along with being a CEO and I don't think I am very good at it. It is very detail oriented, grinding and operational and entails a lot of follow-up. I concluded that I am much more of a salesman."*

– Alan Knott-Craig Jr

The knowledge and experience Allan Hirsch gained from being an appliance repairman helped him co-found Hirsch's, one of South Africa's biggest appliance and home furnishing chains. The company boasts 17 branches and concept stores spread throughout the country. Hirsch and his wife, Margaret, started the business in 1979 with just R900 in savings. Margaret explains that her husband became fed up with working for a boss and earning only R25 a week.

*"As for myself, I lost my job when I fell pregnant, so I had no job and no money with two children to look after. I then decided to join Allan who was initially only doing appliance repairs. For a while we struggled a bit, but eventually our first store was a tiny showroom in Umhlanga Rocks, Durban."*

– Margaret Hirsch

Although Jo Mathole from Kwame Diamonds ventured in a completely different direction with her business, she believes that her previous work experience as a stockbroker was greatly beneficial. She says that for her, stockbroking was character-building in many ways.

*"Stockbroking was a very white, male-dominated industry, very untransformed. So, there I was – fresh out of university – having to fit in and understand the culture. I was playing in their space, but I soon realised that competing with men and trying to be one of the boys didn't work for me. I quickly learned to do what men could do while maintaining my femininity. The diamond industry has a very similar culture, so it didn't come as a surprise to me. My previous work experience carried me through, and I was not easily intimidated being among the men. I realised that I can thrive in this industry, make a difference and contribute, while simultaneously running a proper business."*

– Jo Mathole

According to Laurie Dippenaar from FirstRand, the four co-founders' previous work experience was a great asset when they started building the business. He explains that they had working knowledge of financial services and were therefore successful in progressing from project finance to merchant banking, life insurance, short-term insurance, health insurance and retail banking. He says they had the intellectual rigour to achieve this, as well as help when needed.

*"I read widely; I absorb. Through that I get a sense of what will work and what won't. But we also had to do the hard yards. Like babies that need to crawl before they can walk, you need to crawl first in business. It entails hard work and sweat, and you need to develop the business long before you can hope for success."*

– Laurie Dippenaar

## Industry competition<sup>14</sup>

We included a question on competitive challenges in the study, more to learn whether entrepreneurs entered established markets than how they managed to outmanoeuvre their competitors. Even so, the responses are noteworthy. The entrepreneurs' most common approach to competition was to focus on customer delivery. A second common response was to consciously ignore the competition.

Overall, the responses show that these entrepreneurs entered existing markets but added an innovative element or competed on better service quality or even price. Irrespective of how these businesses became successful, the more important point is that the businesses were not in non-existent industries or service lines.

<sup>14</sup> Question: How did you deal with competition in your industry?

There was evidence – based on the existence of competitors – that a market existed for their products and services. In fact, some saw competition as an opportunity because they did not have to develop new markets and could enter existing markets through alternative segmentation models.

The contrary can also be true. Industries with high barriers to entry and large incumbent firms can be difficult for new entrants. A good example of such concentration is the retail banking industry, yet Capitec managed to break through to turn the big four into the big five.

Aerobotics however, started in a market that did not exist in South Africa. The start-up's own activities led to the development of a market in agritech software development in South Africa. Other players subsequently entered the field.

David Swartz from DSES Project Solutions says that initially it was tough dealing with competitors because there were several successful engineering firms that also focused on mechanical and piping, tank manufacturing and the fabrication of structural steelwork.

*"Although our competitors' standards were lower than ours, they had strong reputations and were more experienced than us. And unfortunately, this is what clients saw. I had to advise clients that they needed to take their eyes off the logo and rather consider the quality of service. Brands carry a huge advantage in all businesses but especially in this industry. The engineering firms around us were established brands and this was intimidating. We had to climb a mountain, but it was worthwhile in the end. Clients' perceptions of smaller businesses had to change, and we were able to do this because we believed we had what it took to be successful in this industry."*

– David Swartz

According to Sam Hutchins, Everlytic had to compete with thousands of other email marketing players.

*"There were tons of competitors and one of them was Mailchimp which is a huge global marketing automation platform and email marketing service. Once we stopped worrying about what others did and decided to rather create our own path, we were able to deal with competitors more effectively. After we made this decision, we were doing significantly better. An important lesson I've learnt is that you will either fail fast or succeed differently. I believe that both of these paths can lead to good outcomes. If you are going to fail, rather do it as soon as possible, so that you can move on to your next idea that might be successful."*

– Sam Hutchins

"There are always people who are better known, have bigger networks or more capital. But you have to deal with this by just getting started," says Theunis de Bruyn from Calibre Capital. He explains that with a bit of luck, hard work and creativity, as well as trying to find new opportunities, one will get ahead of competitors.

Laurie Dippenaar says FirstRand has always regarded competition as a good thing and the group even allows its own companies to compete with each other. However, he believes, you have to be able to beat external competition and it is important to be a seeded player. He also reckons that monopolies are very bad for companies.

According to Brian Butchart, Brenthurst Wealth Management has a competitive advantage because of their high media profile. He says the company is in a unique position due to the strong reputation of Magnus Heystek, who is co-founder with his wife Sue Heystek. Magnus Heystek is a prominent investment commentator who is regularly featured in various media channels.

