

Sector-focused and Hybrid Incubation and Digital Hub Support Strategy



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA





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Acronyms

BA	Business Accelerators
BI	Business Incubation
BIs	Business Incubators
DH	Digital Hub
DSBD	Department of Small Business Development
DSTI	Department of Science, Technology and Innovation
DTI	Department of Trade and Industry
DTIC	Department of Trade, Industry and Competition
ESD	Enterprise and Supplier Development
GDP	Gross Domestic Product
IBDS	Incubation and Business Development Services
ICT	Information and Communication Technology
4IR	Fourth Industrial Revolution
ISP	Incubation Support Programme
IP	Intellectual Property
M&E	Monitoring and Evaluation
MSMEs	Micro, Small and Medium Enterprises
NDP	National Development Plan
NIPMO	National Intellectual Property Management Office
NISED	National Integrated Small Enterprise Development
NSI	National System of Innovation
SABS	South African Bureau of Standards
SEDFA	Small Enterprise Development and Finance Agency
SMEs	Small Medium Enterprises
R&D	Research and Development
SHIDHSS	Sector-focused and Hybrid Incubation and Digital Hub Support Strategy
STI	Science, Technology and Innovation
TRL	Technology Readiness Levels



Minister's Foreword

The high failure rate of MSMEs in their first year or two is well documented. There is clear evidence that this failure rate is far lower for entrepreneurs who are part of structured incubation programmes. Incubation allows startups a safe and nurturing space to commercialise and grow their innovative idea. In better performing incubators, this is accompanied by mentoring and facilitating linkages to markets, to finance, and the broader support eco-system.

We have now established over 120 incubators as the DSBD portfolio. These are greatly assisting startups and new entrant MSMEs, but we know there is room for improvement. Are we recruiting MSMEs with high growth potential to be Incubatees? Are we focusing on industries with opportunities for market access and high growth potential for MSMEs? Do we have a clear development model, where Incubatees are exited into sustainable businesses to allow new cohorts of entrepreneurs to be supported? Do we have a clear funding model for the expanding network of incubators? Are we able to effectively measure their performance, and do we have quality standards they should meet? How do we collaborate with the private sector who are establishing their own incubators and accelerators? And how do we better integrate the work being undertaken by the Department of Science and Innovation and others as part of the National Innovation System with our own entrepreneurship and MSME support work as DSBD?

These are some of the questions the Sector-focused and Hybrid Incubation and Digital Hub Support Strategy (SHIDHSS) answers. The strategy, what I would simply call our Hybrid Incubation Strategy, is designed to address the limitations identified in the incubation landscape. It articulates strategic objectives for business incubation and outlines how they can be achieved. By restructuring incubation support services, the strategy aims to improve the effectiveness of interventions provided to MSMEs and Cooperatives, especially startups. A vital aspect of the Hybrid incubation Strategy is to consolidate various initiatives within the business incubation landscape to enable greater collaboration and impact. The strategy correctly proposes targeting innovation-driven startups and MSMEs in high growth industries.

This aligns with the National Development Plan target of creating nine million new jobs through doubling the number of MSMEs in the country. The Hybrid Incubation Strategy further serves as a roadmap for achieving the goals of the National Integrated Small Enterprise Development Strategic Framework (NISED), positioning business incubation as a critical driver of growth and sustainability for South Africa's MSMEs and Cooperatives.

Like all strategies, the test will be in implementation. This will require the annual setting of targets, effective monitoring and reporting, and shared accountability across the incubation support eco-system.

Ms Stella Ndabeni-Abrahams

Minister: Small Business Development

Date: 14/02/2025

Chapter One



1. Chapter One: Background and Context

1.1 Introduction

The third iteration of the National Integrated Small Enterprise Development (NISED) framework advocates for the promotion of entrepreneurship, growth, and support of MSMEs and Co-operatives. The mandate of the Department of Small Business Development (DSBD) is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, Micro, Small and Medium Enterprises (MSMEs) and Co-operatives. In doing so, an enabling environment should be forged in the form of policy intents, and strategic interventions geared towards supporting the development, growth, and sustainability of MSMEs and Co-operatives. The Sector-focused and Hybrid Incubation and Digital Hub Support Strategy (SHIDHSS) reflects the DSBD approach in enhancing incubation support for MSMEs and Co-operatives.

1.2 SHIDHSS Strategic Objectives

The main intention of the SHIDHSS is to create a conducive environment for the incubation community and this will be realised through the attainment of the following strategic objectives:

- High-growth MSMEs and Co-operatives.
- Incubation Ecosystem Consolidation.
- Innovation-Driven MSMEs and Co-operatives.

1.3 Situational Analysis

South Africa is faced with socio-economic challenges, albeit efforts exerted in addressing slow economic growth and impoverished communities with high year-to-year **Gini co-efficient**.¹ South Africa has the lowest level of income equality in the world, where the Gini coefficient of 63.0 in 2014 was recorded, and in 2005, the Gini coefficient was even higher, at 65.0. In South Africa, the richest 10% hold 71% of the wealth, while the poorest 60% hold just 7% of the wealth, while more than half of South Africa's population live in poverty.

Since the advent of democracy, MSMEs and Co-operatives development have been adopted as the approach for enhancing economic performance by promoting participation, eradicating poverty, and enhancing innovation and creativity in resolving existing challenges as well as creating much-needed jobs.

The majority of developed and developing economies have employed the development of MSMEs as the primary source of economic growth.² SMEs therefore have a crucial role to play in stimulating growth, generating employment, and contributing to poverty alleviation, and given their economic weight in African countries, this has been noted to be one of the major areas of concern for many policy makers to accelerate growth in low-income countries.

The National Development Plan (NDP) Vision 2030 referred to "nearly 80 per cent of small businesses in South Africa offer retail services and the remaining 20 per cent provide services. Those offering services are involved largely in the manufacturing, tourism and the business-services sectors, and are located primarily in Gauteng, the Western Cape and Mpumalanga". This government policy emphasises a transformation of the South African economy, thereby promoting inclusivity, enhancing the capacity of the state, and promoting leadership and partnerships throughout ecosystems. To achieve this requires putting in place strategic interventions that will ensure rapid growth. The SHIDHSS is an approach that is intended to assist the country to respond to issues affecting MSMEs and Co-operatives performance.

