



FETOLA  
Business Growth Professionals

# Building Impactful Business Incubators: Reviewing Best Practice Incubator Models

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## SABIC

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# Introduction

This paper reviews Fetola`s Business Incubator Blueprint “How to Guide”.

This is based on the Fetola Incubator Model operating nationally since 2007 and typically delivers these results (tracked over 10 years):

- SME turnover growth of **47%** per annum and
- A lasting business survival rate of **87.3%**

*\* This is more than three times the national average)*

**How can incubators achieve these results?**



*"It's simple really. We help people to grow the economy and create real jobs, by building businesses that last."*

*– Catherine Wijnberg, Fetola CEO*

*Download link:*

# Incubator Methodology Framework

## Fetola`s Business Incubator Blueprint “How-to-Guide”

This **practical and local guide** shares best-practice models and field-tested tools, templates and case studies that help demystify the “business of business development”.

The Fetola Business Incubator Blueprint helps new and established providers of Business Development Service (BDS), business skills training and other small business support to be more effective, cost-efficient and successful. The Blueprint includes a 2018 addendum focusing on Supplier Development.

This Blueprint includes a purpose-built set of tools and templates developed especially for local conditions and is designed to increase success, save time and money, and help BDS providers deliver the kind of results our country needs.

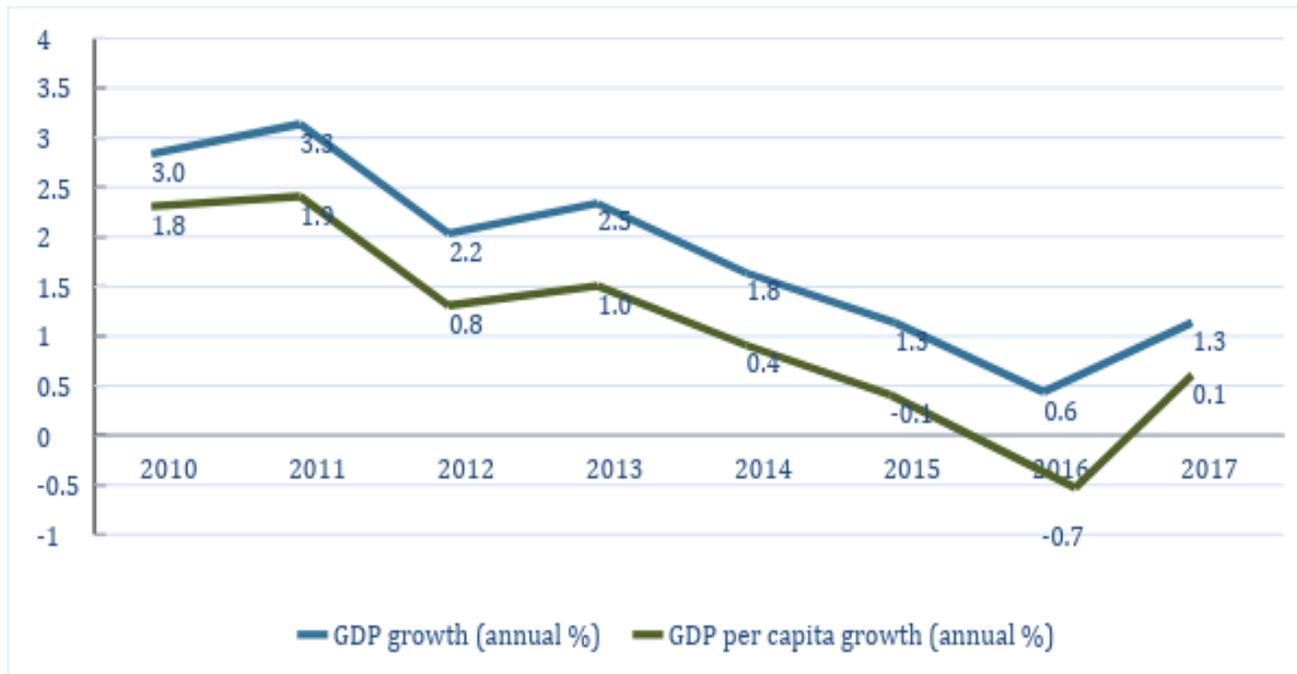
# Research overview

- The status of South Africa`s economy
- The role of SME`s in job creation for an inclusive economy
- SME challenges
- How SME growth can be supported through an Business Incubator
- Key insights how to run a successful incubator that delivers **GROWTH RESULTS**

# The status of the South African Economy

- Limited growth – negative GDP growth during the last two consecutive quarters - in 2018.

