

Anzisha Youth Entrepreneurship Survey 2016

Business



www.anzishaprize.org

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- A background image showing a person in a white suit and a polka-dot tie, with their hands on a laptop keyboard. The image is faded and serves as a background for the document.

Introduction

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Africa has the youngest population in the world, with an estimated 200 million people between the ages of 15 and 24, according to the *African Economic Outlook* report. But despite fast economic growth over the past decade, many youths still struggle to find productive employment. Unless these young people can be put to meaningful work, the demographic dividend can easily turn into mass frustration and unrest. Entrepreneurship has an important role to play in creating employment.

The goal of the *Anzisha Youth Entrepreneurship Survey 2016* is to provide a snapshot of the realities facing young entrepreneurs in Africa. It focuses on five areas of operating a business, namely (1) Growth, (2) Sales and marketing, (3) Human resources, (4) Funding and (5) Support. It is intended that stakeholders such as policy makers, support organisations, and entrepreneurs themselves will benefit from these insights. With a relatively small sample size of 101, the survey does not purport to be a scientific study. However, the results can be seen as indicative of broader trends and attitudes.

Methodology

The *Anzisha Youth Entrepreneurship Survey 2016* is based on an emailed questionnaire answered by 101 young entrepreneurs located across the continent. Respondents were within the 15 to 25 age group at the time of completing the survey, although the majority edged towards the upper-end of this bracket. All questionnaires were completed between 3 September and 25 November 2015.

Executive summary

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- Those who participated in the survey are confident about the future. More than three quarters are “very positive” (79%), while 21% are “somewhat positive” about the outlook for their ventures. None expressed any negative sentiments.
- Funding is by far the greatest impediment to growth, with 48% of respondents highlighting it as the biggest obstacle to expanding their companies.
- Only 14% of respondents currently do business internationally, indicating an untapped growth opportunity.
- When it comes to marketing their businesses, young entrepreneurs invest in paid-for advertisements on social media networks (58%), as well as exhibitions and events (50%). However, word-of-mouth (83%) is by far the most popular marketing medium. Relatively few make use of more expensive channels such as television (10%), outdoor (17%) and radio (18%).
- In terms of human resources, employee cost (43%) is the biggest challenge facing young entrepreneurs, followed by a lack of adequately-skilled talent (20%), motivating staff (12%) and attracting talent (10%).
- Young CEOs reward and incentivise their employees in a variety of ways, with training programmes (51%), bonuses (47%) and gifts/days off (43%) being the most popular. A large percentage also allow their employees to participate in the success of the business through profit share (37%) and equity stakes (22%).
- Only 27% of respondents have secured outside funding/investment for their businesses. Family and friends (59%) are the top source of capital, in addition to grants (52%) and crowdfunding (22%). The majority of those who have not secured outside funding said it is because they don't know how to find potential backers.
- Over 50% indicated they do have a partner in the business, and in many cases more than one. The top reason cited for not having a business partner is: “I haven't been able to find someone suitable” (46%).
- Respondents receive support and advice from a variety of sources, such as networking events (64%), mentors (62%), training programmes (54%) and online resources (52%), to name a few.
- The majority described the level of support available to entrepreneurs in their country as “fair” (43%). However, 24% and 17% labelled the situation as “poor” and “very poor” respectively, suggesting significant work remains to make it easier for young business people to succeed.
- When asked what should be the top priority for government to better support young business owners, the majority said that entrepreneurship should be taught in schools (32%). The second most-popular suggestion was to improve infrastructure (20%), followed by the introduction of tax incentives for young entrepreneurs (14%).

