

# Entrepreneurial spirit is not yet leading to job creation

Spotting an opportunity that sparks an entrepreneurial idea is a dominant driver of startup businesses in South Africa, but they are not creating jobs at the scale and rate the country so urgently needs.



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This is just one of the findings of a [survey](#) where the views of almost 1,500 startup entrepreneurs in South Africa were gauged.

## Sparked by an idea, not unemployment

Nearly 50% of the entrepreneurs surveyed said creating a business out of an idea that came to them from the environment in which they live, work and play was their main motivating factor. Only 4% of respondents started a business because they were unable to find a job.

This is a positive sign for South Africa's entrepreneurial ecosystem as most entrepreneurs are starting businesses for the right reason. But only 4% of those surveyed employ more than 10 staff. As much as 38% of startups do not employ anyone at all.

## Entrepreneurs are resilient

The survey found that business survival rates are on the increase, female entrepreneurs remain in the minority and that the ethnic footprint of entrepreneurs does not mirror SA's demographics – black startup entrepreneurs are underrepresented.

South African entrepreneurs are resilient as evidenced by the percentage increase in the age of the businesses. Although small, the fact it is increasing is a step in the right direction. They are primarily working from home and funding themselves with small amounts of capital while facing the well-known challenges of finding customers and raising finance.

The majority of entrepreneurs reported starting businesses in the information technology (22%), creative (12%), wholesale and retail (9%) or social and community services (9%) sectors. Mining and automotive were amongst the least popular sectors for aspiring entrepreneurs.

A significant outcome was the fact that prior work experience is a major contributing factor in business survival. Business owners that have been in existence for more than 2,5 years reported having more than 10 years prior work experience.

## **Gaining work experience**

Furthermore, with 50% of SA's youth (aged 15-24) currently unemployed, there is a dire shortage of opportunities for them to gain work experience. Innovative ways to provide young people with work experience need to be found. To develop skills and business acumen, interventions such as entrepreneur shadowing or on-the-job training at an SME should be considered.

All players in the small business ecosystem need to think about:

- Enhancing the funding ecosystem by improving the effectiveness of development finance institutions (DFIs), developing and incentivising the angel network, working with banks and using seed funds.
- Preparing entrepreneurs to be funding-ready.

Elevating marketing, access to markets and soft skills development for entrepreneurs.

- Fast-tracking and deepening the development of women and youth entrepreneurs.
- Facilitating stronger public/private sector collaborations.
- More aggressively embedding a culture of entrepreneurship across the country.

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