³South Africa has an estimated number of 2.6 million MSMEs, of which 37% are considered formal and of this total, 54% are micro-enterprises and 15% are in rural areas.⁴ In 2013, MSMEs generated 16% of total turnover in the formal business sector, expanding to 22% in 2019. Figure no.1 indicates the performance of MSMEs in the year 2019. This strengthens the business case for affording MSMEs and Co-operatives with supporting mechanisms that can improve their performance.

1 World Bank. 2024. <https://data.worldbank.org/indicator/SI.POV.GINI>

2 Abor, J. and Quarterny, P. 2010. Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*.

3 OECD. 2022. *Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard*. <https://www.oecd-ilibrary.org/sites/4bada6a3-en/index.html?itemId=/content/component/4bada6a3-en#section-d1e212290>

4 Statistics South Africa. 2020. *Three facts about small business turnover in South Africa*. <https://www.statssa.gov.za/?p=13900>

Small business generated 22% of turnover in the formal business sector

Percentage contribution to total turnover by enterprise size, 2019

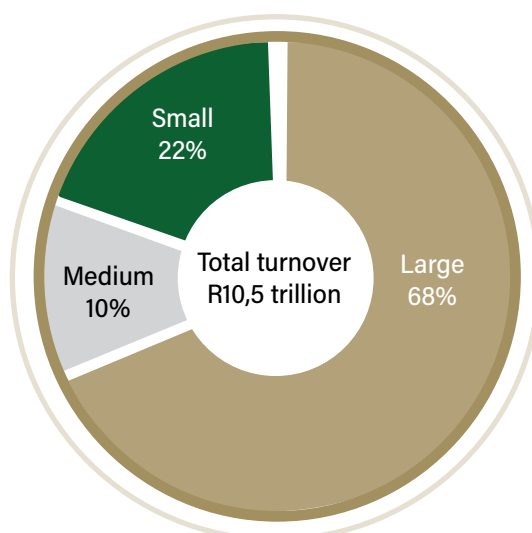


Figure 1: Small Business Turnover in the Formal Business Sector

Source: Annual Financial Statistics (AFS), 2019

⁵The efforts and investment made in the sectors are constantly discounted by constant failure of MSMEs according to data from the Bureau of Labour Statistics, as reported by Fundera on 03 Jan 2021: "20% of MSMEs fail in their first year, 30% of MSMEs fail in their second year, and 50% of MSMEs fail after five years in business. Finally, 70% of MSMEs owners fail in their 10th year in business."

⁶Africa and the Middle East are among the least economically developed regions in the world, and this is reflected in the poor presence of incubation centres, but several United Nations agencies and governmental programmes established significant incubation initiatives in Egypt, Tunisia, South Africa, and Turkey, and there is the expectation that these incubators are to increase in the future.

1.4 South African Business Incubation Landscape

The DSBD has identified the need for SHIDHSS to improve government efforts around the delivery of incubation support to MSMEs and Co-operatives. As an intervention, Business incubation (BI) is a cornerstone for addressing challenges amongst MSMEs and Co-operatives in terms of development and growth. The SHIDHSS is a blueprint that offers strategic guidance and activates a momentum towards the attainment of strategic goals in addressing challenges experienced and observed in the development and support of MSMEs and Co-operatives. In terms of the SMMEs Support Plan, enterprises that have completed the incubation programme are expected to:

- More than double their annual turnover;
- Ensure that their products/services should have more than one market; and
- Make a profit.

1.4.1 National Integrated Small Enterprise Development

In line with the identified challenges, the DSBD plays an active role within small business value chains through the implementation of the NISED framework which intends to create a conducive environment to nurture and flourish entrepreneurship. For South Africa's MSMEs and Co-operatives to be competitive and sustainable, there is a need to formulate and implement clear interventions which are business growth orientated.

⁵ McIntyre, G. 2020. *What percentage of small business fail?* Online article report. Fundera. i

⁶ Callegati E, Grandi S. and Napier, G. 2005. *Business Incubation and Venture Capital. An International Survey on Synergies and Challenges.* Joint IPI/IKED Working Paper.

In strengthening the entrepreneurial ecosystem, the NISED framework calls for the coordination of MSMEs development with targeted and tailor-made support for different life cycle stages. The strategic framework's key impacts are:

- More small enterprises productively contributing to GDP;
- Significant increase of formal employment by MSMEs;
- Intensifying formalisation and sustainability of MSMEs to support transformation; and
- Raising the productivity and competitiveness of MSMEs.

Within the support landscape, non-financial and financial support is enabled through the **NISED Strategic Framework**. This sector framework advocates for MSMEs and cooperatives to acquire effective support and services delivered for growth through both financial and non-financial support. This is delivered through efforts that allude to:

- Firstly, build and promote an expanded supply of support to MSMEs by building a spatial map to match MSMEs with service providers to enable greater support;
- Secondly, the delivery of better and targeted support to MSMEs demand needs and encourages entrepreneurship by reorganising the support agencies to deliver both financial and non-financial services, aligning sector masterplans to deliver on MSMEs outcomes and deliver better education for entrepreneurs; and
- Lastly, the delivery of cost-effective support for MSMEs by delivering support to MSMEs in partnership with the private sector through a user-based subsidy system.

The role that the NISED strategic framework intends to offer through coordination of the MSMEs and Co-operatives development with targeted and tailor-made support for different life cycle stages of MSMEs. Output no. 7s role is to firstly, allude to strengthen the ecosystem in support of MSMEs and Co-operatives; and secondly, to build and promote an expanded supply of support to MSMEs and Co-operatives. The NISED framework has proposed several strategic interventions in support of MSMEs, and Co-operatives, and these should be driven through a partnership approach.

The incubation programme is the non-financial support intended to strengthen and address the challenges faced by MSMEs and Co-operatives. The Incubation and Business Development Services (IBDS) policy, currently under development, intends to create a regulatory reform that will articulate the role of players' direction and activities in the ecosystem. The IBDS policy framework will be the guiding principle to help the DSBD advance strategic decisions in the IBDS ecosystem. The policy articulates the DSBD's position and its set of ideas on what actions should be taken to create a conducive ecosystem.