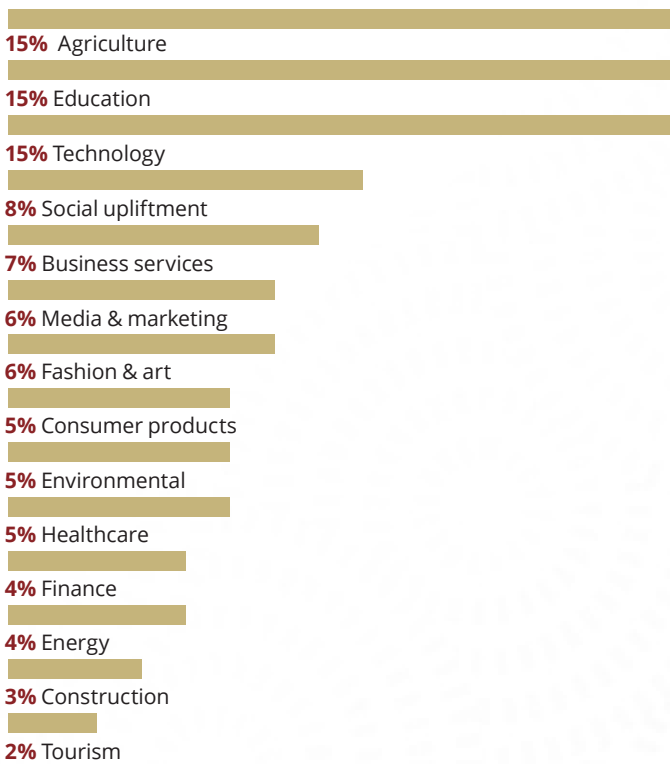
Respondent profile

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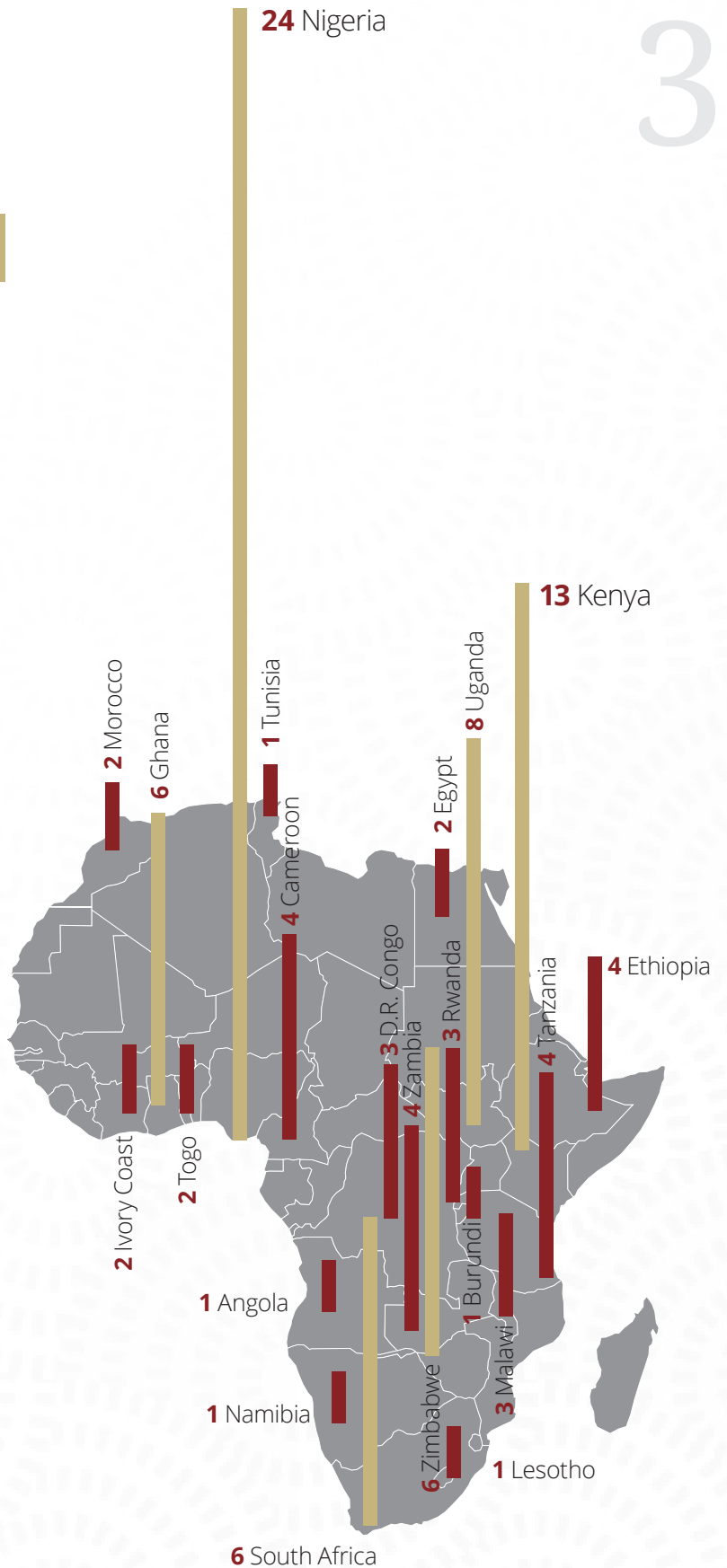
Gender representation



In what sector do you operate?



