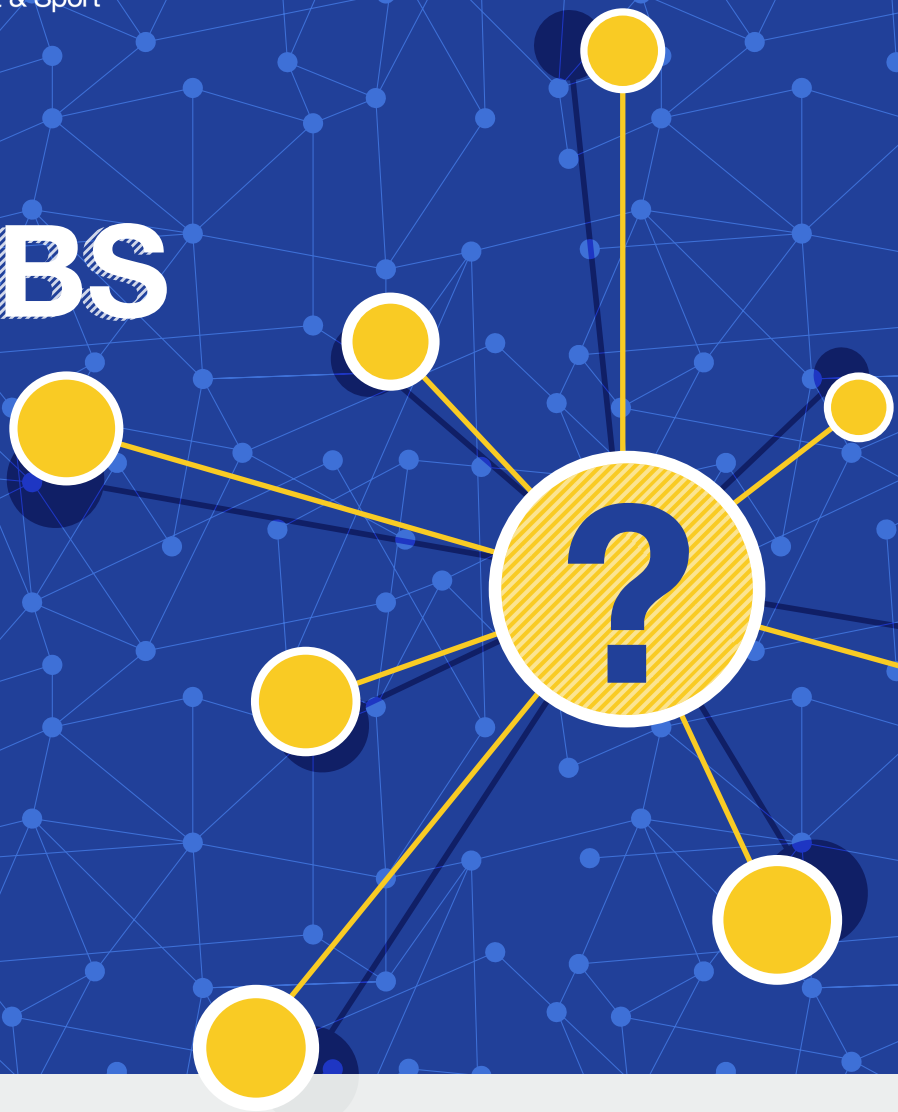


2020

# TECH HUBS SURVEY

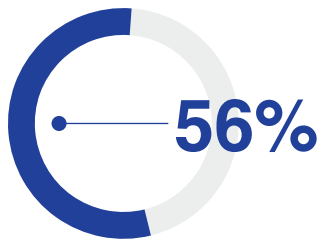
Are South African  
tech hubs getting  
the resources they  
need to support our  
emerging  
entrepreneurs?



Tech and entrepreneurship hubs are critical in South Africa's response to the fourth industrial revolution. But how much do we know about their operations and challenges? The UK-South Africa Tech Hub, which supports more inclusive digital development in the country, decided to find out with a survey run in October 2020.