The SHIDHSS focus will be on the articulation of incubation centres' strategic objectives and how they will become attainable. This will deal with strengthening the refuelled delivery model through which incubation support services can be remodelled to enhance the results as envisaged following the implementation of this intervention for MSMEs and Co-operatives.

1.5 Incubation Programmes being offered and are articulated in the following manner:

1.5.1 The Small Business Development Portfolio, SEDFA Incubation Support Programme (ISP)

The Small Enterprise Development and Financial Agency (SEDFA) has been mandated to implement the government incubation programme. The SEDFA Technology Programme has established more than 110 business incubators across the country. This is the largest portfolio nationally and it offers incubation support in different economic sectors. The programme offers ongoing monitoring, support, and management for the Incubation Support Programme. There are three types of incubation centres:

- **Sector-specific business incubators** - focusing on enterprise and supplier development participation and collaborations with formal businesses. These are sector-focused incubators established to strengthen the growth of small businesses aligned to different economic sectors.
- **Centres for Entrepreneurship and Rapid Incubation** - that is a youth-focused entrepreneurship support. The focus is to stimulate entrepreneurship at institutions of higher education by providing support tools to youth to spin off new business ventures.
- **Digital Hubs** - looking at enterprises that are inclined to the use of technology-based protocols and delivery systems. The Digital Hubs are designed to accelerate the development of innovative digital technologies until they are commercial-ready products and services. These are part of the efforts to create a conducive environment for the swift adoption of various technologies within the Fourth Industrial Revolution (4IR) context.

1.5.2 Other Incubation Offerings

Incubation programmes exist under other portfolios such as those supported by sister departments such as the Department of Science, Technology and Innovation. These are programmes such as:

- The Living Labs
- The Mlabs

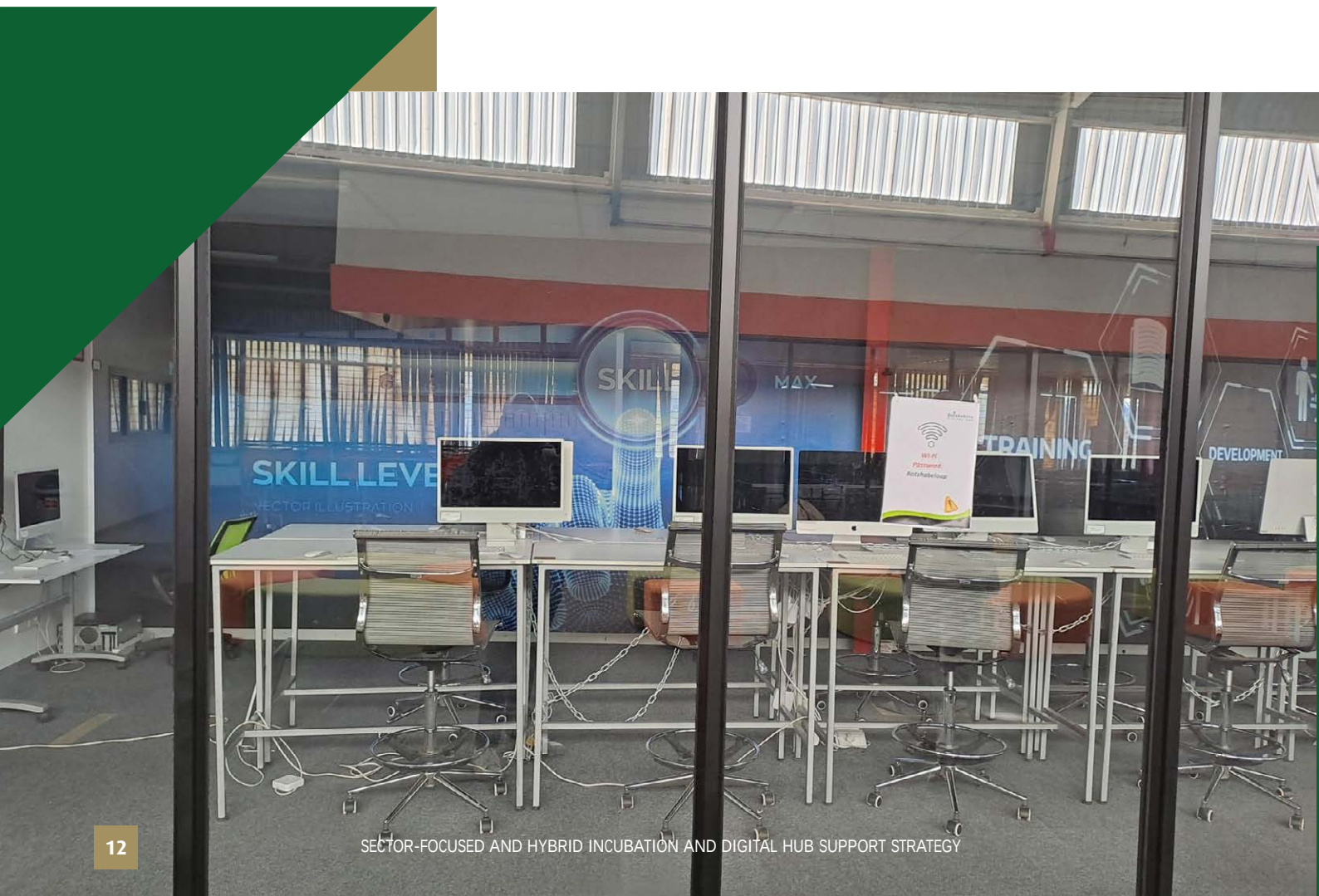
The Gauteng Provincial Department under its agency, The Innovation Hub Management Company, offers a number of incubation programmes in sectors such as bioeconomy (agro-processing and pharmaceutical), smart industries (information and communication technologies, and advanced manufacturing) and green economy (water purification, waste management and renewable energy). They have established different incubation centres along these sectors. In addition, incubation programmes are also available:

- eKasi Labs.
- Maxum (including Maxum Smart, Maxum Digital, Maxum Media Accelerator).
- Climate Innovation Centre.
- BioPark.

On the local government level, the Innovate Durban is a non-profit entity at eThekweni Metropolitan Municipality that provides support to innovators, and the innovation ecosystem is managed through programmes, research and capacity building & skills development (as well as customised programmes e.g. design thinking workshops and sprints). The programmes and activities of the organisation are supported through the virtual and physical platforms (Innovation Co-Lab) and events.