Why did you become an entrepreneur?

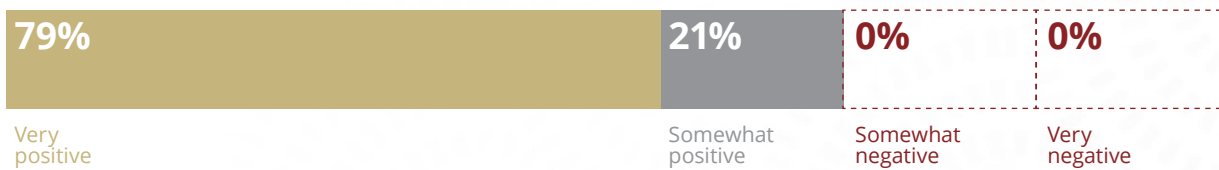


Growth

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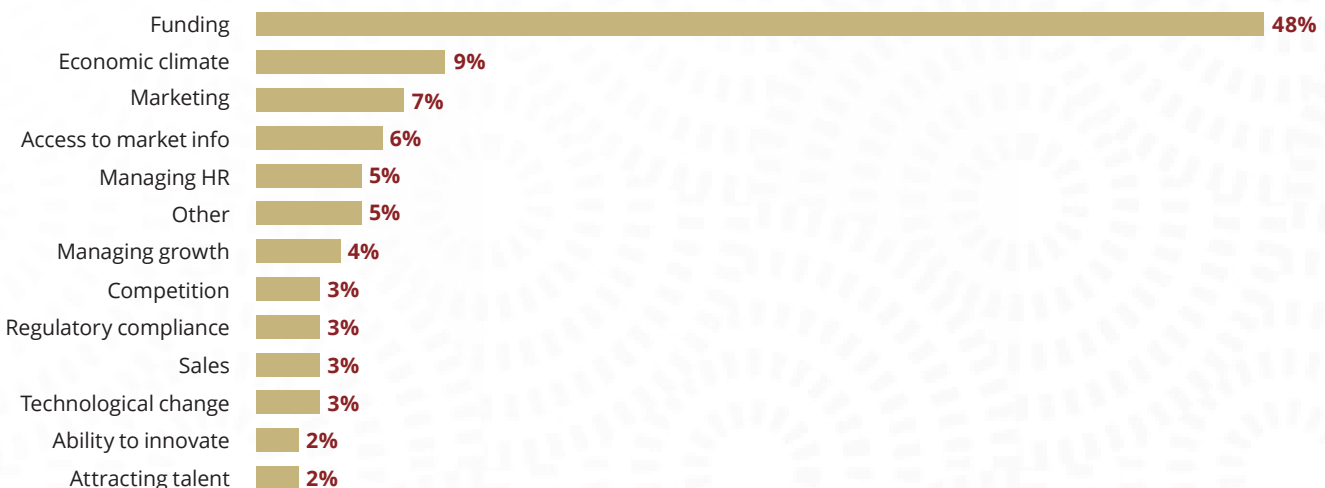
Following years of rapid economic growth, many African countries are facing headwinds in the form of falling commodity prices, less accommodative global financial conditions and a strong US dollar. However, the entrepreneurs who participated in the survey are overwhelmingly upbeat about the future of their companies. Some 79% indicated they are “very positive”, while the remainder said they are “somewhat positive”. None expressed any negative sentiments.

What term best describes your outlook for your venture?



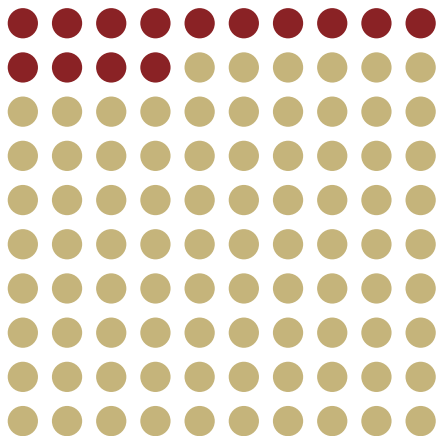
Funding is by far the greatest impediment to growth, with 48% of respondents highlighting it as the biggest obstacle to expanding their companies. Interestingly, only 3% of respondents cited technological change affecting their industries as the largest challenge. This is surprising given how technological innovations – such as Airbnb and Uber – are disrupting traditional industries across the world.

