

OPINION | Obstacles and opportunities for youth entrepreneurship

A CO-ORDINATED APPROACH CRITICAL TO PROMOTE YOUTH ENTREPRENEURSHIP

Jacqueline Kew

Over the past decade, sub-Saharan Africa has shown impressive growth rates, with gross domestic product (GDP) having increased by 4.9 per cent per year between 2001 and 2008 – more than twice its pace in the 1980s and 1990s (McKinsey & Co. 2012). However, the global crisis of 2009 slowed down growth for the region to approximately 3.0 per cent, and will limit the progress made in economic development and overcoming poverty (WEF 2009). Although many African countries have experienced an impressive expansion in the size of their economies, the growth has not led to the creation of sufficient employment – a situation that has been further exacerbated by the current financial crisis. With rapidly growing and urbanising populations across Africa, ensuring that they are both healthy and able to find employment is a key challenge.

The formal sector in many countries, especially in sub-Saharan Africa, is stagnant and unlikely to offer traditional jobs to the increasing number of young people looking for employment. The burgeoning young population, coupled with a growing sense of economic exclusion, represents a potentially explosive situation, which, if not effectively dealt with, could once again destabilise a continent that in recent years has become increasingly peaceful. Unless alternative employment options are encouraged, the number of unemployed and underemployed youth will continue to put pressure on their respective states. Youth unemployment, without doubt, is a pressing issue facing many African governments. The demographic profile of African countries has a significant youth bias, but due to the high and growing level of unemployment and underemployment amongst this section of the population, they are unable to fulfil these responsibilities in any meaningful manner. This has been emphasised by recent experiences in several North African countries such as Egypt and Tunisia. These developments, if left unchecked, can move into sub-Saharan Africa, and, if not correctly and timeously addressed, would have devastating effects on the social and economic spheres within the countries concerned (McKinsey & Co. 2012).

Entrepreneurship, job-creation and the potential to address poverty

South Africans have traditionally relied upon the government and the corporate sector to provide jobs. However, the growing inability of the formal and public sectors to absorb the increasing number of job-seekers means that South Africa needs to create an environment that stimulates job creation and economic growth.

Figure 2.2.1 shows that 66.5 per cent of South Africa's population is under the age of 35 years, with the largest 5-year grouping, the 0–4-year age group. The 2011 Census further estimates that 33.7 per cent of young South Africans in the 25–29-year age group, and 27.4 per cent in the 30–34-year age group are unemployed. This further emphasises the need to seriously consider alternative modes of job-creation. Entrepreneurship provides such an avenue and positively affects economic growth. Entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy and introduce new competition – thereby contributing to productivity. Such enterprises also drive job-creation; hence, it is a critical potential contributor to economic growth that is inclusive and reduces poverty. Especially in sub-Saharan African countries, it has the potential to bolster economic growth and increase productivity. As traditional jobs-for-life career paths becomes increasingly rare, youth entrepreneurship should become a focus for allowing the youth into the labour market, and ultimately for alleviating poverty.

While it is not necessarily an all-encompassing solution for youth unemployment, ensuring that South Africa has an enterprise culture that encourages, rather than discourages, entrepreneurial activity is important. An enterprise culture is a 'set of attitudes, values and beliefs operating within a particular community or environment that leads to both enterprising behaviour and aspiration towards self-employment' (White & Kenyon 2008: 18).



In order to encourage entrepreneurial behaviour, South Africa needs to develop and encourage an enterprise culture that leads to both enterprising behaviour and increasing aspirations towards self-employment.