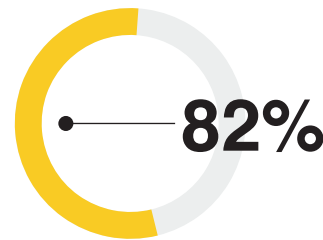
# THE CHALLENGE OF YOUTH UNEMPLOYMENT IN SOUTH AFRICA

## UNEMPLOYMENT IS EXCEPTIONALLY HIGH

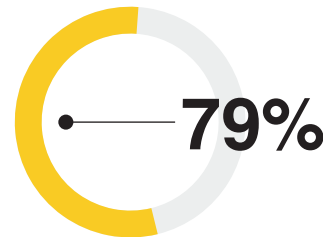


of South Africa's youth are **unemployed**.

## BUT PERCEPTIONS ARE CHANGING



of South Africans now **consider entrepreneurship a good career choice**



see it as **high status**

## ENTREPRENEURIAL AMBITION IS TRADITIONALLY LOW



Yet only one **in eight South Africans** has **entrepreneurial ambitions**.<sup>1</sup>

If we're going to turn these interested young people into entrepreneurs we're going to have to give them skills, resources and inspiration.

<sup>1</sup> Global Entrepreneurship Monitor 2020

# THE PROMISE OF TECH HUBS

***“Given the key role that small businesses play in stimulating economic activity and employment – and in advancing broad-based empowerment – we are focusing this year on significantly expanding our Small Business Incubation Programme.***

***The incubation programme currently consists of a network of 51 technology business incubators, 10 enterprise supplier development incubators and 14 rapid youth incubators.***

***As part of the expansion of this programme, township digital hubs will be established, initially in four provinces, with more to follow.”***

– President Cyril Ramaphosa,  
State of the Nation 2019



The UK-South Africa Tech Hub is aligned with the South African government in its efforts to tackle economic recovery and inclusion, and youth unemployment, particularly in areas which require upliftment. We are also curious about where the gaps are in hub support and how stakeholders can be mobilised to fill them.

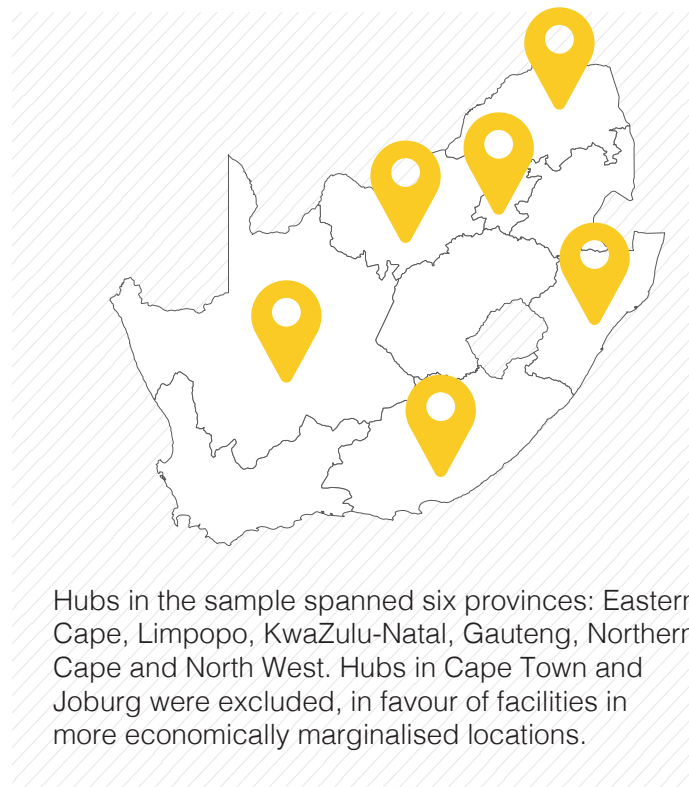
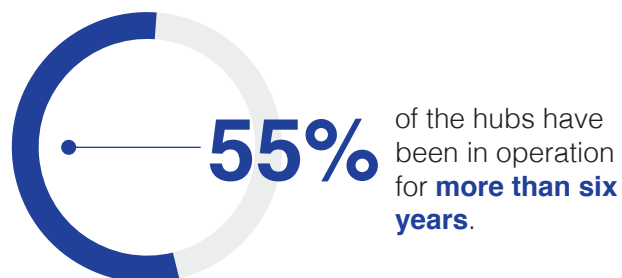
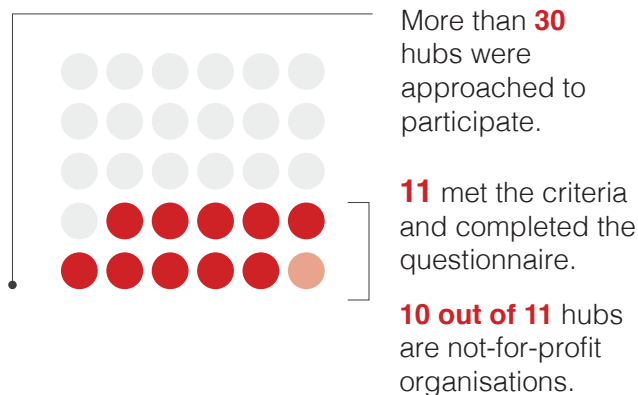
New hubs continued to open across the country in 2020 despite the challenges that lockdown presented for entrepreneurial support. So UK-South Africa Tech Hub designed and delivered a programme to capacitate hubs' staff members from six provinces. This research published here informed the design of the programme, and allowed us to build an engaged network of tech hubs.