What is the biggest challenge to growing your company?



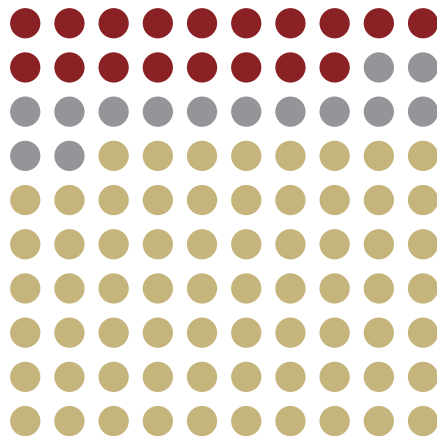
The vast majority of those surveyed are currently only doing business in their home markets, therefore missing out on regional and global opportunities. Only 14% indicated they export their products/services. This suggests a need to make young entrepreneurs more aware of the opportunities to sell their products/services internationally, especially in other African countries. With initiatives such as the Tripartite Free Trade Area, momentum for greater regional integration is gathering steam, and it is likely to become easier for African countries to trade with one another.

Are your products/services sold internationally?



14% Yes
86% No

Do you plan on selling your company in the future?



18% Yes
14% Not sure
68% No

While many entrepreneurs dream of one day selling their businesses, 68% of those who participated in the survey have no such intentions; 14% indicated they are unsure.

Sales & marketing

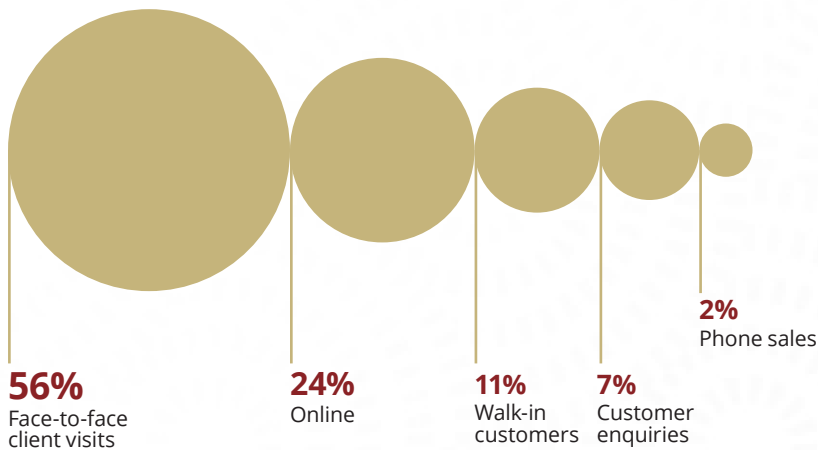
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Some 56% of respondents use face-to-face client visits as their primary sales channel, followed by online (24%), walk-ins (11%), direct customer enquiries (7%) and telephone sales (2%).

Almost three quarters (73%) indicated they don't employ customer relationship management (CRM) software, highlighting an opportunity to operate more efficiently by utilising technology.

Almost three quarters surveyed said they don't use any CRM software.