*"We've worked hard to create a recognisable brand which ensures that clients contact us. From time to time we do come up against competitors, but mostly we are focusing on our offering and how to market and grow it. We continually research our competitors to see how we can improve, because it is always good to learn from them. But we've never felt threatened from a business perspective in terms of our model. Smaller financial planning firms are not our competitors, we've grown to the extent that bigger brands have become our competitors. While it is fantastic to be in the same league as Sanlam or PSG Wealth, for instance, we don't have the budget they have. It is great when we attract clients from these types of players – we are not as big as them, but we can compete with them. We've been differentiating the business from the rest of the market by using our tools to build our brand. Although we don't have a big budget like some of the other players, I believe we've done pretty well in this space."*

– Brian Butchart

Ozow Secure Payments has a great deal of experience in the online payment market, says Thomas Pays. He believes that, as with the other businesses he has started in the past, Ozow has quickly become a market leader. "This is still a growing market, so there are not many competitors, but our experience gives us a competitive edge over those that do exist," explains Pays.

Babalwa Ngonyama from Sinayo Securites says the firm is able to compete with others because it values customers over all else. "We pride ourselves in providing an exceptional customer experience to our clients who entrust us with their money. Trust is very important in any business and in any relationship – you cannot afford to lose it, it's what sets you apart."

## Concentration and clusters<sup>15</sup>

A great motivator for IDF Capital's Polo Radebe was a desire to destroy the perception that South Africans are not entrepreneurial.

*"What motivated me to start my business was not that there was a lack of start-ups. I was motivated by the fact that there were many start-ups, but they didn't receive the necessary funding. I wanted to bust the myth that South Africans, women or black people are not entrepreneurial. On the contrary, I've met entrepreneurs every day – when you walk through the streets of Johannesburg you will see them everywhere. They just don't fit the Western world's idea of an entrepreneur. My view was that I can find these people and help them to grow and build significant businesses. And that was precisely why I started my business. I wanted to facilitate access to capital for these people because I recognised potential that traditional investors didn't see."*

– Polo Radebe

Jo Mathole from Kwame Diamonds had similar aspirations.

*"The diamond industry was not accessible to a particular few. So, when we entered, we almost disrupted the industry and we've introduced it to black people. We've shared information regarding the diamond industry with black people. Most of our diamond polishers and manufacturers are black people and we are affecting lives in many ways. We are getting the word out there that diamonds are doing well. It has been our focal point to make black people aware of this industry."*

– Jo Mathole

Although there were no similar start-ups when Benji Meltzer and James Paterson started Aerobotics, there is now competition in different markets and geographies. "It has become quite a noisy space," says Meltzer.

*"There is now lots of competition, but these companies' value propositions are different from ours. Initially we were quite defensive about competitors, but this has changed now – we rather see competition as an opportunity. It takes combined effort to create and grow the agritech software market. Competition also validates what we are aiming to accomplish. If we were the only ones doing this, it might mean that it is irrelevant. Also, the market is big enough and it is a business-to-business, fragmented play. It is not a winner-takes-all type of market, for example like Facebook or Google, where one player takes on everyone. We obviously track competitors, but at the moment the market is an untapped opportunity for many players. In fact, we've collaborated with those we initially regarded as competitors."*

– Benji Meltzer

Danie Venter from Stoffelberg Biltong also had to deal with plenty of competitors. However, he reckons that this made it easier because it clarifies which markets they ideally should target. "Takis Biltong, for example, was very popular at fuel stations, therefore I realised that our products should be available at big retailers like the Spar Group," says Venter.

French-born Thomas Pays, co-founder of Ozow Secure Payments, reckons that it is easier for entrepreneurs to succeed in South Africa than it is in Europe.

*"In hindsight, I had no idea what I was getting myself into when I started this journey. If I had known how hard it would be, I probably wouldn't have done this. But today I am glad I did. Also, I've started this journey because I didn't really have a choice – there just weren't any other opportunities. In 2012 I returned to France for a while, but I realised that I am more likely to succeed as an entrepreneur in South Africa. In Europe people have more money and it is easier for them to start a business. People can easily steal your idea and use it as their own. South Africa has many opportunities for entrepreneurs."*

– Thomas Pays

Pride Factor's founder, Dene Botha, says other entrepreneurial start-ups definitely influenced him to build his business. "I consume a lot of content and I read a lot. I aim to stay current regarding new trends and I learn what other people do. Seeing other people taking risks and opportunities inspired me."

According to Antoine Paillusseau, Cape Town – where FinChatBot was started – had a vibrant start-up scene which provided him with a boost.

*"It was a positive environment that was conducive to new businesses. Co-working spaces, events, Silicon Cape – a non-profit organisation and ecosystem enabler for tech-enabled start-ups – and other similar institutions created entrepreneurial awareness. However, it was difficult to source funding to kickstart a new business. There is a lack of early stage funding in South Africa, therefore funding was our biggest challenge."*

– Antoine Paillusseau

<sup>15</sup> Question: Do you think concentration (or lack thereof) of entrepreneurial start-ups influenced you founding the business?