So the UK-South Africa Tech Hub, under its Launch League Hubs Initiative, designed and delivered a programme to capacitate hubs' staff members from six provinces, in partnership with Viridian. **This research published here informed the design of the programme, and allowed us to build an engaged network of tech hubs.**

# ABOUT THE SURVEY & RESPONDENTS

The survey focussed on hubs outside of the well-researched cities of Johannesburg and Cape Town, in line with the South African government's focus on supporting localised innovation and technology development as a way to stimulate economic growth and job creation.

This short, accessible report fills a gap in knowledge about how local hubs are resourced to train and grow entrepreneurs. We hope the information and recommendations shared here will spark conversations between hubs and the ecosystems that support them.



# WHERE ARE THE GAPS?



The survey asked participating tech hubs about five different areas of their work (staff/skills, funding, support, services, ecosystem) to get a better sense of what they're achieving, and what is holding them back.

QUESTION 1:

# DO HUBS HAVE THE RIGHT STAFF AND SKILLS?

As hubs are delivering training and hands-on support to build businesses, team capacity is a critical success factor. Do hubs have enough staff members, and enough with the right skills? We asked some key questions.



Excluding one outlier (Innovation Hub), the average number of **full-time staff at a hub is seven**.



“Our staff possess a broad range of skills, including our own in-house software development team. An example of a skills gap is in financial modelling. Increased access to experienced mentors could definitely strengthen support offered to our beneficiaries.”

– Nicoli Koorbanally,  
CEO, mLab

## TYPICAL QUALIFICATION LEVELS

Staff at these hubs are typically well educated, although not always experienced in entrepreneurship.



Executive level  
Postgrad  
(Hons, MA, PhD)