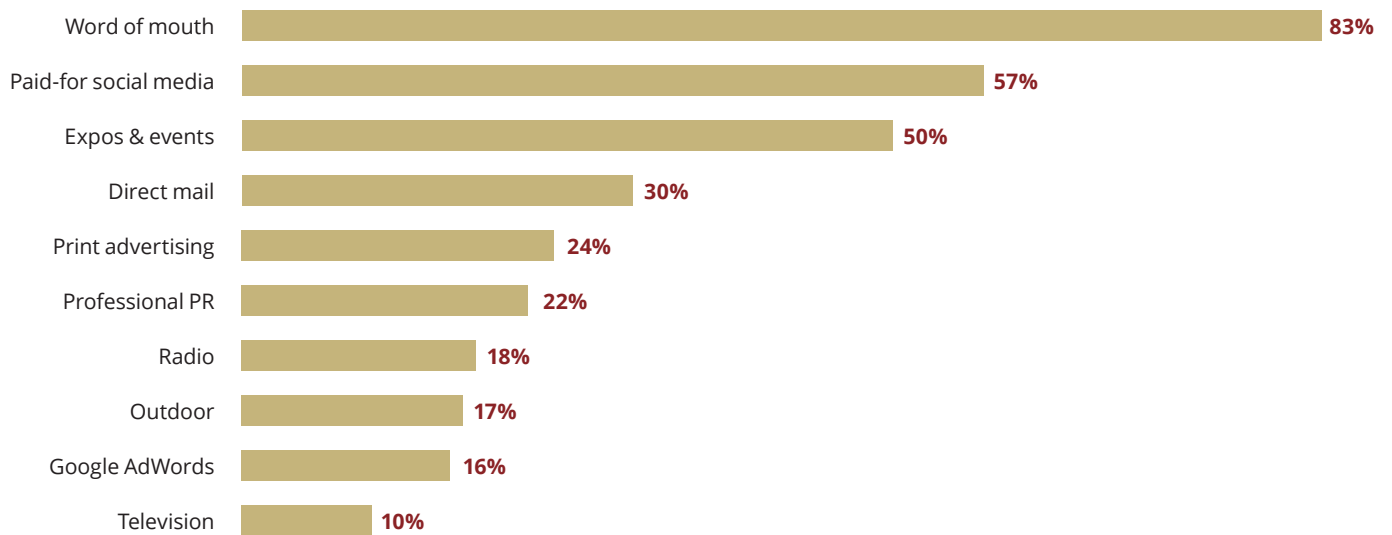
What is your business's primary sales channel?



Word-of-mouth (83%) is by far the most popular marketing medium. As could be expected, given the relatively small size of the businesses surveyed, more expensive marketing channels such as television (10%), outdoor (17%) and radio (18%) are less utilised.

These young entrepreneurs do, however, make use of paid-for advertisements on social media platforms (57%) as well as exhibitions and events (50%).

Which of the following marketing platforms do you use?

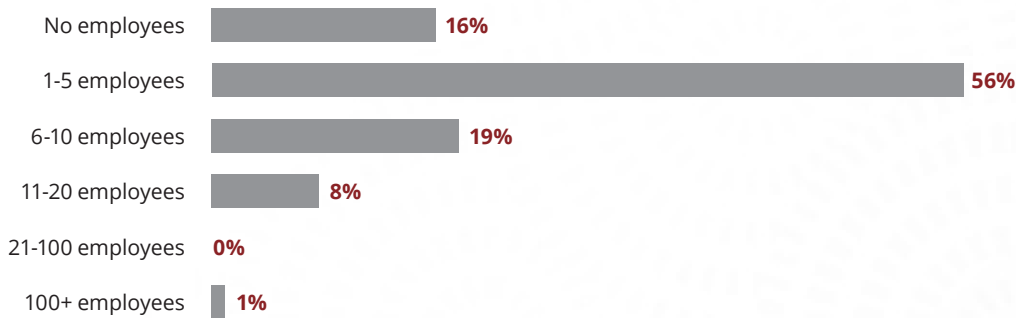


Human resources

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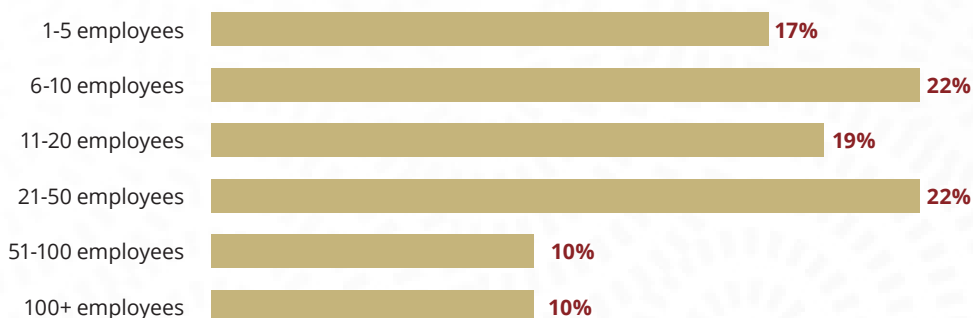
The bulk of respondents employ relatively few people – 56% have one to five employees, while 19% hire six to 10 people. Some 16% have no employees.