Figure 1: Annual GDP and GDP per capita growth (2010-2017) (World Bank data, 2018)



# The status of the South African Economy

Today, November 2018 -The reality of job creation are:

- 26.7% unemployment (Stats SA, 2018b).
- Employment among SMEs deteriorating - the sector experienced a **loss of over 1.68million jobs**. (SEDA, 2018a)
- Between 2008 and 2015, small business made up 55% of SA`s formal employment (TIPS,2017).
- Employment created - 7100 small business owners employing 4.3 million people.
- As a consequence of slowing employment growth among small business relative to larger enterprise, small businesses contribution to formal sector employment fell from **64% in 2008, to 55% in 2015** (TIPS, 2017).

# The Role of Small Business in job creation

Poverty reduction through job creation is critical and Small Business plays an important role.

Small business is and can be an even more affective job creator

The future – NDP job creation targets are 11 million jobs by 2030, small business is expected to contribute 90% of these jobs (SEDA, 2017).

**How to we keep Small Business alive and thriving?**

# Small Business Growth Challenges

- Low survival rates, exacerbated by economic conditions
  - 37% chance of surviving 4 years and a
  - 9% chance of surviving 10 years.
- To create sustainable life time jobs

# Where does this leave us?

1. A desperate need to create sufficient job opportunities needed for poverty reduction.
2. Small business has the potential to accelerate job creation.
3. Small business especially vulnerable to the current economic conditions

How can a **conducive environment** be created that allows small business to grow and develop, to achieve the objective of **job creation and ultimately poverty reduction**?

# The role of Incubators

- SEDA is shifting focus to small enterprise over a longer period of time through SEDA supported incubation centres and SEDA enterprise development centres
- Therefore Incubator Models needs to be effective for it is likely to become increasingly important in the South African developmental landscape
- Incubators needs to deliver growth – long term sustainable growth

# Incubator Challenges

- The key is to create an conducive environment that allows entrepreneurs to growth their business sustainably and to create lifetime jobs.
- The challenge lies in how these incubation programmes should be best structured and implemented to support business long term growth.

**How to optimize incubator efficiencies?**

# Incubator Efficiency – Diagnostics are needed

	( 1 - 5 )	3	5
Assesment criteria	Performance	Benchmark	Best Practice
Incubator model design	2	3	5
Selection of incubatees	1	3	5
Monitoring & Evaluation	2	3	5
Mentor Programme	3	3	5
Training	4	3	5
Acces to Market	1	3	5
Acces to Finance	5	3	5
Customer Relations	1	3	5
Business Growth Cycle	3	3	5
Business Gap Analysis	2	3	5
Advisor satisfaction levels	3	3	5
Stakeholder satisfaction levels	2	3	5