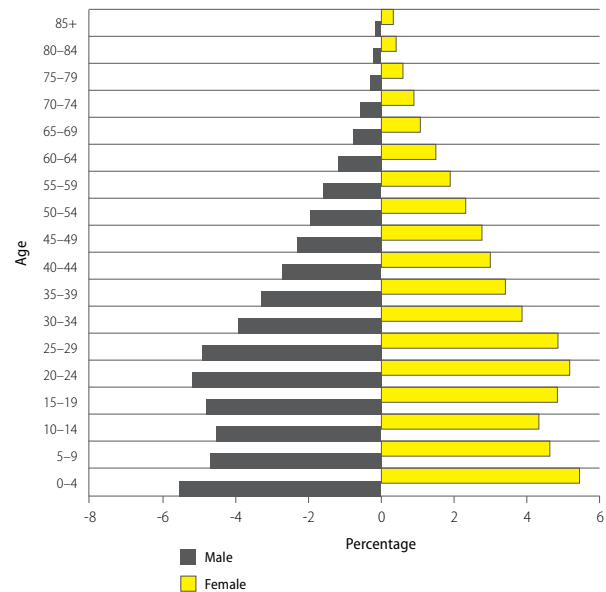
In order to encourage entrepreneurial behaviour, South Africa needs to develop and encourage an enterprise culture that leads to both enterprising behaviour and increasing aspirations towards self-employment. Several cultural traits that either encourage or inhibit entrepreneurial behaviour exist (Orford, Wood & Herrington 2004). In those cultures where innovation and creativity are not encouraged, entrepreneurial enterprises are unlikely to flourish. Conversely, those that see failure as a learning process are more likely to encourage entrepreneurial enterprises. Willingness to accept the possibility of business failure is a good indicator of entrepreneurial capacity (Orford et al. 2004). In South Africa, 40 per cent of young people indicated that fear of failure is a strong inhibiting factor in deciding to start their own business, with black African and coloured youths being more likely to be inhibited because of a fear that the business would fail (Herrington, Kew & Kew 2008b). At the outset there are, therefore, attitudinal obstacles to overcome before we can even think of addressing policy.

The importance of skills and education

While an enterprise culture enables entrepreneurship to flourish, the development of economies in the global knowledge environment is also intimately linked to education and, particularly, the development of mathematical skills. This is a South African weakness. The importance of developing mathematically based skills is further reinforced by the 2012 *Global Competitiveness Report* which ranks South Africa 138 out of 144 countries with respect to maths and science education. There are also strong links between the level of formal education and entrepreneurial activity. Tertiary study in South Africa prepares young adults relatively well in terms of the knowledge and skills required to start a business, with over 60 per cent of young people with tertiary education indicating that they had the knowledge and skills to start a business. Only 40 per cent of young people with secondary education, and one-third of young people without matric, indicated that they had the knowledge and skills to start a business (Von Broemsen, Wood & Herrington 2005).

In the 2012 *Global Competitiveness Report*, South Africa is also ranked low on primary (127 out of 144) and secondary education (133 out of 144) and, given that only 15 per cent of young people advance to tertiary education, the quality of primary and secondary schooling is becoming increasingly important (WEF 2012). Schooling is not only important for its effect on an individual's propensity for entrepreneurial

Figure 2.2.1: South Africa's population by age and gender, 2011



Source: Stats SA (2011)

behaviour, but it also improves an individual's ability to find employment and to be trainable. A high-quality general education serves to make people more trainable and, therefore, allows for greater flexibility and productivity in the labour market. Moreover, it also enhances the time and cost-effectiveness of training, as poorly educated entrepreneurs require more training at a greater cost and often with fewer demonstrable results.

Contextual factors that impact on entrepreneurship

A 2008 study done for the Western Cape Youth Commission found that two-thirds of young South Africans indicated an interest in starting a business (Herrington et al. 2008a). To determine whether such an interest could be interpreted as a predisposition towards entrepreneurial behaviour, the survey questioned their career option of choice. Formal employment, namely working in a corporate or large business (46 per cent), or the government (25 per cent), was cited as the career option of choice. Less than 10 per cent of the respondents indicated starting their own businesses as the career option of choice. Young people, whether studying, currently in the work force or unemployed, preferred the security of formal employment to the perceived risk of self-employment (Herrington et al. 2008a). These findings concur with the 2010 *Young Upstarts Report*, which found that while 65 per cent of young people indicated an interest in starting a business, the percentage of young people actively planning to turn this indicated interest into a reality was less than 10 per cent, with 8.0 per cent of the respondents indicating that they planned to start their business within a year (Herrington et al. 2011; see also Virgin Unite 2011).

The *Young Upstarts Report* also showed that younger, poorer respondents preferred to become a professional above starting their own business. The report argues that the lack of role models or networks that include business owners encourages young people to choose the stability of employment rather than seeking the risk of starting their own businesses (Herrington et al. 2011). The preference of previously disadvantaged young people for formal employment, particularly in a corporate setting, is also noted in the 2012 *Endevour Report* (Endevour 2012). In the past decade, there has been greater access to tertiary education for individuals who would have been denied it under apartheid, and, as a result, there has been an increase in the number of young black African and coloured individuals attending tertiary institutions. Equity targets for companies have led to growth in the demand for qualified black African applicants and, consequently, corporations have been willing to pay premium salaries to attract employees from designated categories. From an entrepreneurship perspective, however, this increases the opportunity cost for these individuals, should they consider starting their own business. This could, in part, explain why

the number of black African business owners, particularly those with tertiary qualifications, is lower than business owners with similar qualifications from other race groups (Herrington et al. 2008b). This is of concern as individuals with a tertiary education are more likely to start opportunity-motivated enterprises than they are to start a business due to a lack of other employment options. Necessity businesses (i.e. businesses that are started because the owner has no alternative for employment) generally only provide sufficient income for survival and employ significantly fewer people. Increasing the number of opportunity-motivated businesses would, therefore, have a positive impact on both the financial resources of the owners and, arguably, the unemployment rates in South Africa.