## Recommendations

Entrepreneurs have an advantage if they can draw on previous work experience – whether or not this experience is in the same industry as their start-up. Those whose start-ups are in the same industry develop a network of contacts. Such tacit knowledge of the inner workings of an industry, combined with a good network of contacts, is vital for the business to succeed.

For those entrepreneurs entering new industries, they will quickly need to build a new network of contacts as well as value-chain opportunities in that industry. These business networks and other enabling services (including facilities and premises, access to business development expertise including tax and accounting, HR, legal governance and so on) are now more commonly provided by business incubators, accelerators and hubs. Entrepreneurs would do well to join such an established business support service as early as possible.

Competition in an industry, it turns out, is not a bad thing. It is important for entrepreneurs to be aware of what their competitors are doing and also to learn from them, but a focus on competitors shouldn't consume entrepreneurs. Entrepreneurs should try and distinguish themselves from competitors and need to realise that there will be people who are better known, have bigger networks or more capital. However, they shouldn't lose faith in their own abilities. Entrepreneurs should study existing competitors in markets, then figure out how to outcompete incumbents by offering products or services that address specific frictions or customer pain points. Their innovation does not have to be at a grand scale. It just has to do something valuable for the customer in a way that is more convenient, easier or at a better price than the existing offerings.

*How do macroeconomic factors influence people's decisions to pursue entrepreneurial activities?*

# Part 5 – The economy



## Summary

- Bureaucratic red tape can be very challenging for entrepreneurs. This situation is exacerbated when, in South Africa, different government departments require different regulations and compliance specifications. However, compliance is necessary.
- Entrepreneurs should not pay too much attention to economic cycles; indeed, it can even be favourable to start a business during an economic downturn. Equally, they should not become complacent when times are good.

Businesses do not operate in a vacuum. The broader macroeconomic environment is one element of entrepreneurial success that should be brought to the fore rather than just used to describe the business context. For example, for Shane (2003), the nature of the economic environment in which businesses operate forms part of the individual opportunity nexus model. The entrepreneurs interact with their environment and discover opportunities for new businesses that fulfil a need for products and services.

Analysis of the economic context for entrepreneurs can be difficult, especially in contexts when things are going well. However, as Dr Maponya pointed out, under apartheid the economic policies favoured the white minority in South Africa while crippling black entrepreneurs. It becomes more difficult to pin down where the economic enablers or challenges are in an economic context such as South Africa after 1994, when ostensibly, economic policy changed to be much more inclusive, and broad-based BEE (B-BBEE) was implemented to help black entrepreneurs gain a foothold in the economy. As Dr Maponya pointed out, things didn't quite work out that way as the economy was stifled by deep and pervasive corruption as well as a lack of trust between labour, government and business.

In this study, we examined three aspects of the economy that directly affect businesses and their operations: the regulatory situation, taxes and the effects of economic cycles. All but two of the firms in this study were founded after 1994. That year was a watershed in South Africa as the apartheid government was replaced with a democratic government. The businesses were selected because they have demonstrated noteworthy growth since their establishment.

The graph shows the annual GDP growth rate for South Africa, which has been on a broad downward trajectory since 1994. Unemployment, also shown below, has been slowly increasing. Both of these macroeconomic indicators point to an economy that is struggling to grow and create jobs.

Figure 5: South Africa GDP 1994 to 2019



Source: IMF World Economic Outlook Database

## Legal and regulatory complexities<sup>16</sup>

As Dr Maponya remarked: "Bureaucracy is the enemy of the entrepreneur." The entrepreneurs report that they had to deal with a tremendous amount of red tape. While they acknowledge that certain regulations are in place to protect consumers, they generally agree that there are opportunities to streamline the bureaucracy, regulatory and compliance requirements for their respective industries. In particular, they point to the rigid labour laws that disincentivise small businesses from hiring people because it is so hard to dismiss a weak employee.

Justin Coetzee from GoMetro reckons bureaucratic red tape is a major inconvenience.

*"Every single government department has its own finance requirements, and it is difficult to keep track of all the compliance issues. Instead of having one central database you have to register at all the different departments. On the other hand, South Africa has a very clear labour law – it is very detailed on how to handle labour relations, retrenchments, etc. But the employment act is so restrictive and process-driven, which means that small businesses will not hire people if they don't absolutely have to, because they just know they are going to lose. I understand why big employers from the previous regime had to be reined in, but the consequence is that entrepreneurs will not hire as many people as they need. The cost of keeping and managing a workforce is just too much and it is massively expensive if you have to resize."*

– Justin Coetzee

<sup>16</sup> Question: Did you run into any complexities in terms of the law and regulations that affected your entrepreneurial journey? What are the challenges and hurdles that you encountered?

Herotel has never experienced legal or regulatory difficulties, says founder Alan Knott-Craig Jr. "Being an entrepreneur means that you need to embrace reality and make the most of it. I don't see regulations like affirmative action and BEE, or any intrusion of the state, as a problem. It is regarded as an opportunity and I adjust accordingly."

According to Michiel le Roux from Capitec Bank, it was initially very challenging to find people who were able to run a bank. "We also struggled to find capital and had to be satisfied with a compromise. Another difficulty was acquiring a banking licence. This was during the time of the banking crisis and banks that were licensed in the 1990s were all failing. Luckily the PSG Group – which is the biggest shareholder in Capitec – bought a licence from a failing bank which was then turned into Capitec."