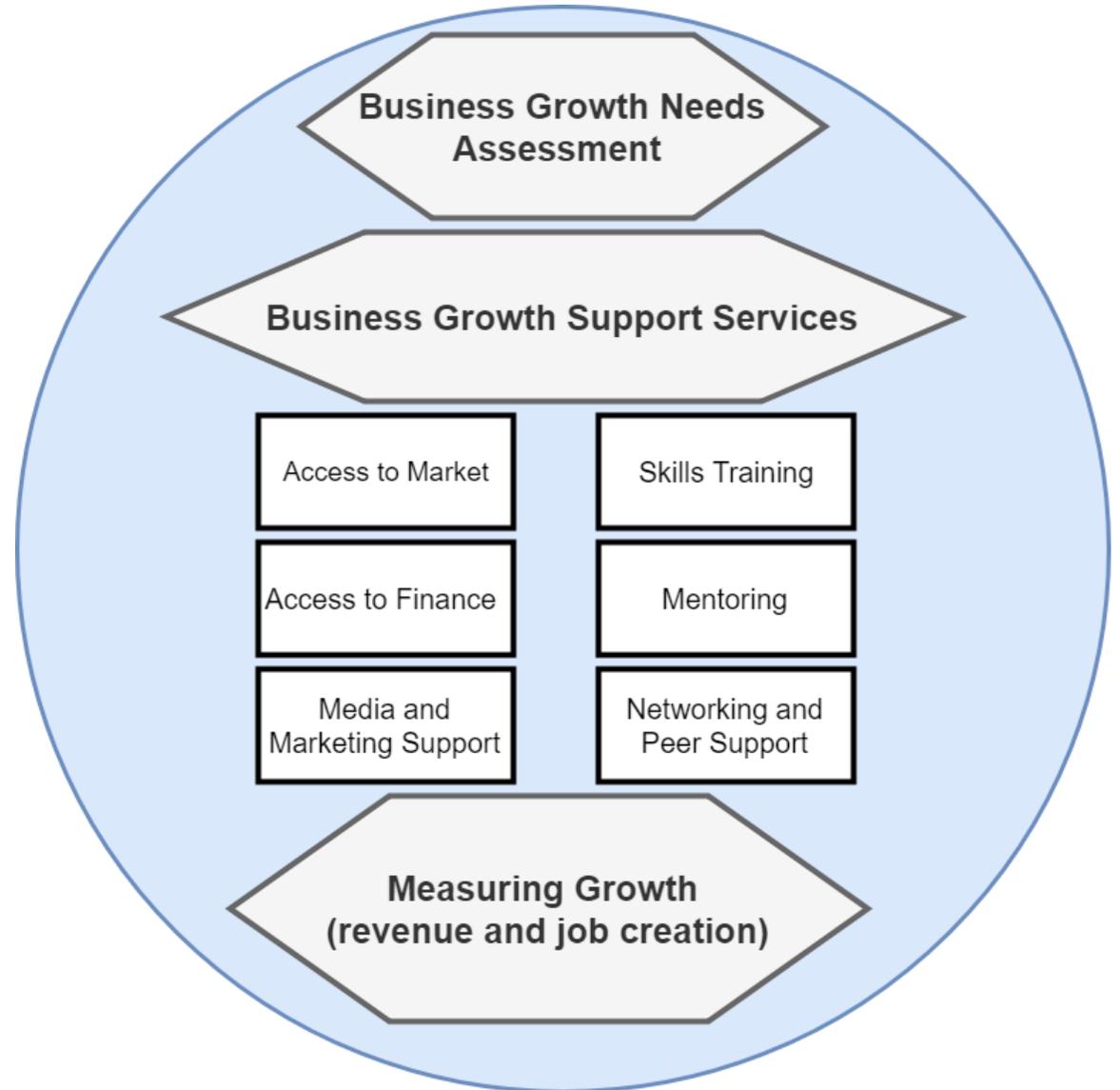
# Incubator Guidelines

- Running a successful enterprise incubator, requires a variety of skills, resources, tools and personnel.
- This is a fine balancing act, but one of critical importance.
- No two business are the same and their needs change as they grow, or as market conditions change.
- Despite this variability, successful incubation includes the following components;
  - Selecting the right people, with reference to both mentors and incubates
  - Tailoring the business development approach to a business's specific needs.
  - Provide business support services (including access to market, access to finance, media and PR, networking, and mentorship)
  - Monitoring and Evaluation