Entrepreneurial learning occurs through problem-solving, failure and learning from mistakes (Deakins 1999). As a result, individuals with access to family members who are business owners are likely to have a greater network of business people from whom they could learn and with whom they could discuss the problems and difficulties experienced by their enterprises. Exposure to entrepreneurial activity through personal networks provides strong role models, and individuals with entrepreneurial family members are more likely to start a business (Von Broensen et al. 2005).

The Global Entrepreneurship Monitor (GEM) is a worldwide study on entrepreneurial activity started by London Business School and Babson University in 1999. South Africa joined it in 2001. GEM South Africa has shown that black women in South Africa are more likely to start a necessity-based than an opportunity-based business. More than half of the young women believe that businesses in South Africa are started because there is no other option to earn a livelihood, and this perception is compounded by the limited exposure that successful, opportunity-based female entrepreneurs enjoy in the media (Herrington et al. 2008b).

When asked to identify successful business people, young people almost exclusively pointed out male business owners, with Pam Golding being the only female entrepreneur identified. With the exception of Mark Shuttleworth and Mzoli Ngcawuzele, all of the business role models identified were mature adults (Herrington et al. 2008b). The media, therefore, has an important role to play to ensure that both male and female business people, as well as young business people, are featured prominently in all forms of media. Together with school entrepreneurship programmes, young successful entrepreneurs need to be promoted and profiled, in order to dispel the notion that businesses are started only out of necessity and that becoming successful – as an entrepreneur – is only possible much later in life.

At present, however, many young people view businesses merely as temporary income generators until a better income option in the formal sector is found (Herrington et al. 2008b). This is unfortunate, given that in economically depressed times, such as the present, young people are often unable to



It is vital that the schooling system prepares students to see themselves as potential job-creators instead of merely job-seekers. It needs to provide subjects like entrepreneurship and financial literacy as core offerings for all pupils.

find better opportunities in the formal sector. This means that the number of people leaving school who need to rely on starting a business in order to survive is likely to increase. It is vital that the schooling system prepares students to see themselves as potential job-creators instead of merely job-seekers, and needs to provide subjects like entrepreneurship and financial literacy as core offerings for all pupils. Since many young South Africans do not complete secondary schooling, it is imperative that entrepreneurial skills are taught at primary school. Given the importance of education in influencing individuals' belief in their own abilities to start and run a successful business, it is possible that the South African education system directly contributes to the low level of early-stage entrepreneurial activity in the country. GEM South Africa has questioned the appropriateness of the kind of education offered at schools, and has noted that school-level training is failing a large proportion of the country's youth. Aside from the education system failing to prepare potential entrepreneurs for starting businesses, it has also done very little to address the massive skills shortage, which inevitably hampers economic growth (Herrington et al. 2011).

Access to technology is becoming an increasingly important requirement both for starting up a new business and for an existing business to remain competitive. It is, therefore, critical that young people become familiar with the necessary skills during their primary and early secondary schooling. Access to technology, particularly access to the Internet, remains limited for young South Africans, with 30 per cent never having used a computer and 55 per cent never having accessed the Internet or used email (Herrington et al. 2008b). This makes it difficult to obtain information about employment, as well as other business-related information. Young white South Africans are more than three times more likely to have access to a computer and more than seven times more likely to have access to the Internet and email than are their black African counterparts. Given these low levels of access, it is imperative that government agencies, mandated with improving the entrepreneurial propensity of the youth, ensure that enough satellite offices have the required technology and sufficiently qualified people to assist them in efficiently using the technology.