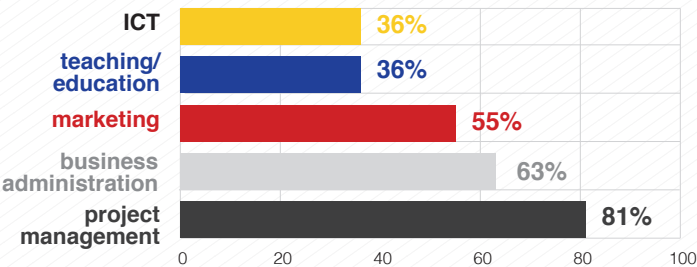


Middle manager  
University degree  
or postgrad



Junior staff  
Degree or  
diploma

## PREVALENCE OF HUB TEAM SKILLS



**36%** of respondents said that incorrectly skilled staff is a key challenge.

## ADDRESSING STAFFING AND SKILL CHALLENGES

- ✓ Some hubs in peri-urban areas or less-resourced provinces hire skilled people from big city centres. In the short term, if properly managed, this could be beneficial for the transfer of skills.
- ✓ Training programmes such as Launch League Hubs can help share and standardise knowledge and skills to improve incubation practices.
- ✓ Hubs should prioritise recruiting mentors and coaches with experience and who are relatable to entrepreneurs. Ecosystems can deliberately build a culture of entrepreneurs “paying it forward” to new businesses by becoming mentors.
- ✓ Building the profile of angel investing in South Africa may also contribute to successful entrepreneurs becoming more involved in emerging businesses.

## QUESTION 2:

# DO HUBS HAVE THE RIGHT FUNDING?

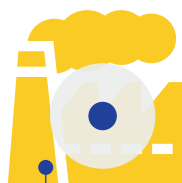
Although hubs outside of major city centres are considered important in economic development strategy, their own financial sustainability often seems precarious. 2020's Covid-19 pandemic only made the situation more uncertain. We dug a bit deeper.

### GOVERNMENT VS PRIVATE FUNDING



**90%**

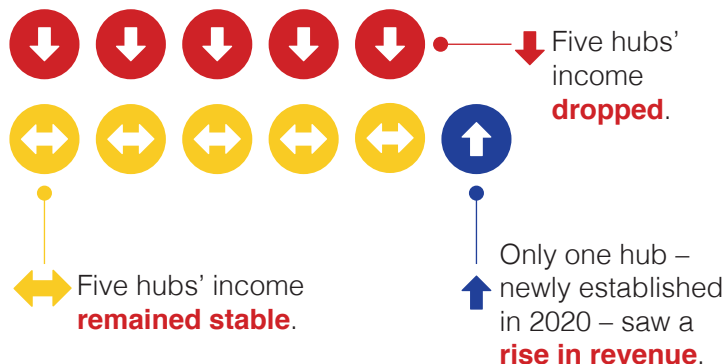
receive funding from **government** or government entities (e.g. SEDA, CSIR, TIA).



only **27%**

receive **private sector** funding.

### HUB FUNDING AMOUNTS 2019 TO 2020



### PRECARIOUS FUNDING SITUATIONS



**55%**

of the hubs are operating on **less than R2 million a year**.



**55%**

of hubs have a typical funding cycle of **6-12 months**.



**64%**

of hubs would not be able to survive **six months** without funding!

**“Raising funding locally is a challenge, so we focus on national partnerships with the likes of the NYDA, SEFA, SEDA and government departments.”**

– Joseph Ndaba, CEO  
Mafikeng Digital  
Innovation Hub

**“We are in a tight position but are actively pursuing funding opportunities.”**  
– how 64% of hubs describe their financial situation.



## ADDRESSING FUNDING CHALLENGES



Business development and marketing activities should emphasise the benefits of partnering with a hub to meet either enterprise development or CSI objectives, encouraging more private sector involvement. Hubs may require training to implement this.



As local private sector support is difficult to come by and big companies may shy away from running a programme in a smaller hub, a community of hubs could pitch to a large national corporation to run one multi-geography programme.



Government grant support should be given on multi-year cycles to smooth the volatility of hubs' funding cycles.

## QUESTION 3:

# WHAT TYPE OF ENTREPRENEURS ARE HUBS ATTRACTING AND SUPPORTING?

There is a tendency to apply Silicon Valley-born terms and frameworks when thinking about tech hubs and innovation. But let's take a closer look and understand the types of businesses and entrepreneurs these hubs are really supporting, and how they're doing it.

### HOW MANY ENTREPRENEURS DO THE HUBS SERVED?

2000

Altogether, the 11 hubs in the sample have **collectively helped more than 2000 entrepreneurs** since they started.

300+

Only three of the 11 hubs have supported **more than 300** entrepreneurs each.

