



# START IT UP

WITH GOVERNMENT'S GROWING  
PUSH TOWARDS SMALL  
BUSINESS DEVELOPMENT,  
**ZAMAHLASELA GABELA** TAKES  
A LOOK AT DIFFERENT FUNDING  
MODELS TO GET YOU STARTED

# THE MOST VIABLE AND EFFECTIVE USE OF THE CROWDFUNDING MODEL IS OVER THE INTERNET

**E**ntrepreneurship can be seen in two ways: you're either fully prepared to dive into a thrilling adventure, or doubtful about the concept of succeeding on your own. When it comes to pursuing the idea of starting a business, one of the biggest hurdles for many entrepreneurs is capital. Now more than ever, with our fluctuating markets, it's become increasingly crucial to investigate ways to come up with the funds to start a business.

## GLOBAL TRENDS

Business funding around the world is not as clear-cut as one might think. A leader in the enterprise and supplier development (ESD) industry, Edge Growth, has been a specialist in growing small and medium-sized enterprises for a decade. Head of project management at Edge Growth, Tshepo Ntlamelle, says: "Global trends with regard to start-up funding are largely shaped by the economic development policy of the specific region. In the developing world, ventures that display high job-creation

potential have become significantly more attractive to funders, whereas the more disruptive technological ventures are able to generate funding a lot easier in the developed markets." With regard to the South African landscape, Ntlamelle emphasises that when it comes to choosing the right direction to take, "it really depends on your enterprise and the industry within which you operate. B-BBEE has created favourable funding terms for black-owned enterprises which include below-prime lending rates and, on occasion, grant funding. Depending on the industry, various funding options are available."

## HERE ARE SOME IDEAS ON HOW TO KICK-START YOUR IDEA, AND TURN IT INTO A FEASIBLE REALITY:

### SEED FUNDING

The South African Investment Network describes seed funding as "a form of financing that's typically used in the early stages of a new business project or start-up; this form of financing is typically used for market research, product development and proof of concept". This company brings together entrepreneurs who need capital with those who can provide it. It goes on to say that this kind of funding usually comes from "the entrepreneur themselves, friends or family, or outside investment".

Angel Fundraise is another platform that connects entrepreneurs with investors in just three steps. The first is registration, then you submit a proposal on the portal and, in the third step, you connect with the relevant investors. In an economic climate like ours, it's often unlikely that an applicant will get the entire amount requested. One reason for this is that an investor may have only reserved a certain amount of capital per annum for investing in a new idea, or simply that the investor may feel the risk of investing the entire amount is too high. Investors often give a portion of the

capital, leaving you to come up with the rest yourself. But this doesn't mean that seed funding needs to be written off. It's an extremely viable way to get capital. Swiss company Seedstars World saw fit to create a competition where start-ups in the seed stage compete for funding. The company picks 65 local businesses from each of the regions that Seedstars runs in cities across the globe, trains them on how to deliver a pitch and then listens to what they have to say at the annual Seedstars Summit. The ultimate winner, who's picked from the local winners from each country, gets the title of Seedstars World global winner, along with a cool equity investment of up to US\$500 000. We currently have our own local winners from Cape Town, Johannesburg and Durban, who'll attend the Seedstars Summit in Switzerland in April. Visit Seedstars World at [www.seedstarsworld.com](http://www.seedstarsworld.com) to track who the ultimate winner will be.

### LOOKING FOR SEED FUNDING?

**4DiCapital** [www.4dicapital.com](http://www.4dicapital.com)  
**Corculture** [www.seedinvestments.co.za](http://www.seedinvestments.co.za)  
**Savannah Fund** <http://savannah.vc>

### CROWDFUNDING

If you're new to the "investment talk" game, crowdfunding is perhaps the most "fun" way to raise capital for your business. Over the years, crowdfunding platforms and companies have grown increasingly creative in the way they attract investors. According to Investopedia, a financial education platform, crowdfunding "is the use of small amounts of capital from a large number of individuals to finance a new business venture". The most viable and effective use of the crowdfunding model is via the Internet, where businesses set up profiles on the necessary platforms and encourage investors to make a contribution towards the target goal. The perks are that you really get to relay the "heart" behind your business, while also being clear about the financial objectives.