Over and above government supported incubators, a number of private sector organisations operate incubators geared at providing support to small enterprises which offer similar or slightly differentiated types of support. These, however, come at a higher cost than those owned by the government. These are:

- Privately Funded Incubators
- Acceleration Centres





Chapter Two



2. Chapter Two: Business Incubation Context

2.1 Incubation Landscape

To ensure that there is a clear path to understanding and attaining the SHIDHSS strategic objectives, it is important to unpack the business incubation context. This will help to forge uniformity on the practical use of business incubation mechanisms to support MSMEs and Co-operatives in line with the global practice. The SHIDHSS intends to set a South African agenda for incubation activities, which will ensure that the envisaged strategic objectives are achieved.

2.1.2 Types of Incubation Centres within the Incubation Landscape

⁷ These types of incubation centres offer a distinguishing feature of the innovation (digital hub), incubator, and accelerator with the view of offering an in-depth understanding of these concepts that influence how they are used.

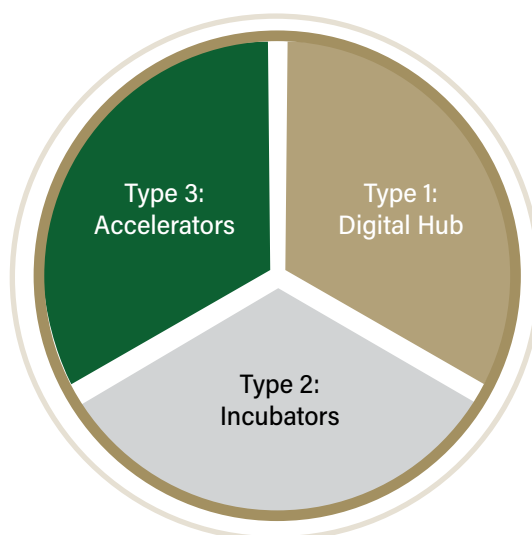


Figure 2: Types of Incubation Centres

Type 1: Incubation hub (or digital hub)

⁸DHs can be defined as spaces with access to superfast broadband, often alongside community and business-focused services. DHs are the latest concept that falls under the incubation umbrella and encompasses a range of functions, including coworking or networking spaces, innovation spaces, specific economic development contexts, spaces for emergent technology demonstrations, or points for public broadband access. The DHs incubation programme is designed in a manner such that it offers the initial phase of incubation, which is called pre-incubation. This is the phase where ideas are then turned into potential proof of concept.



BASIC DIGITAL HUB COMPOSITION

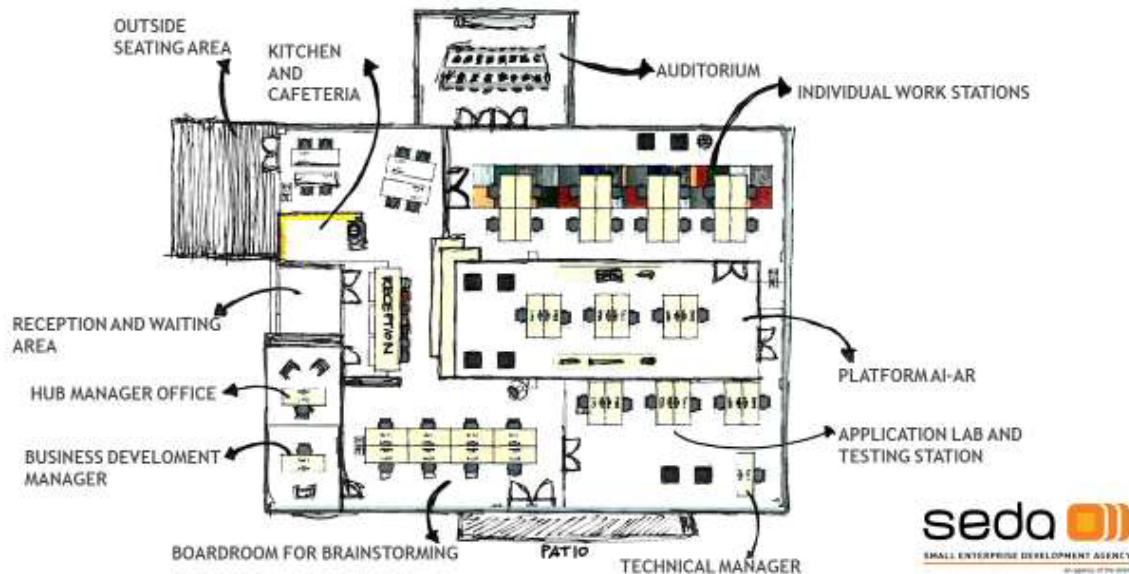


Figure 3: Basic Digital Hub Composition

The DHs offer assistance to MSMEs and Co-operatives from the ideation phase, which they assist them with proof-of-concept development, until commercialisation. Internationally, DHs duration can range from 3 to 36 months (and beyond). However, graduation is not confined to 36 months of practice as it depends on the nature of the business intervention. In South Africa the duration of recent DHs established as part of SEDFAs footprint, is 36 months.



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The aim of the DHs is to foster an entrepreneurship ecosystem and a general business environment that supports start-ups. They target small companies in ideation and exploration stage; very early-stage entrepreneurship, civil society actors and government. The business model often uses a model where the hub is housed at a government agency or university (often attached to an engineering department or business school).

Type 2: Business Incubators (BIs)

⁹BIs are defined as a place where newly created firms are concentrated in a limited space which is aimed at improving the chance of growth and the rate of survival of these enterprises by providing them with a modular building equipped with all the necessary utilities (telephone, fax, computer) as well as managerial support and backup services.



BIs assist start-ups with longer-term business development (e.g. a minimum viable product, a prototype and/or a sustainable model). The targeted types of MSMEs are early-stage start-ups (idea stage) where innovators/entrepreneurs are showing high motivation and promise. In terms of the business model, the incubator tends to be selective and chooses high-potential start-ups based on an application process. Within the context of the South African landscape, these incubators are referred to as sector-specific incubators. SEDFA has established more than 110 incubators across the sectors of the economy.