Sustained government support is critical. With the higher than expected unemployment figures, reflected in the 2011 Census, job-creation will have to remain a key feature of government policy. A co-ordinated focus on small business development must be one of the core points of departure. However, the poor quality of education, a lack of appropriate

business skills, and poor financial literacy hampers the growth and sustainability of this sector. Steven Timm (2011) argues that South Africa can learn from Brazil in developing adequate support for small businesses. He shows that South Africa and Brazil, apart from being two of the most unequal societies, have other similar development challenges, such as a lack of quality education, a shortage of quality infrastructure and a low share of international trade. Despite these similarities, Brazil is ranked as the 12th most entrepreneurial country in the world, while SA is ranked 28th out of 56 countries (Herrington et al. 2011). What is of greater concern is that with respect to the rate of established businesses (i.e. businesses that have been in existence for more than 3.5 years) South Africa fares far worse. Brazil is ranked 4th and South Africa is ranked 54th out of the 56 participating countries. It is important to note that established businesses have a significantly greater impact on job-creation than new businesses. What is also evident is that although South Africa has an increasing number of individuals who are starting businesses, the number of businesses that have been in operation for 3.5 years or more has not increased. Focused business support, offered by well-qualified professionals, or retired business people, as well as clear policy directives, are desperately required in South Africa to enable more enterprises to become sustainable and to have a greater impact on job-creation and economic growth within the country. Setting clear, measurable goals, such as the number of loans provided, actual employment created by small businesses, the percentage of small businesses involved in the export sector, and ensuring that individuals in these organisations have the necessary skills, have been key in Brazil's success. In South Africa, support structures, aimed at small business development are not effective, and awareness of many of the government support schemes remains extremely low. A further concern is that clear, measurable goals are not set for all agencies and, where goals are set, they are not monitored by external organisations.

Young people lack the skills, knowledge and experience to navigate the adult, business-oriented world. Although they may earn enough to survive, their ability to move into more sustainable enterprises is hampered by their inexperience and age-related constraints. Business advice centres and secondary schools have a particularly important role to play in equipping young people with the necessary skills to be able to move into sustainable business enterprises. The quality of business services is largely dependent upon the quality of the business advisors employed. In order to be fully

effective, business advisors need to be well-versed in the business environment, and preferably need to have practical experience in running a business. A core differentiator in the success of business advice offered is the ability of the advisor to develop a rapport with the entrepreneur. This is developed partly through communication in the individual's home language (De Waal 1997) and partly through the advisor's ability to understand the particular needs of the individual and not offer generic advice. It is important, therefore, that youth-oriented business advice centres are staffed by people who have an understanding of the particular needs and developmental stages of young entrepreneurs.

The quantity and quality of financial support

Lack of finance and access to finance is often cited as the key constraint to entrepreneurial activity. This has led to academics and policy-makers questioning whether providing significantly more finance would increase the number of entrepreneurs. The GEM research has shown that young people regard lack of customers, insufficient skills and too little support as the main factors contributing to their reluctance to start up their own business (Herrington et al. 2008b). This seems to caution against an approach that views finance on its own as the panacea for a shortage of aspiring entrepreneurs. The *Young Upstarts Report*, conducted by the Branson Centre for Entrepreneurship in 2010, concurs and asserts that, for young people, access to finance and business skills have been the most significant obstacles to starting a new business. Significantly, most respondents recognised that providing funding, without the skills needed to run a successful business, would not help them to become successful entrepreneurs (Virgin Unite 2011). The infrastructure to support the efficient use of funding also needs to be in place. Yet, the GEM research reports that young people who have tried interacting with the various support institutions have found the service delivery to be poor, coupled with long lead times (Herrington et al. 2011).

In this regard, it needs to be asked how suited current government institutions are to provide the required services. The National Youth Development Agency (NYDA) is regarded as the government's primary vehicle for supporting young entrepreneurs. Thus far, its performance has not lived up to the requirements, with many questions being asked about the management of the resources at its disposal. For the budget year 2010/11, it was allocated R405 million, and according to the medium-term expenditure framework for 2012–2015, the comparative figure for the 2012/13 financial year will be R376 million. This decrease has been questioned by the NYDA, but a review of its 2011/12 annual report has led the National Treasury to query irregular expenditure amounting to R133 million. The same report showed that almost R142 million was paid in salaries and allowances, while the businesses to which it extended loans received a total of only

R14.2 million. This amount represents a mere 15 per cent of the funding that it allocated to hosting its highly controversial international youth conference in 2011 (McGluwa 2012).

The NYDA (2012) states that it created or sustained 15 810 jobs during 2010/11, and argued that these were a direct result of the micro-loans (totalling the R14.2m) offered. No information was provided as to whether these loans were linked with mentorship or whether contributions were made to sustainable industries. There was, furthermore, a lack of clarity on the longevity of the businesses that were funded, and whether they were start-ups or established businesses.