The number of businesses supported by the hubs at any one time is variable.



In Oct 2020, only

27%

of hubs reached more than 50 entrepreneurs at one time.

### WHAT KINDS OF BUSINESSES ARE SUPPORTED?



82%

of hubs support **idea- or early-stage businesses** (or both)

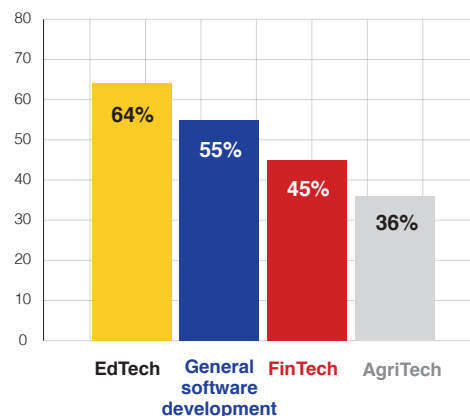


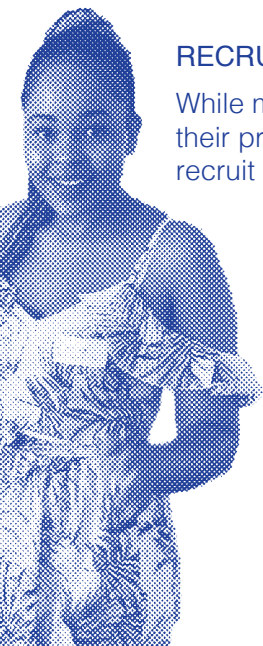
55%

of hubs also support **growth-stage businesses**

### BREAKDOWN OF SUPPORTED SECTORS

Hubs support entrepreneurs working in a variety of sectors, but the top four are EdTech, general software development, FinTech and AgriTech.





## RECRUITING WOMEN REMAINS A CHALLENGE

While most hubs will end up having at least 50% women in their programmes, many report that it is a challenge to recruit women entrepreneurs.



Six hubs have at **least 50%** women in their programmes.

Two hubs have **75% or more** women in their programmes!

Three hubs only have **between 25-50%** women enrolled.



## HUBS SUPPORT VERY SMALL BUSINESSES



# 55%

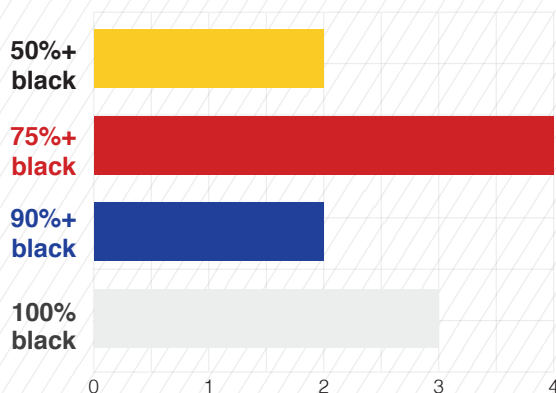
of hubs are supporting businesses that average revenues of **less than R200,000 annually**.

**Only one hub** helps businesses with turnovers upwards of R2 million.



## PRIORITISED SUPPORT FOR BLACK ENTREPRENEURS

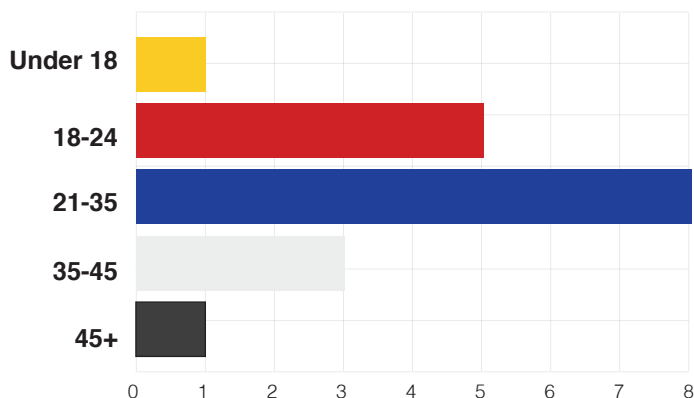
The majority of hubs (82%) report serving at least 75% black entrepreneurs in their programmes. This is in line with the aim of supporting those with the highest levels of unemployment.