Danie Venter from Stoffelberg Biltong says the meat industry has to deal with myriad regulations, certification and health codes.

*"One of the biggest complexities for our industry is health regulations. We work together with the health department, halaal regulators and veterinary services. Another challenge for us is the packaging of our products. Biltong packaging needs to look a certain way. We cannot make statements like 'this is the best biltong in South Africa'. Regulations pertaining to the meat industry have been a big learning curve for us and we found this out the hard way."*

– Danie Venter

Law and regulations have impacted IoT.nxt to a certain degree, but not to the extent that it created a great deal of problems, says Nico Steyn.

*"The IP exchange and some of the legislation pertaining to the internet of things have been relaxed. But certification in some areas can be a challenge. There are certain regulations which make things a bit difficult for us, but not significantly enough to hamper our operations. However, as a country we need to start nurturing, building and encouraging our start-up community. IoT.nxt is fortunate because it has turned the corner. But there are times in the cycle of being a start-up or an entrepreneur where things are really tough. We've started to conduct a lot of offshore business, which is fantastic. But simultaneously we are keeping our resources local, which is a conscious decision we've made. However, there are many companies that pick up their tools, get American or European investments and leave the country."*

– Nico Steyn

Sam Hutchins from Everlytic says he encounters many complaints related to BEE. However, he says people need to realise that white business owners have been

operating in a world of privilege for a long time. "I believe people need to give back and learn how to operate under different circumstances. People need to get on board with BEE requirements and try to embrace a market that will improve circumstances for everybody."

IDF Capital's Polo Radebe says regulatory compliance is critical because if businesses do not comply with the regulations that govern their particular sectors, they might as well kiss their businesses goodbye.

*"In 2015 we almost had to close our doors because we lost our licence. It happened because we were not paying attention, we didn't have our eye on the ball. We didn't have proper governance in place and we also didn't have appropriate structures alerting us to non-compliance with regulatory requirements. Our regulators are a very important stakeholder and we need to make sure that we are constantly in touch with them. One of the biggest lessons I've learnt is to not be complacent about these things. You need to make sure that you are always in compliance with the necessary requirements."*

– Polo Radebe

Dr Bennie Fourie from Royal Schools explains that the group faced a myriad regulatory challenges.

"The private school sector is one of the most regulated sectors in South Africa. There are many laws and regulations we need to comply with, and this can be challenging. The South African system is not supportive of entrepreneurship, especially with regards to schooling, and the support we receive from the Department of Basic Education is limited."

## Taxes<sup>17</sup>

David Swartz from DSES Project Solutions believes it is crucial to have the right accountant. He says the firm had a bad experience with the South African Revenue Service but is busy negotiating with it. "This could've been avoided if we had the right accountant and received better tax advice. Not in terms of tax evasion but how to handle tax more efficiently – that would've helped us a lot. This proved to be a big learning curve for us and now we realise that proper tax guidance is very important. We also now have a good accountant and can look ahead and conduct effective tax planning," says Swartz.

According to Jo Mathole from Kwame Diamonds, value-added tax (VAT) is a sore point in the diamond industry.

<sup>17</sup> Question: How did taxation affect your business?

*"In our lives, VAT is a nightmare because we are dealing in high-value goods and we need to pay a lot of VAT. However, diamond investors do receive a tax relief. We buy a stone and as it appreciates in value, we don't have to pay tax numerous times, unlike when one has a property and needs to pay [capital] gains tax. Luckily, in our industry, tax doesn't affect us that much. But our challenge remains VAT, VAT and more VAT. Hopefully a better solution will be found."*

– Jo Mathole

"We view tax as part of the cost of doing business," says Kenton Fine from Servest. He reckons that corporate tax in South Africa is quite high when compared with the United Kingdom, for instance. "South Africa's tax base needs to be expanded, and one way to do that is by providing incentives that will lure businesses to South Africa," he says.

Thomas Pays from Ozow says it is important to pay tax because ultimately it enhances people's lives.

*"The purpose of tax is not solely to fund the government; it also improves the quality of life of South Africans. What the government does with the money might be questionable, but it nevertheless remains important because it empowers people and businesses, as well as stimulates the South African economy. I blindly trust the government to hopefully learn from its past mistakes and improve over time. However, we do pay a lot of tax, and it would be great if businesses could have more flexibility. The government should consider the relaxation of tax regulations for early-stage businesses."*

– Thomas Pays

"The South African tax system is complex, and it took me a while to understand how VAT works," says Faan van der Walt from WeBuyCars. He believes most budding entrepreneurs struggle to grasp South African tax regulations. However, he says paying tax remains important and it is not worthwhile to try evading it.

Schalk Kearney from Pet Heaven reckons tax is unavoidable, but he finds the bureaucracy of starting a business quite daunting.