This information raises a number of additional questions, namely, whether the salaries of both key and other personnel are justified, what the measurable and tangible goals linked to these salaries are, how data is being collected on the number of new or sustained jobs created, and whether any independent research has been done on the number of new or sustained jobs that were created, assuming verification of the 15 000+ jobs. It also needs to be established what the cost per job created is and, if the NYDA aims to play a significant role in reducing unemployment, whether this is possible at the current cost-per-job rate. Arguably, more research needs to be done about the existence of other government-funded youth organisations in developing and emerging economies, and whether they have been more effective than the NYDA.

Conclusion

Entrepreneurship is not the sole solution to South African youth unemployment. It is important to remember that entrepreneurial ventures are risky and require a level of innovation, the ability to deal with adversity, the ability to work independently and a level of confidence that allows the business owner to believe that he or she has, or can acquire, the skills and knowledge necessary to be successful in business. However, it is equally important to ensure that the environment in which young people operate enhances, rather than limits, entrepreneurial choices. It is also critical that all young people are afforded the opportunity of receiving a decent education. The low maths and science ranking, the lack of computer and other facilities in many schools, and the 2012 textbook debacle, raise questions about the seriousness with which the government views education. The lack of adequate education is compounded by the questionable value of business support agencies, such as the NYDA. South Africa requires a co-ordinated approach to business support that is business-driven, not politically motivated, and staffed by people with personal business experience. Without this, unemployment, poverty and exclusion will constitute the only future South Africa can continue to offer many of its young people.

**Mpumi Mazibuko,
a lawyer, who carved
out a niche for himself
in intellectual property,
trademark and
copyright law.**



CREATE ENTREPRENEURS INSTEAD OF TENDERPRENEURS

Erica Penfold

Youth unemployment featured centrally in South Africa's policy debates during 2012. From the National Development Plan (NDP), which labelled it a 'potential time bomb', to the ANC Youth League's campaign for 'economic freedom in our lifetime', and the bloody clashes between DA and COSATU supporters about the youth wage subsidy on the streets of central Johannesburg, it became evident just how integral this theme has become to those who want to exert influence on developmental policy.

It is by no means a uniquely South African condition – as policy-makers in Spain and Greece can attest – but its character and potential consequences are exceptional and particularly disconcerting. South Africans between the ages of 15 and 34 years constitute 71 per cent of all unemployed South Africans (Stats SA 2012). A decrease in employment inevitably results in a decrease in further skills and experience transfer (National Treasury 2011; DGMT 2011). By not engaging in active skills development and learning through working, the potential for further employment diminishes. The spiralling effects of unemployment are therefore far-reaching, and the tools that the government and the private sector can leverage to stop it are limited. Assuming that these tools are being used optimally, we have to ask what else can be done to enhance people's own opportunities for employment? The promotion of an entrepreneurial spirit and the supporting infrastructure to encourage it should become central in our thinking about employment creation outside of the government and corporate South Africa.

The South African economy is in need of entrepreneurs. In 2012, major sectors, such as natural resources and manufacturing were in decline, while concern about a ballooning government salary bill also put a damper on job creation in this sphere. Given the current economic climate, the country will have to look beyond the established sectors to fire up job creation. For this reason, it remains puzzling why there seems to be so little momentum behind efforts to harmonise the creation of a stronger entrepreneurial culture.

Developments in our national discourse on this matter have not been helpful. As the infamous term 'tenderpreneur' made its way into our vocabulary, entrepreneurial enterprise became tainted with unwarranted cynicism. In loose terms, it has come to be associated with practices where individuals and/

or companies leverage their political connections, as opposed to their craftsmanship and skills, at the expense of more deserving candidates, and often also the citizens that stand to benefit from their deliverables. Although not implicit, connotations of corruption and the perversion of well-intended black economic empowerment (BEE) objectives have compounded the negative associations that many South Africans have with the concept.

Entrepreneurship and the threat posed by negative perceptions of tenderpreneurship raise interesting questions about how South Africa is fostering and promoting entrepreneurial activity. There is widespread concern that tenderpreneurs hinder the potential for non-government affiliated entrepreneurs to make their mark. It needs to be asked whether the government and other social stakeholders are doing enough to counter this perception and to promote entrepreneurship in South Africa. As successive cohorts of school leavers enter the labour market under the prevailing economic circumstances, many – especially those with lower qualifications – are doomed to join the ranks of the unemployed. The traditional sources of employment are drying up and, hence, we will have to sharpen our strategies to foster more job creators than prospective employees.