## HUB USERS ARE LARGELY UNDER 35

Young entrepreneurs aged 21-35 are the main demographic supported by the hubs, though entrepreneurs of all ages do make use of the hubs' services.

# <35



## ADDRESSING RECRUITMENT AND SUPPORT CHALLENGES



The incubation and entrepreneurship support ecosystems across the country need to be mapped in more detail to ensure that entrepreneurs and hubs understand the support available at various stages of business development. The gap in growth stage programmes requires further interrogation.



Schools, higher education, government and private sector organisations can work to actively encourage entrepreneurship, especially among women. Hubs that are struggling to recruit women entrepreneurs can try running programmes or events aimed at women only, which may encourage participation.



Hubs have a wealth of experience and good relationships with young entrepreneurial South Africans. There is an opportunity for far richer research.

## QUESTION 4:

# DO HUBS OFFER THE RIGHT PROGRAMMES AND SERVICES?

Entrepreneurs and their businesses are the lifeblood of hubs' work. How are these hubs serving them and what challenges do they face in doing so?

### PROGRAMME LENGTH



### PROGRAMMATIC CHALLENGES



Sourcing entrepreneurs and retaining them in programmes are challenges: **'recruitment' and 'programme attendance' were the most often cited programme-related issues** by the hubs.

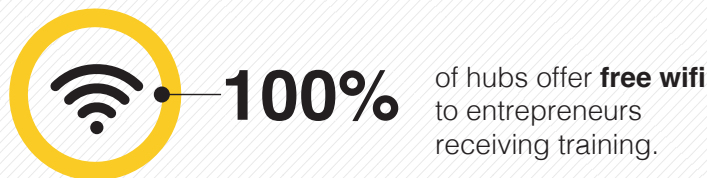


### TECH TRAINING OFFERINGS

**All of the hubs offer tech training.** The top areas entrepreneurs typically request or require support in are:

- Digital marketing and sales
- Cloud services
- Basic digital literacy
- Accounting/office software
- Online security

### GETTING ENTREPRENEURS ONLINE



**“Local people are not into tech because it has not been done yet in the province. We’ve had to do a lot of education in the province on what 4IR is.”**

– Joseph Ndaba, CEO Mafikeng Digital Innovation Hub

## TRAVEL STIPENDS



**36%**

of hubs say that they are attracting programme participants who live more than 10kms away from their hubs, **but none of the hubs are able to offer travel stipends.**

## MONITORING & EVALUATION



**91%**

of hubs conduct some **basic monitoring and evaluation (M&E)** with their cohorts.

## PROGRAMME CONTENT AND DELIVERY



**91%**

of hubs **create their own content** for programmes.



**82%**

use their **own staff to deliver** the content.

## POST-PROGRAMME COMMUNICATION



**91%**

of hubs remain in touch with entrepreneurs after they have finished a programme.



**“Most of our entrepreneurs are experiencing hardship. An approach of developing the whole person through a programme is important.”**

– Nicoli Koorbanally, CEO, mLab

## ADDRESSING PROGRAMMATIC AND SERVICES CHALLENGES



Making sufficient provision for travel stipends, good catering and data bursaries (for working from home) can increase retention in programmes.



Standardised content and access to a database of experienced experts can help hubs to deliver on key areas entrepreneurs need support with. Online delivery of training allows hubs to access a wider pool of experts. Data bursaries would be a requirement.



Ensuring that the length of the programme matches the value the entrepreneur receives is also important – don't run a long programme when a short one will deliver the outcomes.