How many full-time employees do you currently employ?

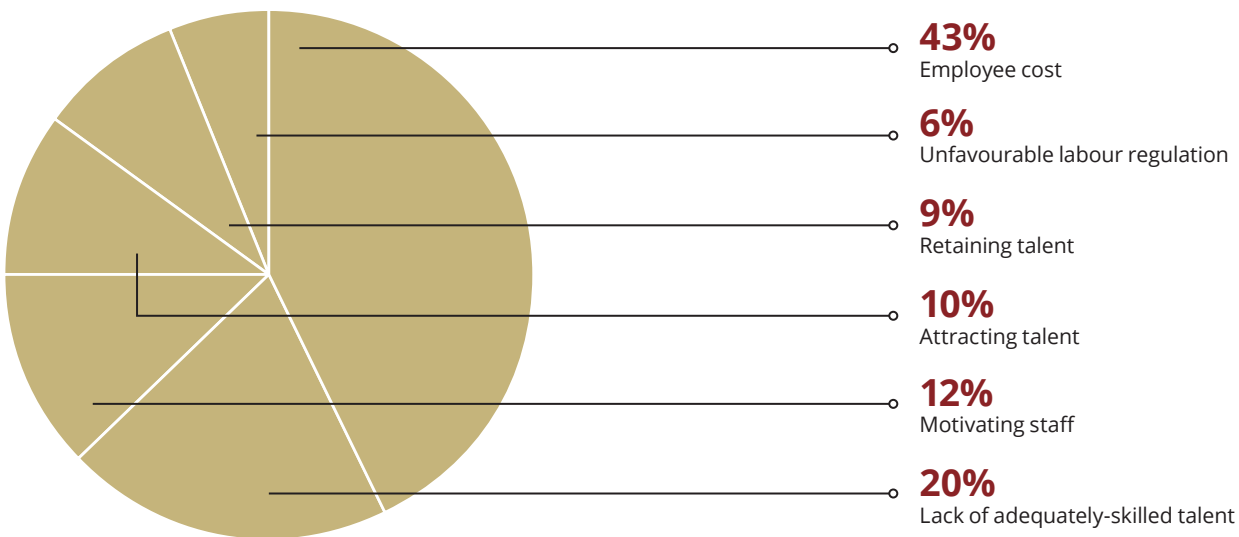


Employee cost (43%) is the greatest obstacle facing entrepreneurs when it comes to human resources. This is understandable as the majority of companies which participated in the survey are less than five years old, and therefore less likely to have the resources to hire top talent. A lack of adequately-skilled talent (20%) is the second biggest hurdle, followed by motivating staff (12%) and attracting talent (10%).

How many employees do you expect to hire in the next two years?

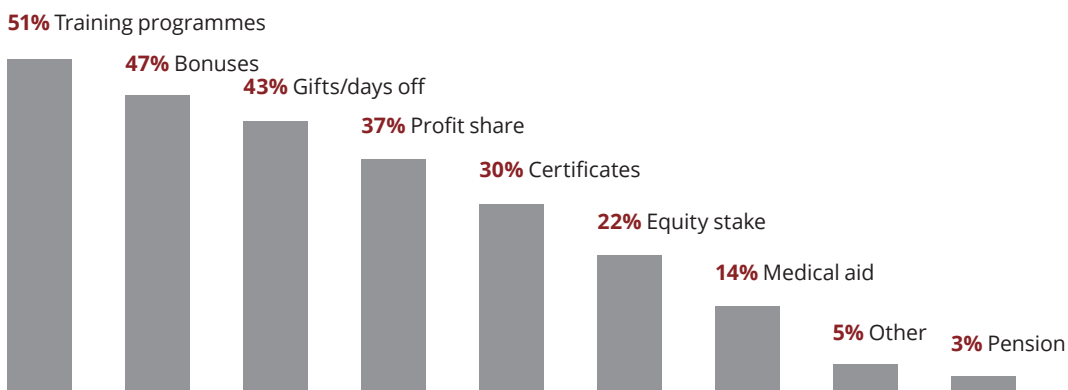


What is the top challenge you face in terms of human resources?



Young CEOs reward and incentivise their employees in a variety of ways, with training programmes (51%), bonuses (47%) and gifts/days off (43%) the most popular. A relatively low percentage contribute to medical aid (14%) and pension schemes (3%). Over a third (37%) indicated they share profits with employees, while 22% have provided an equity stake in their companies.