*"We pay tax on employees, we pay VAT on the products we are selling, and we also have to pay tax on profits and dividends. Founders of companies are very ill-incentivised to make profit. They are just not showing any profit because of the way tax structures are set up in South Africa. Dealing with tax regulations is so time-consuming. When you start a business there is so much legislation and red tape. I do understand that these are there for a reason, but during your first year as an entrepreneur you should be focused on finding your product-market-fit and solving the problem you've identified on mass scale. But in reality, most of your time revolves around legal structures, setting up a company, understanding labour laws and conforming to strict regulations."*

– Schalk Kearney

The fact that schools are exempt from VAT has been beneficial for Royal Schools, says Dr Bennie Fourie. "Also, many of our schools are non-profit organisations, which means they are not subject to tax."

Theunis de Bruyn from Calibre Capital says there will always be rules, and businesses need to act within these rules. "Taxation plays a big part in our business activities and we manage it as well as we possibly can," says De Bruyn.

## The effects of economic cycles<sup>18</sup>

Capitec Bank co-founder Michiel le Roux remarks that people tend to pay too much attention to economic cycles. He says when the economy is performing well, business owners might have the perception they are doing well simply because all businesses are growing. "I reckon it is better to start a business during an economic downturn. Also, when a business is still small it doesn't really matter whether the economy is growing or not."

The Covid-19 outbreak and the subsequent lockdown of economies across the world will be detrimental to many businesses, but there are those that will benefit from the pandemic. Herotel is such a business.

*"Herotel is doing very well during this period – everybody works online and therefore our demand went through the roof. The internet will be the ultimate winner in all of this because the pandemic will accelerate a move towards online meetings, online learning and e-commerce. But of course, the entire economy will be heavily affected. Money is being sucked out of hospitality, tourism, sport and many other industries. There will be a knock-on effect – business closures, unemployment and bankruptcies, and debt will be tight. We are fortunate to be in an industry that will be affected less, provided that we ensure our staff are not at risk of infection. That will be a real risk for us."*

– Alan Knott-Craig Jr

IoT.nxt is another business that will not be too severely disrupted by the Covid-19 pandemic.

*"We've been really fortunate. In the last two weeks of March 2020 we received more orders than total revenue to date. It has just been phenomenal. When you are operating in the software or digital world almost everything is virtual. Most of our workforce is remotely and digitally deployed. However, a certain portion of our workforce is still required on site. The situation does create havoc, but we are less affected. There is a lot of work that is done by coders, developers and engineers that still continues in the background. They can do this work remotely. We have big projects that are kicking off in the United Kingdom, for instance, and this work can be done remotely through online learning and training."*

<sup>18</sup> Question: What impact did economic cycles and economic stability or instability have on your business?

*There is no doubt that our business will be affected, but we will get through it. I do find that many businesses are now thinking differently. In a very short space of time we had some really interesting, innovative discussions with clients. They are not in a position where they are operational on the ground, so they immediately started thinking more strategically about their business. People are becoming more cognisant of the potential that digital transformation can bring to a business. So, if they can do things remotely and have digital technology running or augmenting part of the business, it can lessen the impact of the current situation. We are certainly seeing the silver lining."*

– Nico Steyn

Kenton Fine from Servest says economic cycles of stability and instability have had a significant impact on the business over the years, but they have learnt to manage them. "When times are good, people become complacent and allow inefficiencies to creep in. We've learnt to keep a tight ship during good times, which saw us through the tough times. As it stands, Servest is still doing well, even though South Africa is going through an economic downturn, because we are focused on costs and are also very competitive."

When the economy is growing, it is difficult to identify whether companies are performing due to the efforts of the business owners, or whether they are being swept along by the overall growth. The weakening South African economy makes the performances of the businesses in this report all the more remarkable because they grew despite the overall shrinking economy.

We are conscious of two important biases in this sample: they were not randomly selected and can't be used to paint an overall or generalisable picture of the performance of all firms. Clearly, as the GDP and unemployment data show, these firms are the exception and not the norm. The contribution from these firms is then even more important since they are creating new employment opportunities as the overall structure of the economy has changed since 1994. The coronavirus pandemic has brought the underlying weaknesses of the South African economy into sharp relief. Interestingly, some of the entrepreneurs remark that they think building a business in a tough economy is good because it forces entrepreneurs to be frugal and build lean businesses, or they are benefiting from increased demand for their services. This was particularly prevalent in the responses from technology-related businesses that offer services enabling remote work or play a role in the digital value chains of the economy.

## Recommendations

South Africa's economy has particular idiosyncrasies that on the surface appear to be highly disabling for businesses. Regulatory issues such as B-BBEE should be harnessed for the opportunities they afford to black entrepreneurs through, for example, enterprise and supplier development.

Entrepreneurs should, paradoxically, strive to build their businesses when they are in a tough economy because they will then have an easier time when the economy is in a better situation. These businesses succeed because by necessity they are lean and hyper-focused on delivering value to customers. Again, incubators can play an important role by helping entrepreneurs to navigate the complicated regulatory and tax requirements. In particular, a good accountant can be instrumental in helping new entrepreneurs to navigate complex tax laws

Furthermore, with nearly 100 business incubators in South Africa, an alliance of similar entities can jointly identify specific issues with regulations that make it difficult for businesses to get started, grow and flourish. Recommendations to legislators hold more sway when they originate from large coalitions.

## Conceptual framework

### A model for understanding entrepreneurial success

As researchers, we understand that any project starts with a thorough literature review. In academic terms that means reviewing all relevant literature published in peer-reviewed academic journals on the topic of the research. A Google Scholar search for academic articles on “entrepreneurship in South Africa” returns 19,500 hits. This is clearly a topic that interests many researchers.