Why is our youth unemployed? Like other young people around the world who enter the labour market for the first time, they lack skill and experience. Education is no adequate substitute for experience and does not guarantee capability. If employers are not convinced that school leavers are capable of handling new tasks, they would rather not risk paying school leavers a wage, considering their relative inexperience.

The political opposition and the media frequently place blame on the government for worsening the employment situation of young people. The government has argued that miracles do not happen overnight; as far as progress is concerned, it points to public works programmes and related multibillion rand investments in infrastructure, which are likely to create more job opportunities and, importantly also, generate the acquisition of more skills and experience. These initiatives may provide the stage for entrepreneurs to step up to and show what they are capable of. Potentially, this can be the start of a flourishing post-apartheid entrepreneurial



The promotion of an entrepreneurial spirit and the supporting infrastructure to encourage it should become central in our thinking about employment creation outside of the government and corporate South Africa.

sector. We will have to ensure, however, that the persistence of tenderpreneurship does not thwart its huge potential.

Questioning numbers and neutrality

While there are approximate numbers of questionable transactions before regulators and prosecutors, authoritative statistics suggesting that most government tenders are swayed by political connections are in short supply. Without clear-cut figures on what determines the awarding of government contracts, we can only assume, and assumptions have their limitations; at their very worst, assumptions can cause unnecessary damage to the integrity of entities implicated through hearsay and innuendo. Too often, extensive coverage of individual cases creates the impression of pervasiveness; thus, for the present, it may be more advisable to rely on information provided by agencies, such as the Public Protector, the Auditor-General and the Public Service Commission. Responsible citizenship requires that we act upon evidence, and work towards the improvement of the sources that we have at our disposal. The Open Government Partnership (OGP) is a substantial initiative in this regard.

Open governance and opportunities for reform

The OGP is a project championed by several heads of state, which seeks to 'secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance'. Although South Africa is a member of the steering committee of the OGP, there is still very little public awareness of the project in the country (ODAC 2012).

It focuses on the broad areas of transparency and accountability, and, more particularly, on reform of transparency in government business practice. The OGP seeks to 'secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance'. By extension its emphasis, therefore, also speaks directly to the question of ethical and consistent government procurement procedures, which impacts on the degree to which prospective entrepreneurs are willing to take risks on the assumption that all tenders will be evaluated on a non-biased basis.

The initial results of the Monitor Group's *Accelerating Entrepreneurship in Africa Survey* provides another instructive source of insights into South African entrepreneurial activity (Omidyar Network 2012). The survey focused on

entrepreneurship trends in a number of countries, and the South African results, released in 2012, have provided a wealth of insights in this regard.

Together, sources like these, as well as the Global Entrepreneurship Monitor that is reported on elsewhere in this chapter, are valuable in informing our thinking about the challenges and opportunities for entrepreneurial growth in this country.

Limitations for entrepreneurial growth

The Monitor Group survey identified the following limitations to the growth of small business in South Africa:

- » lack of proper education
- » challenges in the form of legislative and regulatory barriers to business development; and
- » lack of entrepreneurial training and awareness.

These limitations demand a more in-depth assessment of several structural weaknesses in our business environment and services for citizens.

Education

The 2012 *School Realities* data sheet, published by the Department of Education, indicates that the highest proportion of learners (32 per cent) find themselves in the foundation phase (Grade R to Grade 3), while those in the senior phase (Grade 7 to Grade 9) represent a smaller contingent of 24 per cent (DBE 2012). This suggests high drop-out rates in the higher grades, which goes a long way in explaining the critical skills shortages that are experienced in certain sectors of the economy. This view is underscored by the World Economic Forum's latest *Global Competitiveness Report*. The report ranks South Africa 132nd out of 144 countries for the quality of its teaching and 115th with regard to access to schools (WEF 2012).

Legislation

The legislative and regulatory barriers to business development constitute the second identified limitation to growth. According to some observers, the new Companies Act 71 of 2008 has made great headway in simplifying the process of establishing new business ventures. The practice seems to confirm this. According to the *Ease of Doing Business Survey*, conducted by the World Bank, it takes approximately 19 days to a month to register your new business in South Africa, on condition that all the relevant documentation is provided (IFC

& World Bank 2012). This places the country 53rd out of a total of 185 countries surveyed. Compared to peer countries like Brazil, where the same process takes 119 days, this is a laudable achievement, but as columnist, Ivo Vegter (2012) points out, the rules for government tenders are often too detailed and 'intimidating to the uninitiated' and frequently do not prevent corruption. Irregular practices, such as tenderpreneurship, create an additional layer of unpredictability. In effect, it creates an environment where 'playing by the rules' and meeting the required standards do not give every contender a fair chance of success. As such, it discourages, rather than promotes, an entrepreneurial culture driven by product excellence.

