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The Covid crisis can facilitate entrepreneurs of the future

By Ahmed Shaikh , issued by Regent Business School

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Last year, President Cyril Ramaphosa presented the South African Economic Reconstruction and Recovery Plan, which aimed to expedite the recovery of the country's economy; severely affected by the Covid-19 pandemic. In particular, he referred to the support for entrepreneurship and small business development. He believed that this specific sector of the economy offered the greatest untapped potential for growth, employment and fundamental economic transformation.

Yet, despite the fact that the country is well known for its entrepreneurial spirit, the most recent Global Entrepreneurship (GEM) Report has revealed that South Africa's performance in entrepreneurial activity is dismal when compared to the global average of just over 50%. It ranks South Africa 55th out of 62 economies surveyed. The report further indicates that fewer South Africans believe that they have either the opportunity or the capability to start their own business. The study found that only 37.9% of South Africans believe that they have the required skills and knowledge to become entrepreneurs.

If one explores the report even further, the three biggest challenges are in startup skills, human capital and risk capital. The main stumbling block to improving entrepreneurial activity in South Africa is the poor quality of the educational system and this perception is backed up by the latest Global Competitive Index (GCI) Report. Moreover although the South African entrepreneurial ecosystem is generally regarded as mediocre it is not significantly worse than in other efficiency-driven economies. New research by McKinsey shows the devastating effects of the pandemic on Europe’s small and medium size enterprises (SMEs). The report indicates that 55% of SMEs could shut down by 2021.

According to the contemporary Euro-centric paradigm, entrepreneurship is a systemic phenomenon that requires individuals who are willing to take the risk and the challenge of creating and developing a new venture through innovation. In contrast, there is now an alternate paradigm that suggests *culture* is one of the key aspects for the development of entrepreneurial activity. The proponents of this new paradigm suggest that in cultures with a high level of traditional in-group collectivism, a higher level of entrepreneurship is realised. This is in contrast to the individual model of entrepreneurship where, according to a recent *Fortune Magazine,* the global failure rate of entrepreneurship is almost 80%. This figure is exacerbated in developing economies like South Africa where the rate of entrepreneurship is negatively related to the dimension ‘individualism’ in entrepreneurship.

Given its poor track record in terms of entrepreneurship over several decades, it is quite obvious that South Africa needs a more inclusive approach towards entrepreneurship. The use of the word 'inclusive' indicates a belief that entrepreneurship is for all and that the personal qualities and conditions required for entrepreneurship are not the prerogative of a privileged few. Indeed, millions of people across the globe take complex decisions, manage risk, find new innovative solutions and collaborate with others just to survive in their daily lives.

Inclusive entrepreneurship is about supporting entrepreneurs from all backgrounds by creating a genuinely level playing field. This involves understanding and then overcoming the barriers faced by different people in different places. Throughout Africa there is considerable evidence in sociological literature to suggest that social values, practices and cultures of the continent are substantially different from those in developed western nations, involving greater collaboration, mutuality and group support. Ultimately, it is about unleashing the creative potential of the collective to create a more inclusive policy of entrepreneurship that focuses on bringing the less privileged groups into the formal economy. Such a policy has a lot of benefits in society at large and can reduce the level of poverty, inequality and encourage entrepreneurship and business start-ups.

Given this regrettable situation, the strategic planning team at Regent Business School decided there was a need for a strong entrepreneurial ecosystem that supports the new paradigm in entrepreneurship and encourages aspiring entrepreneurs to develop new skills, innovate and pursue their ideas, especially for furthering inclusivity. Towards this end the team decided an Entrepreneurial Hub was a necessity to facilitate the new approach to entrepreneurship – it is called the REDHub.

In essence the REDHub is a *Makerspace* and provides 4IR technologies such as 3D printing, laser cutting, electronics and software such as *Raspberry Pie* and *Arduino. Aspiring s*tudent entrepreneurs are encouraged to work in groups when dealing with projects. On completion, they leave with additional 4IR skills such as design thinking, critical thinking, complex problem-solving, creativity, people management, coordinating with others, emotional intelligence, judgement and decision-making, communication skills and cognitive flexibility.

In addition, there is a critical stratagem that underscores and augments the overall new paradigm for entrepreneurship at the REDHub and it is referred to as an *antifragility* strategy. The term 'antifragile' is defined as a person or group that is not only unbroken by adversity but grows stronger because of it. While antifragile people do not want crises, they do not fear them and see them instead as opportunities. The term was coined by Nassim Nicholas Taleb, author of *Antifragile: Things that Gain from Disorder*.

To create and sustain entrepreneurs that will truly change South Africa for the better, 'business as usual' will simply not do. In order for the South African Economic Reconstruction and Recovery Plan to succeed, higher educational institutions and society at large must build greater support for entrepreneurs who are capable of creating solutions that are innovative, sustainable and transformative.

It is institutions like the REDHub that will enable the sector to fully tap the human potential of the most vulnerable and marginalised, leading to a more successful national entrepreneurship effort and an inclusive society for a more just and equitable world for all, especially in the context of the digital era and the fourth industrial revolution. As Ralph Waldo Emerson said: "Our chief want in life, is someone who shall make us do what we can. This is the service of a friend. With him, we are easily great."

Professor Ahmed Shaikh is an academic and researcher specialising in design thinking and the managing director of Regent Business School. He writes in his personal capacity.

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