The incubation duration is 36 months. However, in terms of other sectors, this can go beyond 36 months. It is important that incubator practitioners need to set up clear systems that should be able to distinguish between incubates and residence entrepreneurs.

Type 3: Business Accelerators (BAs)

¹⁰BAs offers services through an intensive cohort-based programme of limited duration (usually 3-12 months) and typically focuses on service offerings over physical space. The BA incubation programme is structured like post-incubation support. They base their business model on equity from the start-up businesses they support. They are growth-driven, which means that they are typically more selective than BI, only accepting start-ups that they think have high growth potential and aiming for these companies to scale rapidly or fail fast, thereby minimising wasted resources.

⁹ Tsaplin, E. and Pozdeeva, Y. 2017. *International Strategies of Business Incubation: The USA, Germany and Russia*. International Journal of Innovation.

¹⁰ Jonathan, B., Juanita G., Christopher, H. and Henry, L. 2019. *The Impact of business accelerators and incubators in the UK*. Department for Business, Energy and Industrial Strategy.

BAs target growing entrepreneurs with high potential and prospects to survive in the market. The business model is similar to BIs, but accelerators are highly selective, choosing high-potential start-ups. They also take a share of the company's equity in exchange for the acceleration services. BAs are mostly established by venture capitalists looking for investment opportunities to high growing businesses.

Type 1 is a feeder to type 2 and type 3 incubation centres. However, certain incubatees may graduate from type 1 and 2 into a self-sustainable enterprise. The overall difference is the nature and level of development of the innovative idea.

2.3 Incubation Model

It is crucial for the SHIDHSS to briefly unpack the incubation model and their impact on the incubation community. This will help to offer insight into different sets of models that can influence the establishment of new incubation centres. There are three incubation models in use to operationalise, and these are detailed as follows:

2.3.1 Virtual Incubation Model

The virtual incubation model is an online incubation programme designed to support incubatees with a business development programme (mentoring, coaching, and training) offered through online platforms with little or no physical contact. This model is less costly since there is no physical investment made towards the establishment of the incubation programme. The model is useful to MSMEs and Co-operatives that are located in remote areas with no existence of a physical incubator infrastructure where they have access to entrepreneurial development support. The virtual incubation model works well for incubatees who may not find time to attend to physical incubation programmes due to the amount of time their business requires of them.

In the past, virtual support services were mostly found under acceleration programmes, while BIs were predominantly known for physical support. With recent developments and wider coverage and development of virtual tools within the landscape, BI's models have evolved into virtual support services, as opposed to being constrained to a physical set-up structure.¹¹ In recent years, there has been the emergence of a new class of 'virtual' incubators and accelerators that attempt to deliver the incubation process to start-ups that are not physically co-located, usually via the use of digital media.

2.3.2 Physical Incubation Model

The physical incubation programmes create a close working relationship with incubatees (MSMEs and Co-operatives) and they tend to continuously engage effectively with business development service providers. Physical incubation creates a physical facility and co-working space whereby small businesses can work alongside each other and tap into the expertise of in-residence entrepreneurs. The existence of the infrastructure still serves as an important tool in the provision of the incubation's services such as subsidised office space, meeting rooms, internet connections and many other amenities attached to the incubator.

The physical infrastructure facilitates networking opportunities, whereby small businesses can share ideas and interact with one another more often. The advantage of this mode creates a close working interaction which results in the creation of partnerships and the sharing of lessons learned to common problems amongst MSMEs and Co-operatives.

2.3.3 Hybrid Incubation Model

The hybrid incubation model is often referred to as mixed incubation, where the incubation process is performed in-house for some incubatees and for others it is done virtually. The hybrid model allows the incubator management to extend their offering to a wider entrepreneurial community as they are not confined to a physical location. This model allows incubators to create multiple partnerships with different anchor companies as they possess the ability to adapt to physical and remote incubation offerings.

The SHIDHSS will adopt this model to extend the offerings of the incubation support programme to areas where there is a high need for incubation programmes. This model can also be used as a pilot to assess the depth of entrepreneurial development and growth of a particular area. Most of the private BIs and accelerators are using the virtual incubation model to support their incubatees.

2.4 MSMEs and Co-operatives Selection Criteria

In addition, to the different incubation models, the process of incubation is essential. To effectively deliver incubation services, there is a need to have a pre-determined criteria in place. The success of the incubation centres depends exclusively on the type of businesses in the incubation programme. This entails that the incubation centres need to have clear qualifying criteria and performance-measuring tools.

¹¹ Luik, J., Jenna, N. and Hook, J. 2019. *Virtual Hubs. Understanding Relations Aspects and Remediating Incubation. CHI Paper. Glasgow, Scotland, UK.*