Entrepreneurial training and awareness

Although a good start, the best qualifications and the highest level of education do not guarantee entrepreneurial success. Start-up businesses can fail just as quickly as they begin, because of a lack of solid entrepreneurial skills training. Addressing this situation necessitates the introduction of focused coursework on entrepreneurial development at school level. While it requires dedicated resources and may have to compete with lobbyists who correctly advocate for the prioritisation of mathematics and science training, a compelling argument can also be made for an entrepreneurship curriculum. If the objective of quality education is to create jobs, we cannot simply assume that there will be enough vacancies to be filled in traditional occupations. As recent research by the World Bank and World Economic Forum shows, entrepreneurial activity is more likely to have an impact on unemployment under the current deflated economic conditions than are industries in the traditional spheres (Holly 2012). This needs resources and co-ordination, backed up by stern commitment. All this is possible, but may be difficult, given the multiple challenges that both education departments are experiencing at present.

The contribution of government

Should we lay exclusive blame at the door of the government for the apparent lack of co-ordination and/or enthusiasm to create a conducive entrepreneurial environment? Given the complexity of government structures and processes, this question may be too simplistic. Yet, it is possible to identify certain areas where the government's action (or inaction) delays progress.

Proper education is a critical cog in the wheel, and there is no doubt that poor performance in this regard detracts from commensurate efforts elsewhere. The government has an obligation to provide education for all learners and to assist those who cannot go to school to obtain training and qualifications through other means. Assessments elsewhere in this publication show that much still needs to be done in this regard.

In addition, the government is responsible for passing

legislation that assists in the creation of small businesses and recognises the challenges that entrepreneurs face in getting their ventures off the ground. Such efforts have been made, but there is still a large gap between the provisions and their practical implementation. This has been the case particularly for many business owners from previously disadvantaged communities in their experience with broad-based black economic empowerment (BBBEE) legislation.

In theory, BBBEE aims to promote wealth creation across a broader spectrum of South African society, and to assist business owners from previously disadvantaged backgrounds to gain a foothold in the economy. Unfortunately, the practical implementation of these policies has drawn criticism from those who claim that a small group of politically connected individuals has exploited them for their own narrow benefit, thereby effectively linking tenderpreneurship to BBBEE. Such criticism has emerged from all sides of the political spectrum and, as a result, the government has come under increasing pressure to remedy this situation. In 2011, amendments were introduced to reduce the potential influence of tenderpreneurial practices in the procurement arena. These reforms were of critical importance, because an estimated 30 per cent of the economy is driven by state procurement activity alone. In terms of these new regulations, bidders will be required to present scorecards that prove their BBBEE compliance. Potentially, this will eliminate the most obvious irregularities associated with the awarding of tenders. In terms of the practice of 'fronting', where company governance structures are artificially restructured to give the false impression of black ownership, a company will have to provide a verified scorecard. Should companies be deemed to fall short in terms of compliance they will be disqualified from the tender process. In addition, these scorecards will force business owners to ensure that essential areas of business development, including skills and entrepreneurial acumen, are established and provisionally funded (Steyn 2011). Whether this policy has made any dent in irregular tender practices is unclear at this stage and is probably too early to ascertain.

The evidence suggests that the government is working to ensure that tender irregularities are accounted for, by introducing the relevant policy structures. Two important frameworks that have been rolled out thus far are:

- » the National Youth Economic Empowerment Policy and Implementation Framework (2008); and
- » the Integrated Youth Development Strategy (National Youth Development Agency) (2008).

Both documents have pushed for greater investment in youth development.

But more momentum is required. At present there is very little else that speaks to the urgency of supporting youth entrepreneurship.



Entrepreneurial activity is more likely to have an impact on unemployment under the current deflated economic conditions than are industries in the traditional spheres.