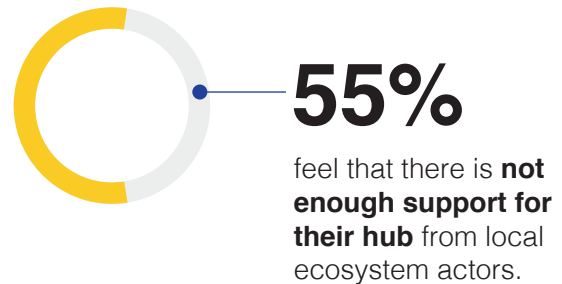
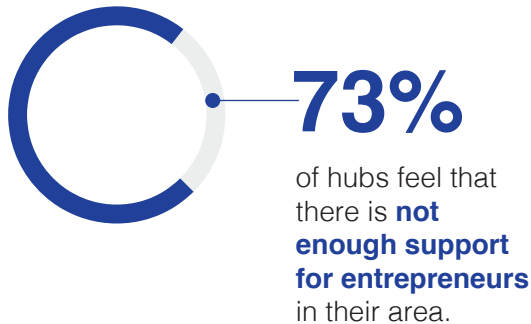


M&E is important not only for reporting to funders, but for marketing the hubs' successes with their programmes. Funders may want to run M&E training for hubs to improve outcomes and reporting.

## QUESTION 5:

# IS THERE A SUPPORTIVE AND VIBRANT ECOSYSTEM?

The role of dynamic local ecosystems in stimulating entrepreneurial interest and growth is well-known. This is usually a complex interaction between players from across sectors, that needs to be consciously driven by key actors, including local government – Cape Town's status as a leading African tech hub is an example. In some parts of the country, these ecosystems are proving harder to develop.



**“Working spaces are critical – new entrepreneurs need space! After graduation, where do they go?”**

– Joseph Ndaba, CEO Mafikeng Digital Innovation Hub





## ADDRESSING ECOSYSTEM SUPPORT CHALLENGES



Building capacity at entrepreneurship hubs can allow them to effectively build local, yet nationally connected, ecosystems – encouraging more entrepreneurs and stimulating economic opportunity. Their work must stretch beyond training and workspace, to acting as a convenor for private and public support for entrepreneurs in their region.



Hubs can form a national community of practice to share resources, learn from each other and generally raise the profile of hubs as key players in economic development.

# WHAT NEXT?

At the end of 2020, Viridian and UK-South Africa Tech Hub engaged with 9 hubs operating across 13 sites to train them in using the Launch League idea-stage programme methodology.

For many participants it was their first time interacting with other hubs from around the country. After the training, which took place over two weeks and included a lot of peer learning, hubs were asked whether they would like to **form a community of practice to continue to share their learnings.**

**100% said yes.**



# REFLECTIONS

What if hubs had longer financial runways, and the staff were better capacitated to run the hubs and train entrepreneurs?

These beacons of entrepreneurial ambition – where like-minded young people can connect, where they have access to skilled guides who care about their success, where they can discover opportunities – make a huge difference in the lives of emerging businesspeople. Hubs punch above their weight, sending strong signals that entrepreneurial activity is valued and supported, and sitting at the centre of large networks of entrepreneurs that expand over time. They are critical in the process of creating thriving entrepreneurial ecosystems buzzing with economic opportunity.

**Hubs that are well financed and well capacitated can have a catalytic effect in communities. UK-South Africa Tech Hub calls on all ecosystem players to support and grow these valuable centres.**



# THANK YOU!

## PARTICIPATING HUBS



## RESEARCH CONDUCTED BY



## DATA COLLECTED BY





Department for  
Digital, Culture,  
Media & Sport

The UK-South Africa Tech Hub forms part of the International Tech Hub network delivered by DCMS (Department for Digital, Culture, Media & Sport), under a UK government initiative designed to promote digital inclusion and inclusive growth of the digital ecosystems in partner countries. The International Tech Hubs are expert teams which work to stimulate local digital economies, build high-end digital skills, and forge innovation partnerships between local tech sectors and international businesses. Alongside South Africa, there are Hubs operating in Nigeria, Kenya, India, Indonesia and Brazil. Through the Hubs' activities, entrepreneurs and founders acquire the skills, resources and support needed to turbocharge their entrepreneurial journey.



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