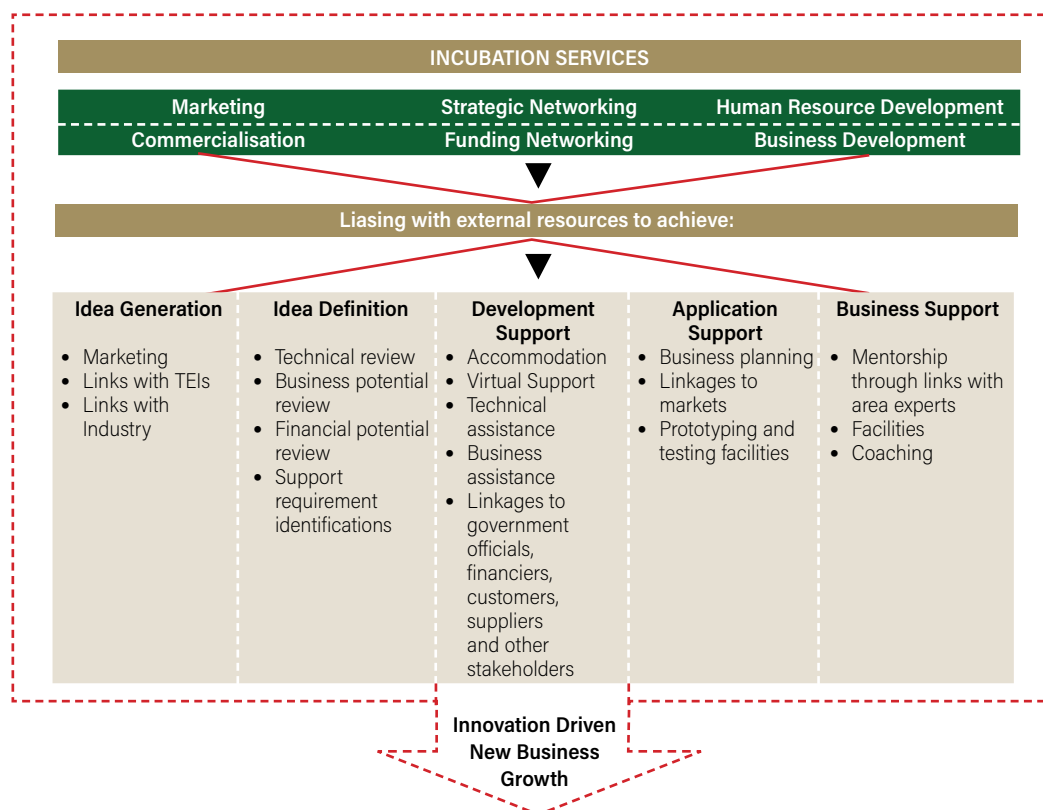


Figure 4: Incubator Value Driven Business Growth¹²

Figure no.4 depicts the actual BI process and the manner in which it will be delivered. This is a point of reference that practitioners within the incubation landscape need to adhere to.

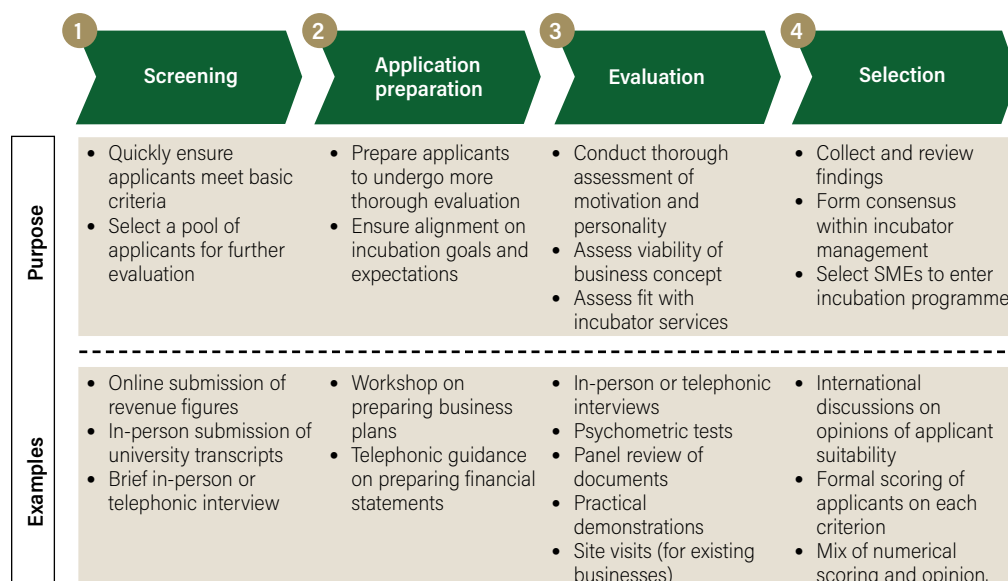


Figure 5: Process for Selecting Applicants for Incubation¹³

Figure no.5 outlines a typical selection process for recruits in the incubation programme. The selection process should be informed by the quality of recruited businesses as opposed to a quantitative measure. The selection process should be able to distinguish between potential entrepreneurs and employment-driven people.

These factors designated as a prerequisite set of principles will prevent differential delivery of the incubation programme and provide control measures for its role- players from offering non-standard services.

¹² InfoDev. Incubation Trainee Manual. World Bank.

¹³ Department of Trade and Industry. 2014. South African Business Incubator Establishment Handbook. A Guide to Establishment Business Incubator.

2.5 Business Incubation Process

The incubation process comprises of a set activities or programmes that help new small enterprises to develop and grow through business development support interventions, which include but are not limited to, providing office space, infrastructure support (labs), mentorship, entrepreneurial support, network funding, and business development training and market access.

The incubation practice and duration may vary, depending on the type of incubated enterprises and sector. For instance, an ICT and high-tech oriented enterprise may take time to mature due to the type of intervention required until they become self-sustainable enterprises. Generally, the incubation process entails the following stages:

2.5.1 Pre-Incubation Stage

The pre-incubation stage involves offering support to individuals with innovative or entrepreneurial ideas to translate them into a viable business proposal, initial business model and business plan, to gain the necessary competencies and to build a team. This stage is associated with high risk due to the different types of ideas that require support to be translated into business concepts. The incubator needs to offer support through a designed programme that will help to translate the ideas into a bankable business concept. The programme will help to validate the problems being solved and provide analysis on the solutions offered in response. Market assessment is conducted to identify the opportunity for the solution and how the solution will be developed into a prototype. The duration of this stage can range from five to seven months. This stage can also assist in identifying whether the business ideal can be supported under an incubator or accelerator intervention, depending on the development of the idea (or prototype).

2.5.2 Incubation Stage

The incubation stage involves assisting the enterprise to become a functional bankable enterprise. The incubator, through its business development support, will implement tools that will support the business model, improve the efficiency of the customer acquisition process, and support scaling up the enterprise. The incubated entrepreneur may/not refine the business value proposition, and test consumer experience (market validation). Facilitating the enterprise involves attracting early-stage financing with different lenders. The entrepreneur works on the prototype to be a market-ready solution (products/services). There is a need to formulate business strategies that will generate revenue as part of market access. The duration of the incubation stage may take between three to five years, depending on the sector. However, this stage should not go beyond seven years, while still offering incubation support.

2.5.3 Post-Incubation Stage

The post incubation stage offers support to small enterprises that graduated from the incubation stage. This process assists profitable small enterprises in getting additional support such as increased sales or improvement in its production processes. This stage can be treated as an acceleration process and is often a feeder to the venture capital industry looking for potential businesses to invest in. The post-incubation stage monitors the performance of the small enterprise post the interventions offered by the incubator during the incubation stage. This will assess areas such as enterprise profitability, product/service offerings, commercialisation progress and business networks.

