Connecting the dots between high-growth entrepreneurs and venture capital

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New research shows high-growth ideas are going to waste as early-stage organisations struggle to find suitable investors.

Despite an abundance of potential, high-growth entrepreneurial ideas in Africa that could bring radical benefit to the economy - including job and wealth creation - organisations are being thwarted by a lack of investors and entrepreneurs' inability to access capital.

New research, compiled by the Omidyar Network, shows that 84% of small and medium-sized enterprises in Africa are unable to access financing, causing the majority of early-stage, high-growth organisations on the continent to fail early. And the best solution is being overlooked. The report, which surveyed 582 entrepreneurs from across Africa and analysed findings from business, government, and thought leaders, states that venture capital is the most prudent response to this issue; but 67% of respondents believe that venture capital is not yet fully available in Africa.

According to Keet van Zyl, co-founder and director at Knife Capital - the fact that entrepreneurs in Africa don't realise there is a viable source of financial support available to them, is only half the problem - even those aware of venture capital opportunities are lacking in the skills to access such support. He says that the consequence of this is that the entrepreneurship and innovation ecosystem of the continent, a proven vehicle for sustainable job creation and growth, is losing essential components.

"Both entrepreneurs and venture capitalists are struggling to connect the dots in order to make new gains. Entrepreneurs do not know where to begin when it comes to acquiring an investor for their idea and need assistance with packaging their concepts into sustainable business models," says van Zyl.

Van Zyl, who also convenes a short course with the UCT Graduate School of Business (GSB) on Early Stage Investment across the continent, says investors are also losing out, with many wanting to support early-stage entrepreneurs, but preferring to collaborate when choosing the right opportunity. "While the right networks exist to take advantage of deal referrals, more tools are needed to develop the area," he says.

The GSB's Early Stage Investment: Find - Make - Grow - Realise course was designed to plug this gap and help entrepreneurs and investors connect the dots. The programme is aimed at entrepreneurs and investors alike, and provides delegates with the practical knowledge and a deep understanding of the high-growth investment process.

"The programme is aimed at anyone who has a vested interest in entrepreneurship and business building in Africa. On the one hand you have the investors who look at investing in early stage growth companies, and then on the other hand there are the entrepreneurs, who need to know what these investors are looking for," says van Zyl.

"As things stand, amazing, high-growth ideas and organisations with the potential to uplift the economy simply don't get enough early traction - resulting in them fading away," he says.

Early Stage Investment: Find - Make - Grow - Realise, runs from 11-12 June 2014 (Johannesburg), 24-25 June 2014 (Cape Town) and 29-30 July 2014 (Nairobi, Kenya). For more information or to apply for the programme, please contact Sharman May at sharman.may@gsb.uct.ac.za. Applicants for the Kenyan programme should contact Audrey Cheng at Audrey@savannah.vc.

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