### LOOKING FOR CROWDFUNDING?

**Start me** [www.startme.co.za](http://www.startme.co.za)  
**Crowd Invest** [www.crowdinvest.com](http://www.crowdinvest.com)  
**Thundafund** [www.thundafund.com](http://www.thundafund.com)



## VENTURE CAPITAL FUNDING

If your business has a riskier profile that could possibly build great results, then this funding model is for you. The Small Enterprise Development Agency (SEDA) was founded in December 2004 as a division of the Department of Trade and Industry (dti). SEDA's role is to provide support for the development of small businesses. It describes venture capital as being a part of private equity, which is when capital is put into a business in return for a share of the profits, or even sometimes a form of partnership. According to SEDA, "venture capital funds overseas generally take the following approach: out of every ten investments they make, six will probably fail, three will 'break even' (won't fail, but won't make a killing either), and one will make a lot of money for the venture capitalist. South African venture capitalists don't have the stomach for such a model and rather tend to play it safe."

After last year's budget speech by Finance Minister Pravin Gordhan, the Southern African Venture Capital and Private Equity Association (SAVCA) felt that there was a lot of promise for this form of funding. In commentary it provided after the speech, it expressed that "the stated intention by Government to reduce the regulatory burden for business investors will help attract foreign and local investment into the South African economy – including investment by private equity and venture capital". This undoubtedly means a larger pool of investors for the development of small business. In the same commentary, SAVCA also felt that what was "encouraging was the assurance provided that National Treasury will examine measures to encourage venture capital funding for small businesses through an assessment of its Section 12J Venture Capital Company (VCC) Regime. The VCC incentives were introduced in 2008 to provide tax relief for investors into venture capital and SME investments."

### LOOKING FOR VENTURE CAPITAL?

**eVA Fund** [www.eva-fund.com](http://www.eva-fund.com)  
**Intel Capital** [www.intelcapital.com](http://www.intelcapital.com)  
**Village Capital** [www.vilcap.com](http://www.vilcap.com)

## GOVERNMENT FUNDING

One of the objectives that the Department of Small Businesses Development focuses on, is providing the necessary tools (including information and services) for SMME's to succeed in South Africa's economic climate. These tools will help increase participation in this sector. From funding to the need for mentorship and training, the department strives to be a holistic hub of information for business owners.

### LOOKING FOR GOVERNMENT FUNDING?

**The Department of Trade and Industry**  
[www.thedti.gov.za](http://www.thedti.gov.za)  
**National Empowerment Fund** [www.nefcorp.co.za](http://www.nefcorp.co.za)  
**National Youth Development Agency**  
[www.nyda.gov.za](http://www.nyda.gov.za)

Starting a business needn't be as daunting as you might think. Once you've got an initial idea, the type of funding you're looking for will become clearer. There's no excuse to bury your dream of doing something meaningful this year – all you need to do is start!

## What does having a business consultant mean for your business?

By Tshepo Ntlamelle, head of project management at Edge Growth

The shape and form of business consultants has evolved in the South African landscape, and is varied. The business consultant grouping comprises of mentors, coaches and the traditional management consultant. All forms seek to provide business development support aimed at obtaining a sustainable competitive advantage for the enterprise over its peers. Typically, the process of achieving this begins with a diagnosis of the health of the enterprise, and identifying possible constraints and opportunities for growth. Subsequent to the diagnostics, a prioritisation of interventions to be undertaken by the enterprise is conducted with the help of the business consultant. Over an identified period and aided by the consultant, the entrepreneur executes the interventions, which may seek to address a range of areas of the business development needs, i.e. marketing, human resources, market access, operations and systems, and management capabilities.

Since there is no well-established regulatory body for the industry, selecting a reputable business consultant can be difficult. However, here are a few key questions that the entrepreneur needs answered:

- Can the consultant provide me with access to new markets?
- How long has the consultant been in the game, and what testimonials do they carry?
- Can the consultant assist with mediating relationships with funders?
- Does the consultant have a structured and well-articulated methodology for business development?
- Does the consultant have the appropriate networks for me to leverage? 