However, it is important to note that this stage appears to be inactive in most business incubators and remains a key challenge for most incubation centres which appears unable to carry it out. Post-incubation is a critical tool to validate the impact that the incubation business model as a mechanism is doing within the ecosystem. Business incubators need to devise a model that will help them to offer post-incubation support. A working relationship with the venture capital industry must be formulated to unlock support funding which will support the post-incubation phase and ultimately create continuous sustainability.

2.6 Business Incubation Model Impact

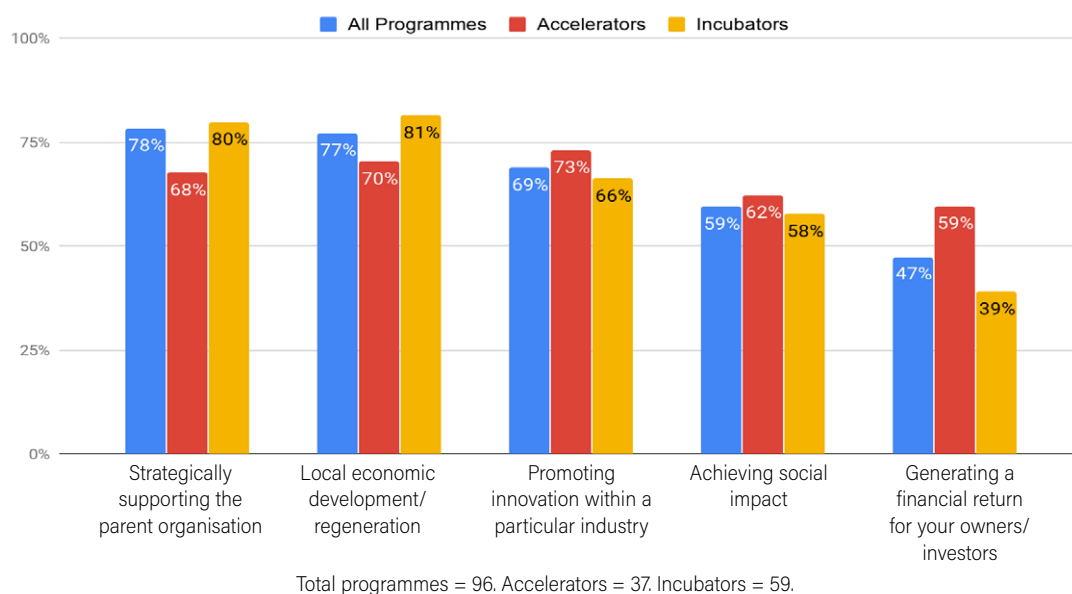


Figure 6: Impact of Business Accelerators and Incubators in the United Kingdom

Figure no.6 provides a synopsis of the impact of incubation programmes along the strategic focus or policy mandate set. This offers insight into a comparative analysis of how incubation programmes BI and BA can contribute to different policy focus areas within the landscape.

2.6.1 Job Creation

Incubation centres can respond to socio-economic challenges and lessons can be drawn from developed economies such as North America. ¹⁴Incubator graduates can create jobs, revitalise communities, and commercialise new technologies, which strengthen the economy. In North America, incubators generated about 500 000 jobs, and every 50 jobs created by an incubator generated another 25 jobs in the community where they are located.

Incubation centres primarily capacitates MSMEs and Co-operatives to perform in line with their primary and secondary objectives to respond to expected performance indicators to address economic imperatives that allude to tackling aspects in the areas of creating an enabling environment whereby MSMEs will create nine million of the targeted 11 million jobs by 2030 as enshrined in the National Development Plan (NDP). Figure no. 7 is a multi-level antecedent and outcomes-based model that portrays the capability of the BIs with their potential outcomes.

Once adequate support has been provided to MSMEs and Co-operatives until a self-sustainable phase, they have the potential to generate new jobs. Incubators can help MSMEs and Co-operatives to gradually grow their business, thereby creating new job opportunities. Generally, MSMEs can generate new jobs due to their adaptability strength.

¹⁴ Adelowo, C.M., Olaopa, R.O. and Siyanbola, W.O. 2012. *Technology Business Incubation as Strategy for SMEs Development: How Far, How Well in Nigeria?* *Science and Technology*, 2012, 2(6):172-181.