South Africa and the OGP

Encouraging government transparency and accountability is as essential to fostering growth as are the right economic policies. As a signatory to the OGP, which represents a commitment from 50 governments to promoting open, transparent and accountable governance, South Africa has much to gain from the development of uniform reporting standards (see OGP 2012a). Ultimately, the OGP seeks to ensure that governments act transparently and that their citizens are able to hold them to account. Investment by one signatory in another is therefore backed up by a common understanding (and guarantee) of the transparency and accountability practices to which both subscribe. Although significant steps have been taken to ensure South Africa's compliance with the objectives of the OGP, there are still some commitments that South Africa has not fully followed through. The controversy around the Protection of State Information Bill offers a case in point and has clouded perceptions of the country's full commitment to the spirit of the OGP's objectives (OGP 2012b). This potentially detracts from our ability to attract investment from those that seek guarantees for investment stability. A government that can be held to account would conduct its procurement processes transparently, thus eliminating the gap where undesirable practices, such as tenderpreneurship, could occur. As pointed out above, the newly introduced BBBEE legislation provides an example of attempts to fill this gap, but it must be asked whether this is indeed enough.

The promotion of more stringent checks and balances applies not only to tenderpreneurship, but also to financial management processes within the government. 'Nkandlagate', the alleged exorbitant expenditure of close to R250 million on the private home of the president, provides but one example in this regard. If we are to hold our government to account to ensure a transparent procurement process, it should be much easier to navigate through the smoke and mirrors created by different departments, apparently to sow confusion amongst critics of the Nkandla millions. Several observers have claimed that for all the opulence under construction, the price tag still suggests grossly overinflated prices.

Do incidents like these relate at all to the question of youth entrepreneurship? Without doubt, they do. The bad publicity serves to reinforce an impression that qualifications, training and financial risk do not matter as much as having the right connections. While such practices may offer short-term gains for the immediate beneficiaries, the country will pay the longer-term price for the erosion of its entrepreneurial talent and depth.

What needs to be done?

What would a supportive structure for promoting youth in the economy look like? At present, the following bodies are mandated, in differing degrees, to promote successful outcomes for small business development: the National Youth Development Agency (responsible for the promotion and co-ordination of youth development); the Small Enterprise Development Agency (working in collaboration with the government to advance small enterprises); and the National Small Business Chamber (promoting the growth of small business, by creating a network of small business owners). While each works towards its specific mandate, they mostly do so in isolation from each other, which leads to duplication and often wastage. As such, there is a need for more collaborative efforts, where the strengths and networks can complement each other. This would work best through the targeting and prioritisation of specific sectors and services. Working partnerships must be developed with the government, activities must be co-ordinated, and adequate resources must be secured. Part of the current problem lies with the difficulty of monitoring and evaluating the individual and collective efforts of the different stakeholders; consequently, a minimal monitoring and evaluation capacity will have to be developed to assess how well these bodies are working, together with the government, in advancing the interests of entrepreneurs.

Towards improved collaboration

Youth unemployment is always in danger of being over-politicised; therefore, we cannot rely solely on the government and opposition parties to frame how youth unemployment and the promotion of youth entrepreneurship will be tackled sustainably. It is therefore important that institutional pride is set aside in favour of collaboration between key stakeholders, such as the government, corporate enterprises, academia and civil society.

The government's *New Growth Path* (see SAGI 2012) document proposes a multi-faceted approach to reducing youth unemployment. It favours this kind of collaboration with all social stakeholders to resolve the unemployment question, and aims to increase levels of training, activity, employment and entrepreneurial opportunities for youth. The implementation of this strategy was identified as a priority for 2011 to 2012, and it would be useful for the government to assess how much progress has been made in this regard. Plans to review legislation, regulate budgetary requirements and monitor the implementation of the youth wage subsidy form part of

the strategy. Stated commitments to improving education, skills training and public employment services will also assist strategic implementation, to the extent that they actually take shape in practice. While increased collaboration between multiple sectors, as proposed, promises a better chance of success, much will depend on implementation, which is notoriously uneven within our bureaucracy.

Conclusion

Support for further entrepreneurial activity hinges on a number of factors. This article has highlighted some of the most pressing challenges, which include inadequate education, the legislative environment and focused entrepreneurship training. In addition, it has reflected on the challenges posed by a constraining global economic climate. The role of the

government has also been highlighted, and it has underscored how critical it is to generate greater momentum towards supporting small business ventures. Ultimately, though, action on all of these will be dependent on the extent to which accountability is built into the system. Whether we create entrepreneurs, who through their ambition and skill create growth, employment and more sustainable livelihoods, or tenderpreneurs, who seek to sway government procurement with money rather than ability, will depend on the extent to which government procurement is subjected to proper transparency and accountability practices. The introduction and consistent implementation of these measures have the potential not only to stimulate growth outside of the traditional employment sectors, but also to ensure that we continue to promote the potential of South African youth to succeed even under challenging conditions.