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Band 3789

Enhancing Awareness of Digital Tools for Aspiring Entrepreneurs in South Africa

A Case Study of the Nelson Mandela Bay Start-Up Ecosystem

Master's Thesis

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Master of Arts: International Management Studies

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MASTER'S THESIS

Enhancing Awareness of Digital Tools for Aspiring Entrepreneurs in
South Africa – A Case Study of the Nelson Mandela Bay Start-Up
Ecosystem

Submitted by: Mareike Hinrichs

Flensburg, 21st May 2019

Acknowledgements

This thesis is dedicated to all these aspiring entrepreneurs in Southern Africa who struggle on their journey to become successful business owners.

After having worked with almost 400 entrepreneurial minds like you over the past four years, I have not only listened to your struggles, but I have also finally understood where these struggles and challenges come from. By now, I believe I know what it takes in order for you to finally overcome them.

This message is dedicated to you who...

... has found, OR yet to discover your life's passion,

... has invested, OR driven to put great effort and dedication into their own business,

... has, OR strongly wants to develop an entrepreneurial mindset.

You are going to make it! I truly believe in you and I want you to succeed!

I am so incredibly thankful that through our in-depth conversations, you helped me understand what your business aspirations mean – not only to yourselves but also to your families and many other people in your communities.

Your businesses have the potential to change lives and if you allow me to continue working with you in the future, I would be honoured. I can assure you that this journey will not be easy – being an entrepreneur has never been easy, right?

Let us shape the future together!

Mareike aka Simthandile

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Abstract

The purpose of this research was to investigate how stakeholders in the Nelson Mandela Bay start-up ecosystem can enhance awareness of digital tools. Firstly, challenges that aspiring entrepreneurs in South Africa face in their early start-up activities were identified by the researcher. Secondly, barriers to using digital tools on their entrepreneurial journeys were discovered. Lastly, implications of these challenges and barriers for the efforts of relevant stakeholders in Nelson Mandela Bay were identified in order to propose strategies for effective and target-group-oriented start-up support. The researcher used a case study approach and qualitative data was collected through a) focus group discussions with twelve incubatees from two business incubators in Port Elizabeth, South Africa, and b) participant observations during a three-month research stay. Design Thinking workshops were facilitated to conduct further research and to come up with strategies that will help enhance awareness of digital tools in the regional start-up ecosystem. Data analysis methods included keyword cloud analysis, qualitative content analysis, and an in-depth target group analysis. Up until now, incubatees of business incubators in Nelson Mandela Bay have not been able to exploit opportunities presented through information and communication technologies and their needs in this area have, therefore, been largely neglected. This is due to a lack of communication and cooperation between relevant stakeholders in the Nelson Mandela Bay start-up ecosystem and the fact that the digital divide has not yet been fully recognised by existing business incubation programmes. This study has proposed several strategies – in the form of future scenarios – that can ultimately enhance awareness of digital tools. In order to create a better understanding of barriers to using digital tools amongst the target group, personas and empathy maps were created. Furthermore, the researcher developed a comprehensive overview of digital tools. The in-depth target group analysis revealed four types of aspiring entrepreneurs who could potentially represent the whole of South Africa. Early start-up activities, which can enable aspiring entrepreneurs to establish their business successfully in a dynamic market, were also identified. This research has also made a theoretical contribution to the Theory of Knowledge Spillover Entrepreneurship and Schwartz's Theory of Basic Values by applying these to the South African context. The Lean Startup and Design Thinking methodology enabled the researcher to generate practice- and goal-oriented results due to their potential of meeting the underlying needs of this study's target group.