# Blueprint Model

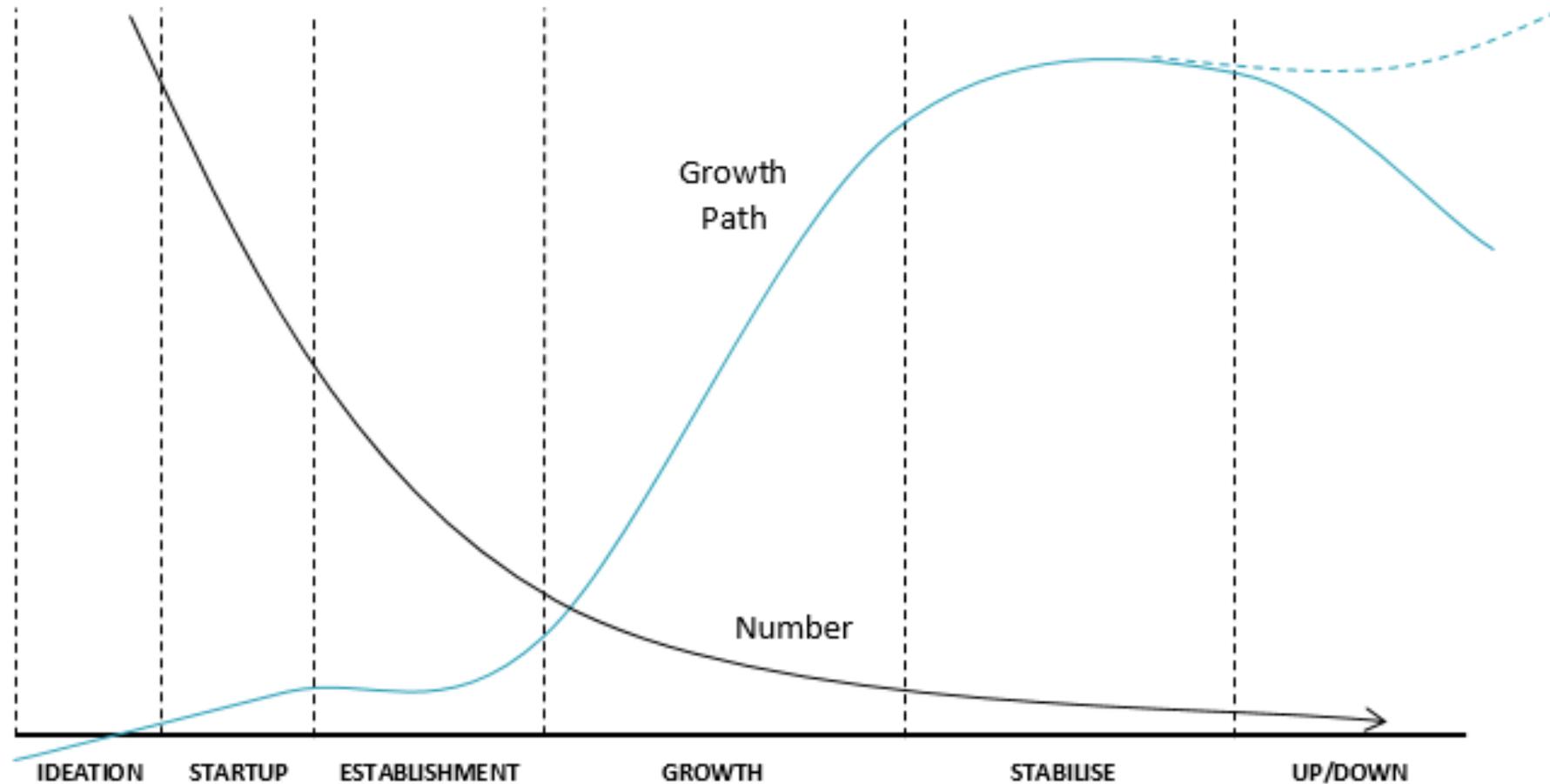
A robust incubation model includes:

- a) Business growth needs assessment
- b) Business growth support services
  - Development training
  - Creating access to market
  - Providing access to finance
  - Mentoring programme
  - Media & Support
  - Networking and Peer Support
- c) Monitoring & Evaluation of impact



# Understand the Business Growth Cycles

(S-Curve)



# Key Incubator Guidelines

- Define what it is the business support program is trying to achieve – unique value proposition (eg, ideation program, growth initiative)
- Define what success look like (eg, number of businesses that pass through the incubator, and the rate of business growth)
- Successful results dependent on appropriately matched candidates to these objectives

# Needs Assessment

- Tailored business development approach for each individual incubatee
  - Gap analysis
  - Growth plan
  - Understanding of the vision of the businesses being incubated

# Support Services

Follow a holistic approach, support services are interdependent.

- Business Training -simple to understand, practical and relevant
- Access to Market -consideration for readiness and capacity
- Media and PR – to often ignored
- Access to finance – grants should be allocated in tandem with financial education
- Networking and peer support
- Mentorship – Incubator acts as the relationship manager

# Monitoring and Evaluation

- Implemented at inception, among both the participants and the incubator itself
- Avoid the costly mistake of recording everything
- KPIs should be
  - Easy to measure
  - Easy to verify
  - Objective
  - Quantitate
  - Consistent
  - Provide insight

# Conclusion

- The incubator model is not complicated, and therein lies its true power.
- Difficulty comes in finding the balance:
  - Offering of pre-packaged components, such as the standard training curriculum (cost effective)
  - Flexible or customised support, for example one-on-one mentoring (high impact)
- The incubator must address multiple fields and different dimensions of business support simultaneously in a **cost-effective** manner.

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and create jobs, by building businesses that last."***

*Catherine Wijnberg, Fetola CEO*



# THANK YOU

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