The topic is so widely researched that there are even articles written about articles about entrepreneurship! This quote in one such meta-review of the field by Moroz and Hindle (2012) caught our attention: “The 32 extant models of entrepreneurial process are highly fragmented in their claims and emphases and are insufficient for establishing an infrastructure upon which to synthesise an understanding of the entrepreneurial process.”

These authors conclude that it’s probably a waste of time trying to develop the ultimate theory on entrepreneurship that supersedes all others, or that encapsulates a complex activity that is art and science, inspiration and perspiration. Beyond the academic sources, there are literally millions of web articles, blog posts, magazine and newspaper articles, books and

YouTube videos on the topic. There are conferences and meetups, hackathons and bootcamps, hubs and incubators, accelerators and investors, all promising a taste of that elusive entrepreneurial success. We think there is a lot of merit in many of the ideas offered by these resources, but nothing is more valuable than hearing from successful entrepreneurs themselves.

So, instead of searching for the perfect conceptual framework, we created our own, based on some of the most influential researchers and thinkers on the topic. Our aim was to find the best way to allow the entrepreneurs’ own stories to surface with minimal overlay (implicitly or explicitly) of the researcher’s biases or hypotheses.

We drew inspiration from Dr Maponya’s (2014) views on the state of entrepreneurship after democracy, two Global Entrepreneurship Research Award winners, Shane (2003) and Sorenson and Audia (2000), along with the highly influential Global Entrepreneurship Monitor (2019), The Founder Institute (2020), the TED talk by Bill Gross (2015) on his search for the five factors of start-up success and finally, the regular reports on start-up failures by CBInsights (2019).

In the table below, we show how these various theories of entrepreneurship overlap, and why it is important to build a bespoke framework, as we have done for this study, rather than relying on only one source.

Table 2: Themes of focus in models of entrepreneurship

|                | Dr Maponya (2014) | Bill Gross (2015) | CB Insights (2019) | Sorenson and Audia (2000) | GEM | Shane (2003) | Founder Institute (2020) |
|----------------|-------------------|-------------------|--------------------|---------------------------|-----|--------------|--------------------------|
| Individual     |                   |                   |                    |                           |     |              |                          |
| Social context |                   |                   |                    |                           |     |              |                          |
| Business       |                   |                   |                    |                           |     |              |                          |
| Industry       |                   |                   |                    |                           |     |              |                          |
| Economy        |                   |                   |                    |                           |     |              |                          |

The conceptual framework guiding this research is depicted below. We opted for the concentric circles to invoke the notion of supporting layers. The circles are incomplete because we wanted to show the dynamic interplay between layers, and that entrepreneurs are constantly building and rebuilding themselves and their businesses in fluid contexts.

We cannot emphasise enough that the analytical approach of pulling apart the five categories or themes of the entrepreneurs’ stories is a way of showing the systemic or multi-dimensionality of what it takes to

be a successful entrepreneur. To illustrate this by way of an analogy, imagine taking a journey through the Garden Route but focusing only on the car. Certainly, the features and components add to its drivability. The journey, however, is about the car with the roads and road rules, petrol and petrol stations, roadside rest stops, mechanics, petrol attendants, traffic cops, potholes, traffic jams, the weather, the scenery and all other elements that make the trip either enjoyable or frustrating. Knowing this, would we still describe the journey by only looking at the car?

*By the same token, we believe that simply focusing on the individual and their attributes, whether psychological or demographic, is not really giving the full picture of what it takes to be a successful entrepreneur and to build a successful start-up. A*

*more holistic perspective of the entrepreneurial process and ultimate success or failure needs a perspective (or conceptual framework) that allows the complete journey to be appreciated.*

Figure 6: Conceptual framework for this study



We define the five parts of the framework as follows:

**The individual:** The founder has psychological and demographic attributes. The former attributes are motivation and cognition while the latter are education and experience.

**The social context:** Founders' families, schools, churches, universities and communities play an important role in enabling their success.

**The business:** A successful entrepreneur gets five aspects of a business right: timing, the right team, the right idea, a scalable business model and funding.

**The industry:** Entrepreneurial activity tends to be geographically concentrated (for example hi-tech businesses in Silicon Valley).

**The economy:** National economic growth is the result of the personal capabilities of individuals to identify and seize opportunities and at the same time this process is affected by environmental factors that influence or inhibit the individuals' decisions to pursue entrepreneurial initiatives.

## Research Design and Methodology

### Sample frame

E2 Investments is an impact investor focusing on providing investment funding and business scaling support to responsible entrepreneurs. The organisation works with businesses in the very early stages of the business life cycle.

The research objective of this study is to understand the factors that make businesses successful.

We opted to use a well-known theoretical model, the business life cycle (Channon, McGee and Sammut-Bonnici, 2015) to demarcate the businesses that we focus on in the study. Using this model, we identified two stages to focus on. The model is theoretical and any boundaries are for analytical purposes more than actual descriptive categories or taxonomies. In other words, the business life cycle model (see figure 3) was a guide for how to segment the vast number of potential businesses that could be included in the study. Second, the model also suggests financial performance milestones that indicate success. According to the model, new or start-up businesses (referred to as in the embryonic phase) that are yet to prove their business models and show traction through increasing sales and profitability were excluded from the study.