Most popular forms of employee benefits, rewards and incentives:

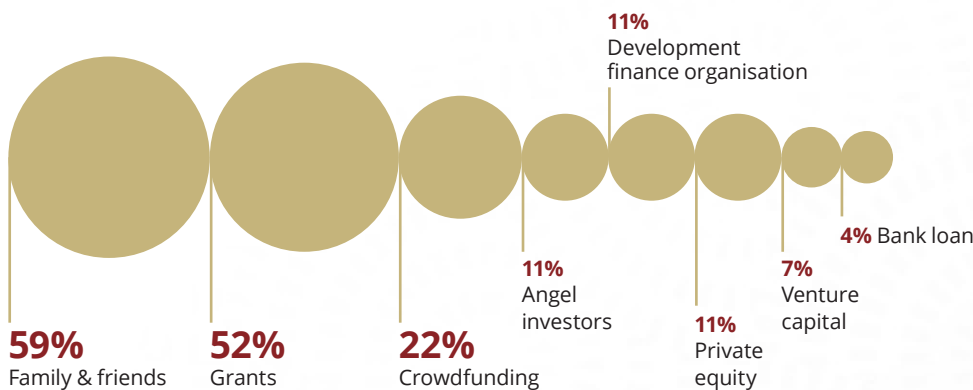


Funding

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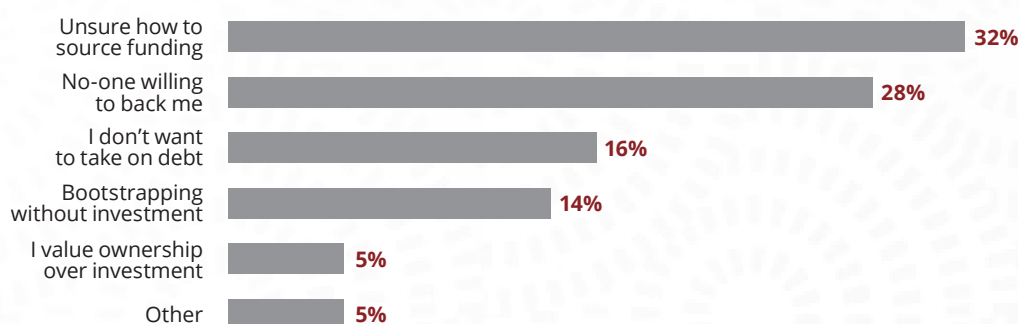
Only 27% of respondents have secured outside funding/investment for their businesses. Family and friends (59%) are the top source of capital, along with grants (52%) and crowdfunding (22%). Bank loans (4%) are the least common, trailing venture capital (7%), angel investors (11%) and development finance organisations (11%).

From which of the following sources have you received funding?



The top reason for not securing outside funding is: "Unsure how to source funding" (32%). This highlights a need for greater support to educate young entrepreneurs on available financing/investment options. Some 28% of respondents said they have approached financiers/investors, but had no success.

What are the main reasons you have not secured outside investment?



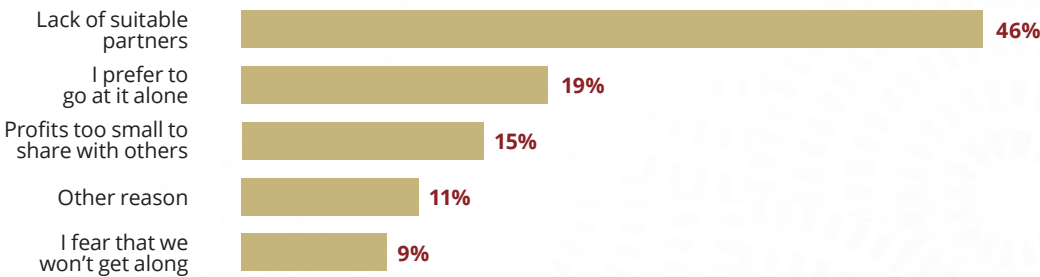
Support

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Without business partners and other support structures, entrepreneurship can be a lonely world. Some 54% of the entrepreneurs surveyed indicated they do have a partner in the business, and in many cases more than one. The top reason cited for not having a business partner is "I haven't been able to find someone suitable" (46%), followed by "I prefer to go it alone" (19%) and "The opportunity is too small to share profits with others" (15%).