Zusammenfassung

Das Ziel dieser Arbeit bestand darin zu untersuchen, wie Akteure im Nelson Mandela Bay Start-Up Ökosystem auf digitale Tools aufmerksam machen können. Zunächst wurden Herausforderungen angehender Gründer*innen in Südafrika ermittelt. Im Anschluss wurden Hindernisse beim Einsatz digitaler Tools aufgedeckt. Im letzten Schritt wurden die Auswirkungen dieser Herausforderungen und Hindernisse auf die Anstrengungen relevanter Akteure in Nelson Mandela Bay abgeleitet, um effektive und zielgruppenorientierte Lösungsansätze für die Unterstützung von Start-Ups vor Ort zu präsentieren. Für die Fallstudie wurden qualitative Daten mithilfe von Fokusgruppendifkussionen mit zwölf Incubatees aus zwei Business Inkubatoren in Port Elizabeth, Südafrika. Außerdem wurden während des dreimonatigen Forschungsaufenthaltes Eindrücke durch teilnehmende Beobachtung gewonnen und darüber hinaus zwei Design Thinking Workshops durchgeführt. Die Daten wurden mithilfe von Wörterwolken, einer qualitativen Inhaltsanalyse und einer Zielgruppenanalyse ausgewertet. Die Analyse ergab, dass die Bedürfnisse der Zielgruppe und die zahlreichen Möglichkeiten durch Informations- und Kommunikationstechnologien bei Investitionen in regionale Unterstützungsangebote für Gründer*innen bislang weitestgehend außer Acht gelassen werden. Einerseits ist dies auf die verbesserungswürdige Kommunikation und Kooperation zwischen relevanten Akteuren zurückzuführen. Andererseits bleibt die noch immer existente digitale Kluft von den Business Inkubatoren bei der Gestaltung ihrer Angebote unberücksichtigt. Die Vorstellung der Strategien, um auf digitale Tools aufmerksam zu machen, sind mit Verweisen auf relevante Akteure und Initiativen untermauert. Die Ideen für Strategien sind anhand von Zukunftsszenarien beschrieben. Personas und Empathiekarten werden zur Darstellung der Ergebnisse eingesetzt, um ein besseres Verständnis der Bedürfnisse der Zielgruppe zu schaffen. Zudem wurde eine Übersicht nützlicher digitaler Tools erstellt. Der wissenschaftliche Beitrag besteht in der Entwicklung von vier Typen, die der Zielgruppe angehender Gründer*innen in Nelson Mandela Bay und möglicherweise auch in ganz Südafrika entsprechen. Darüber hinaus wurden Aktivitäten im frühen Gründungsstadium identifiziert, deren Ausführung den Gründer*innen helfen können, sich in dynamischen Märkten zu behaupten. Die Knowledge Spillover Entrepreneurship Theorie und Schwartz Theory of Basic Values wurden auf den südafrikanischen Kontext angewandt. Zudem kamen zwei zeitgemäße Methoden aus der Entrepreneurship Lehre zum Einsatz.

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APPENDIX

[Note: Appendix B, C and F are not included]

Glossary

BI(s)	Business Incubator(s)
DT	Design Thinking
EC	Eastern Cape
EDHE	Entrepreneurship Development in Higher Education
ESE	Entrepreneurial Self-Efficacy
FGD(s)	Focus Group Discussion(s)
GEM	Global Entrepreneurship Monitor
ICT	Information and Communication Technology
IP	Intellectual Property
KCA	Keyword Cloud Analysis
MOOC(s)	Massive Open Online Course(s)
MVP(s)	Minimum Viable Product(s)
NMB	Nelson Mandela Bay
NPO	Non-Profit Organisation
OER	Open Educational Resources
PO(s)	Participant Observation(s)
PE	Port Elizabeth
QCA	Qualitative Content Analysis
R	South African Rand (currency of South Africa)
SA(s)	South Africa / South African(s)
SAICA	South African Institute of Chartered Accountants
SEC	Student-Entrepreneurship Challenge
TEA	Total Early-Stage Entrepreneurial Activities
TGA	Target Group Analysis
THUD	The HookUp Dinner
VC4A	Venture Capital for Africa
YE	Young Entrepreneurs

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1. Introduction

"My biggest fear is that, in terms of economic trends, we are changing now to a digital type of economy, you know, as entrepreneurs and the time that we are supposed to be catching up would be too late for us to actually (...) exploit those opportunities."

Aspiring entrepreneur who is part of a business incubator in Port Elizabeth, South Africa

Encouraging and supporting aspiring entrepreneurs is imperative for a country's economy to flourish since their activities, once successful, can be seen as one of the main contributors to job creation and innovation (Lose et al. 2017). For this reason, governments, as well as relevant stakeholders in the public and private sector, are willing to invest resources into start-up support services, infrastructure (Masutha and Rogerson 2014a) and educational programmes for entrepreneurs (Chimucheka 2014). Alongside other stakeholders, business incubators (BIs) help incubatees (i.e. aspiring entrepreneurs) to overcome challenges in their start-up process, survival, and growth (Tengeh and Choto 2015). Start-up support includes entrepreneurship education and services such as business training, coaching, mentoring, media coverage, networks, expert knowledge and, in some cases, even financial support. Additionally, some stakeholders are providing important infrastructure like access to technologies or machinery, free Wi-Fi and office space to entrepreneurs (Cullen et al. 2014; Choto 2015; Lose et al. 2017).

A need for investments in effective and target-group-specific start-up support and the availability of useful infrastructure and impactful educational programmes to aspiring entrepreneurs particularly applies to South Africa (SA) where the established business rate is alarmingly low (Herrington et al. 2017). The latest Global Entrepreneurship Monitor (GEM) country report on SA found that, since 2015, the total early-stage entrepreneurial activity (TEA) amongst the adult population (18 to 64 years) has dropped considerably by 25%. It also recognises that SA has one of the lowest TEA rates amongst efficiency-driven economies. Currently, it is 2.5 times lower in comparison to the entire African region. This disparity can be traced back to fewer perceived opportunities, a lower regard for one's own capabilities, and a higher fear of failure within the SA adult population. Apart from this, however, SA's entrepreneurs beat their African counterparts regarding job creation prospects and innovation levels (Herrington et al. 2017).