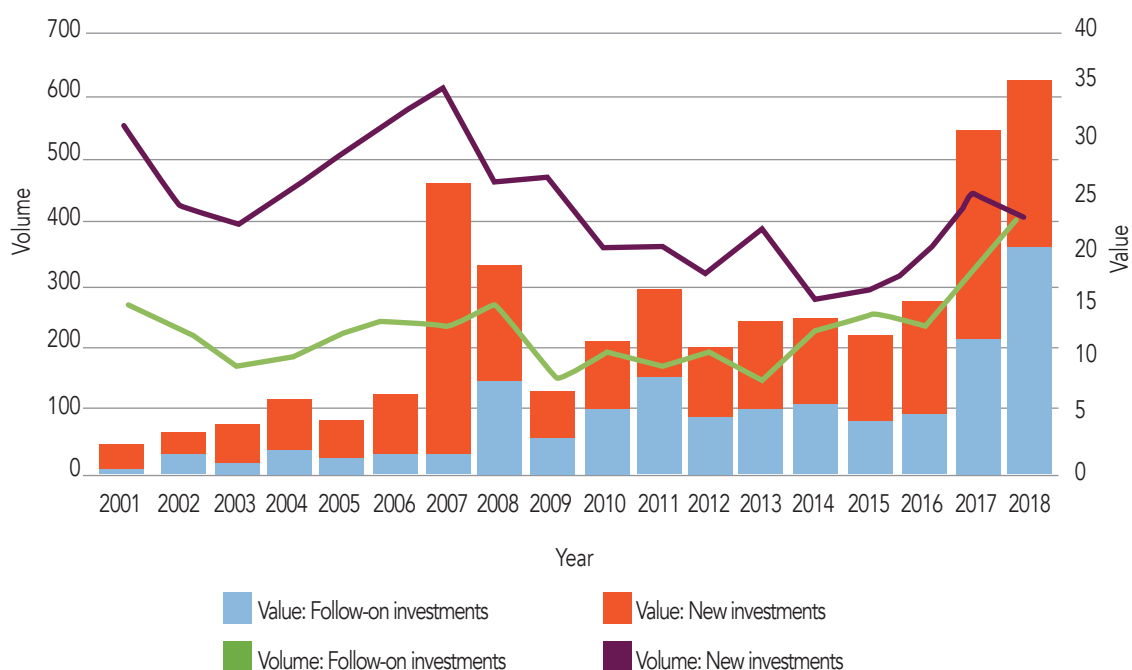
The next two categories point to businesses that have proven their success. Businesses in the growth category are older than three years, showing that they understood their operating models by getting a hold on costs and enjoy increasing sales and some profitability. Mature businesses are older than six years, have constant sales and are increasing profits while reducing costs.

The next task was locating businesses that fit those two categories. We examined previous work by ourselves (Theobald, Kruger, et al, 2020) and others on the private equity and venture capital investment market in South Africa. Venture capital businesses are considered to be high-risk investments since those businesses often still have to fully prove their model. These fit into the embryonic stage of the S-curve and were excluded from the study.

Businesses in private equity (PE) portfolios, however, tend to be high growth or mature businesses. PE is the investment of capital into companies that are not listed on a public exchange. In 2018, investors concluded 818 private equity deals in South Africa – with a near 50/50 split between new and follow-on investments. A second aggregator of mature firms is the JSE. At the time of this study, 375 firms were listed on the JSE.

The final group of firms that formed part of this study were mostly from private equity portfolios (23) and two firms are listed on the JSE.

Figure 7: Private equity activity in South Africa



Source: South African Venture Capital and Private Equity Association

## Data collection

The research design used a basic interview-based method to collect the data. The majority of interviews were done in person, until the coronavirus forced the research team to switch to video-based interviews. Researchers all followed the same interview question template (see appendix for research questions). They then transcribed the interviews.

## Data analysis


The analysts worked through the transcripts and coded the interview responses. The coding process allows for common themes to emerge while not losing unique information offered by respondents. The conceptual framework guided the coding but analysts were able to bring to light any unique or interesting information that did not fit the conceptual framework. Such discovery is one of the powerful attributes of qualitative research methods. We steer clear of hypotheses which necessitate that researchers have in mind a set of variables and their potential relationships. Rather, our research process was open-ended to allow the entrepreneurs' experiences, ideas and insights to guide the findings.

Ultimately, we are trying to learn what made them successful. It stands to reason that our data analysis should not be constrained in ways that do not allow the entrepreneurs' stories to surface.

## Validity and generalisability

The strength of qualitative research based on interviews is that they allow for the in-depth exploration of the individual respondent's experiences. This strength is also the source of its primary constraint, which is that the approach disallows the generalisability of the findings. This does not mean that the information given by respondents is taken at face value. We employed triangulation – a research approach of consulting multiple sources (Thomas, 1993) – and secondary research to validate the information collected for this report.