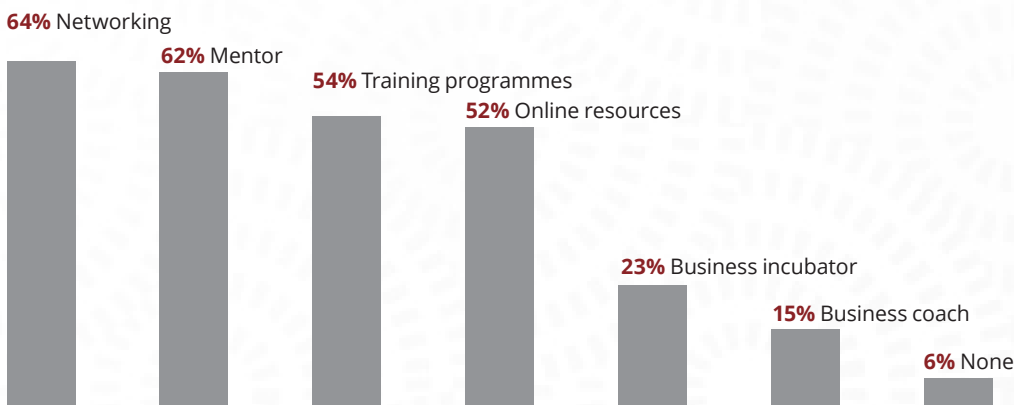
54% of recipients have a partner who owns a stake in the business

What is the main reason why you don't have a partner?



Respondents also receive support from a variety of other sources, such as networking events (64%), mentors (62%), training programmes (54%) and online resources (52%), to name a few.

Which of the following provide support for your business?



Contrary to conventional wisdom that there is little assistance for young entrepreneurs in Africa, the majority described the level of support available in their country as “fair” (43%). However, 24% and 17% labelled the situation as “poor” and “very poor” respectively, meaning significant work remains to make it easier for young entrepreneurs to succeed.

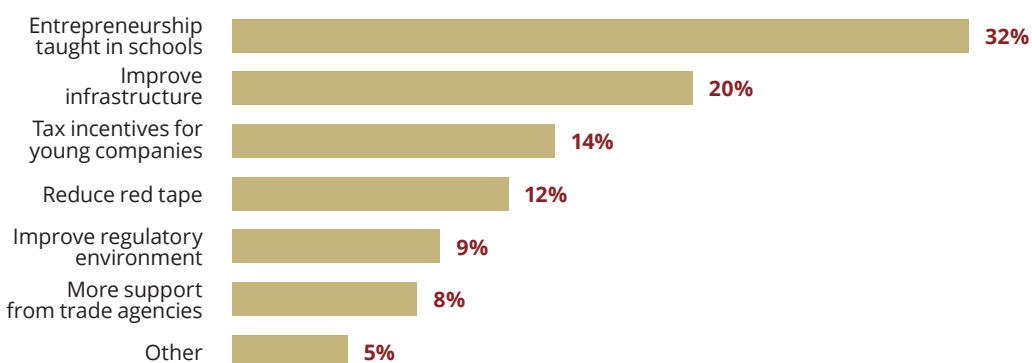
How would you describe the level of support available to young entrepreneurs in your country?



When asked what should be the top priority for government to better support young business owners, the majority said that entrepreneurship should be taught in schools (32%). This suggests many were ill-prepared for the rollercoaster-world of entrepreneurship.

The second most-popular suggestion was to improve infrastructure (20%), followed by the introduction of tax incentives for young entrepreneurs (14%).

What should be the top priority for your government to better support young entrepreneurs?





About the Anzisha Prize

The Anzisha Prize is the premier award for Africa's best young entrepreneurs. The Prize is managed out of the African Leadership Academy's Centre for Entrepreneurial Leadership, which was established through a multi-year partnership with The MasterCard Foundation.

www.anzishaprize.org

About the African Leadership Academy

African Leadership Academy (ALA) seeks to transform Africa by developing a powerful network of entrepreneurial leaders who will work together to achieve extraordinary social impact. Each year, ALA brings together the most promising young leaders from all 54 African nations for a pre-university programme in South Africa with a focus on leadership, entrepreneurship and African studies.

www.africanleadershipacademy.org

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