

So? How entrepreneurial are we?

The latest Global Entrepreneurship Monitor (GEM) study, conducted by the UCT Centre for Innovation and Entrepreneurship (CIE) based at the UCT Graduate School of Business, has found that more South African youth are developing the confidence and potential to become entrepreneurship superstars.

The key findings show that the youth (categorised as those in the age categories of 18-24 years and 25-34 years) have a positive attitude towards opportunity-oriented business activities and a willingness to work with others towards achieving their objectives.

According to Dr Mike Herrington, Director of the UCT CIE and research team leader of GEM South Africa since 2001, the window of opportunity is open and ready for accelerated youth entrepreneurship development.

“The youth constitutes the majority percentage of the population and their importance in the current and future environment cannot be underestimated. With creative energy and willingness from South Africa's key players, youth entrepreneurship development can be accelerated to bring renewed socio-economic growth in South Africa,” he said.

The latest GEM report, said Herrington, is an analysis of GEM study findings to date rather than a participation in the latest annual round of the global entrepreneurship assessment and rankings. However, new research was conducted in Gauteng, the Western Cape and KwaZulu-Natal, which have been identified as South Africa's main entrepreneurship hubs, in order to obtain a deeper understanding of the trends amongst youth in these areas.

In the analysis of these regions, the researchers identified six trends that point to the youth as being capable of generating much-needed socio-economic growth in South Africa.

Pro-active

The first of these trends shows that more youth are opportunity seizers as against those starting a business because they have no other option.

The analysis focused on the Total Early-Stage Entrepreneurial Activity (TEA) rates - the primary measure of entrepreneurship used by GEM - of youth from 2004 to 2006 and shows the youth age group 25-35 years had the highest TEA rate of all the age groups researched in two of the three years surveyed, showing an increasing trend of opportunity orientation (meaning they want to be entrepreneurs because of an opportunity they see rather than because they have no choice).

Secondly, more female entrepreneurs are entering the market - youth male entrepreneurs exceed youth female

entrepreneurs in 2004 and 2005 but are equal in percentages in 2006. This is in line with international trends in the growth of women entrepreneurs.

Thirdly, an increase in the total number of students completing secondary school could be a positive trend that, if they acquire the correct skills set, can eventually form a sound basis for more accelerated TEA activities among youth. However, the quality of education will need to be carefully monitored to ensure that the youth are being taught the correct skills to enable them to be job creators.

In terms of secondary training completed, in the age group 18-24 years the percentage of respondents who had completed secondary education increased from 30.6% to 43.7% from 2004 to 2006, and in the age group 25-35 this went up from 37.4% to 48% over the same period.

In terms of tertiary graduation, the age category 25-34 years showed a positive although small trend as well - the percentage of respondents who are graduates increased from 0.9% in 2005 to 2.6% in 2006.

A good education is essential

“In an environment characterised by high levels of innovation, technological change and increased global competitiveness, education plays a major role. Higher levels of education are needed to compete in such an environment,” commented Herrington.

Fourthly, in addition to strong positive education trends for youth, the youth also believe that they have the right knowledge and skills to create new businesses. In both the youth age categories, the positive trend is evident between 2005 and 2006. In the 18-24 years group, the percentage that believed in their abilities rose from 36.9% to 37.6%, and in the 25-34 years age group, an increase was seen from 44.0% to 47.1%. Aligned to this, it was found that “Fear of Failure” as a criterion for preventing young people from considering starting new businesses has decreased in significance.

Fifthly, the respondents felt that a culture for entrepreneurship is being created in South Africa. In the 18-24 group, 38.0% of respondents in 2006 feel strongly that a culture of entrepreneurship is created in South Africa. This is mirrored by a strong 41.8% in the 25-34 age group. These strong sentiments are largely consistent over the three years 2004 - 2006.

Finally, there is a positive mindset among youth regarding the possible creation of new jobs in the future.

“This is a crucial mindset for sustainable entrepreneurship and to add value to the socio-economic growth development of South Africa,” said Herrington.

Some concerns

There are however, a few worrying issues that need to be addressed. For example, there are social problems among the youth in South Africa such as drug abuse and unemployment. What is of concern is that in an age of entrepreneurship the impression amongst the youth is that entrepreneurship is for someone else or that the government will provide a job.

Innovation is very important in any knowledge driven environment. If a country wants to become a leader then this is critical. Youth in the age categories 18-24 years and 25-34 years are clearly using less and less technology over the period 2004 to 2006.

The same trend prevails regarding whether their products can be regarded as new. The question is why people are afraid to come up with new ideas. Are they afraid or are they not supported if they do come up with a new idea?

Finally, research shows that many of the early stage businesses started by the youth are doing the same thing. This could indicate a negative trend regarding perceptions on innovation, which can manifest in negative consequences for the economy over the long term if not properly addressed.

“The issue is therefore not whether youth entrepreneurship should be supported but rather how. Although a positive base exists, more should be done in an accelerated manner to address national challenges and to form a basis from which South Africa will be able to compete on an international level with developed countries,” said Herrington.

A national support system is needed

Areas that government policy could focus on that are likely to have positive spin-offs with regards to accelerating entrepreneurial development include: education and training; exposing youth entrepreneurs to different market conditions and support in identifying modern, cutting-edge business ideas; and providing support services needed to help them to develop the ideas. A national support system should be developed, addressing the specific needs of youth entrepreneurs and focussing on the constraints that are unique to youth businesses.

The 2007 South African GEM study was sponsored by South African Breweries, Standard Bank of South Africa, the Western Cape Youth Commission and the National Research Foundation.

Click [here](#) to view the GEM report.

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