The findings cannot be interpreted in ways that suggest the study has somehow uncovered rules or natural laws for entrepreneurial success. Rather, the findings tell the story of the 25 entrepreneurs that participated in this study. Since these 25 businesses represent a set of highly successful enterprises, we're cautious that the views represented by their founders have inherent biases. One is survivorship bias, which means the views are only of those who did not fail. We attempted to correct for this bias by including information from respondents of any past failures.



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This is still not the same as interviewing founders of businesses who have failed and never started another business; however, our efforts to include such founders in this study proved fruitless. For example, we compiled a list of listed firms that were liquidated in the past 25 years. Owners' details were concealed in the records that we could access.

Table 3: Liquidated firms delisted from the JSE since 1994.

| Date listed       | Date delisted     | Full name                               | Sector                       |
|-------------------|-------------------|---|------------------------------|
| 1 January 1996    | 4 July 2005       | Corpcapital Ltd.                        | Financial services           |
| 1 January 1996    | 16 April 2007     | Amlac Ltd                               | Industrial vehicles          |
| 1 January 1997    | 29 June 2001      | Prospur Packaging & Plastics Ltd        | Packaging                    |
| 1 January 1997    | 16 April 2007     | Retail Apparel Group Ltd.               | Retail                       |
| 7 October 1997    | 2 June 2003       | Paradigm Capital Holdings Ltd           | Investment Holdings          |
| 17 November 1997  | 24 December 2002  | Molope Group Ltd.                       | Investment Holdings          |
| 1 January 1998    | 27 August 2001    | Tridelta Magnet Technology Holdings Ltd | Electricity                  |
| 1 January 1998    | 28 September 2001 | Renaissance Retail Group Ltd.           | Retail                       |
| 21 July 1998      | 28 November 2001  | Nimbus Holdings Ltd                     | Food producers               |
| 26 November 1998  | 20 June 2016      | Faritec Holdings Ltd.                   | Software & Computer services |
| 15 February 1999  | 13 May 2003       | Regal Treasury Bank                     | Bank                         |
| 6 July 1999       | 16 April 2007     | Shawcell Telecommunications Ltd         | Telecommunications           |
| 16 August 1999    | 19 July 2013      | Lonrho Sugar Corporation Ltd            | Food producers               |
| 16 August 1999    | 22 March 2005     | Buffelsfontein Gold Mines Ltd           | Mining                       |
| 6 March 2000      | 20 June 2016      | Square One Solutions Group Ltd.         | Software & Computer services |
| 27 July 2000      | 31 August 2009    | Afgem Ltd.                              | Mining                       |
| 10 June 2002      | 9 June 2008       | iFour Properties Ltd.                   | Property                     |
| 10 December 2004  | 15 August 2006    | Arch Equity Ltd.                        | Financial services           |
| 31 March 2005     | 20 June 2016      | Alliance Mining Corporation Ltd.        | Mining                       |
| 27 October 2006   | 18 August 2017    | Great Basin Gold Ltd.                   | Mining                       |
| 11 December 2006  | 20 June 2016      | Pamodzi Gold Ltd.                       | Mining                       |
| 3 July 2007       | 21 August 2017    | William Tell Holdings Ltd.              | Furniture                    |
| 14 August 2007    | 18 August 2017    | 1time Holdings Ltd.                     | Aviation                     |
| 20 September 2007 | 5 March 2018      | RBA Holdings Ltd.                       | Construction                 |

## Appendix: Interview questions

### The individual

1. How did your business get started?
2. Did you encounter an opportunity by chance or was it as a result of your passion, knowledge of a particular sector?
3. What role did formal education play in your entrepreneurial journey?
4. What motivated you to become an entrepreneur?
5. What skills, competencies and knowledge did you and your team need to have to perform the functions needed for success?
6. Take us into the mind of an entrepreneur. Did you recognise a specific problem that led you to start a business? What did this problem entail and how did you uncover it? Why did you decide that starting a business would be the best way to solve that problem?

### The social context

7. What role did your community and family play in enabling or encouraging you to pursue your business venture?
8. Do you have a support network consisting of co-founders, friends, family and investors? How closely were you working with any of these? How important were they in creating success for your venture?
9. How many successful entrepreneurs are in your immediate circle or network? Describe them and what you learnt from them?

### The business

10. How did you determine the value proposition for your product/service (target customers, their needs, your pricing, distribution and customer service model)?
11. Did you have a well-articulated business model when you started out? If no, do you have one now? If yes, how did this model change over time?
12. Were you part of a team or did you start the business by yourself? What are the pros and cons of each?
13. How many people do you employ?
14. What are the challenges and hurdles that you encountered?

### The industry

15. Describe your work experience and how that played a role in your entrepreneurial process?
16. How much experience have you had in the industry?
17. Did you previously work in the same industry?
18. How did you deal with competition in your industry?
19. Do you think concentration (or lack thereof) of entrepreneurial start-ups influenced you founding the business?

### The economy

20. Did you run into any complexities in terms of law, regulation that affected your entrepreneurial journey?
21. How did taxation affect your business?
22. What impact did economic cycles/stability have on your business?
23. What impact, if any, did the availability of capital (venture capital, private equity backing, etc.) have on the success of your business?

### General

24. Did you have any failed attempts at starting a business before reaching success with this one? Why do you reckon these businesses failed?
25. In your opinion, what is the best advice new entrepreneurs should follow?

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