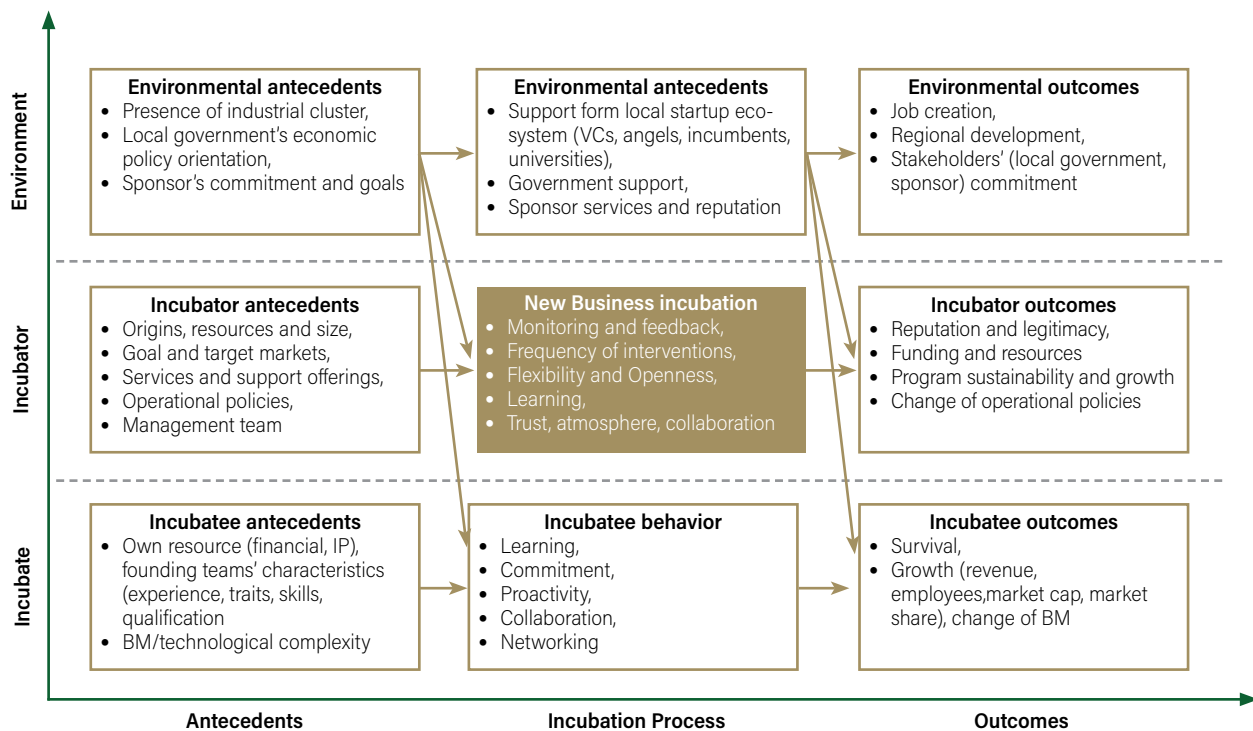


Figure 7: Multi-level Antecedents and Outcomes of Business Incubation (¹⁵Hausberg & Korreck, 2020)

2.6.2 Economic Sectors

To drive a viable economic programme, an enabling environment is critical. BI is a contributing factor towards economic growth and a key enabler to spin-off new economic sectors. The government can designate economic sectors for prioritisation and the BI's can offer developmental support through incubation to MSMEs and Co-operatives within such sectors. The development and growth of MSMEs and Co-operatives in such sectors can help to broaden the participation of business players and this can also result in a transformative agenda.

Economic sector-specific policies can be alleviated through a systematic approach aligned to the enterprise development value chain. This poses an opportunity for the SHIDHSS to expand its support to MSMEs and Co-operatives, while also broadening the impact of sector-specific policies.

The government department has various economic sector policies that are intended to strengthen its efforts towards service delivery. Economic sector policies are often crosscutting with other sister departments, whereby the implementation part is occurring in various areas. Sister departments' annual performance plan key indicators aligned to the SHIDHSS will be incorporated into the implementation plan to enable alignment and another possible mechanism for partnerships. This will help to leverage resources and serve as another that are already allocated to support the sector master plan framework. Furthermore, workstreams inclusive of sister departments personnel will be formulated.

¹⁶The Department of Trade, Industry and Competition (dtic) re-imagines the industrial policy, and aims to focus more clearly on strategic value chains, above all by promoting localisation and sector masterplans. This is to ensure that more South Africans benefit directly from the industrialisation process through job creation and more broad-based ownership of businesses. The dtic's re-imagine industrial policy places emphasis on the following sector masterplans:

- Cultural and Creative Industries
- Forestry Sector in South Africa 2020-2025
- Poultry Sector Master Plan
- R-CTFL Value Chain Master Plan to 2030
- Automotive Industry Master Plan to 2035
- Sugar Value Chain Master Plan 2030
- Steel and Metal Fabrication Master Plan 1.0
- Furniture Industry

¹⁵ Hausberg, J.P. and Korreck, S. *Business Incubators and Accelerators: A co-citation Analysis-based, systematic literature review. J Technol Transf-* (2020) 45:151-176.

¹⁶ Department of Trade, Industry and Competition. 2023. *Annual Performance Plan 2023-23*.

The use of BIs as a support tool for the implementation of the dtic's master plan will ensure that there is a gradual growth of MSMEs and Co-operatives from a small enterprise development level to a full-scale industrialist. This poses a prospect for an economic developmental agenda linked to the industrial policy.

2.6.3 Regional Economic Development

Incubation centres have an impact to contribute towards the social structure of communities, in particular with de-urbanisation. Those who are in the rural and township areas can also spin-off new MSMEs and Co-operatives that can create economic activities within communities. The socio-economic impact of incubation centres is prevalent when rural-based MSMEs and Co-operatives are creating employment opportunities.

¹⁷Incubation centres are an important contributor towards the economy, and economic development of cities and nations around the world. They also serve as a contributor to the overall economic health of the economy, translating to an increase in the number of jobs, and in the amount of money raised by governments through taxation. Furthermore, it adds value to the economic infrastructure of the community, and helps create additional employment in other sectors.

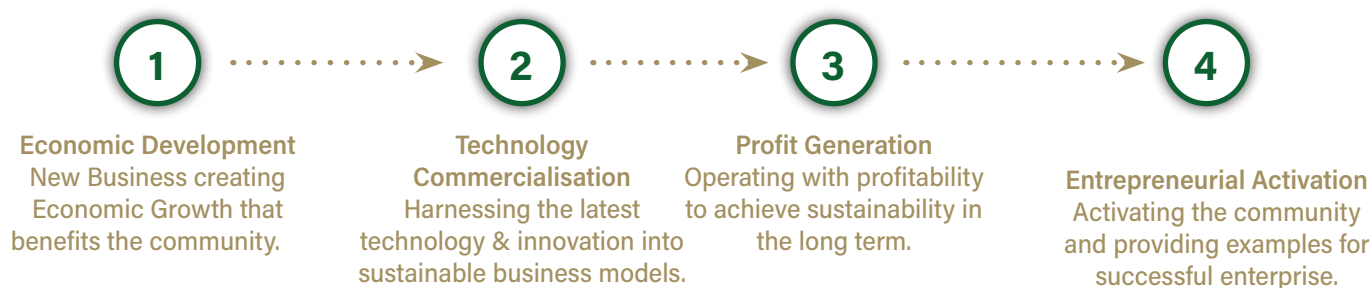


Figure 8: Operational Objectives of the Korean Incubator (¹⁸ Park & Kim, 2016)

The intended outcomes of incubation programmes are to serve as a channel for facilitating knowledge spill-over through enterprise creation and commercialisation of such technology, thereby aiding in the economic development and competitiveness of a particular area.

¹⁹Business incubation has contributed towards building an innovation infrastructure and support mechanisms, often through well-coordinated academic-regional partnerships. Silicon Valley is an example that can be highlighted where planned development of regional innovation infrastructure through establishing formal technology business incubation programmes, which includes science parks, incubators and related technology and business development support mechanisms is evident.

¹⁷ Park, K.H. and Kim, J. 2016. *Manual of the Korean Business Incubator Model*.

¹⁸ Park, K.H. and Kim, J. 2016. *Manual of the Korean Business Incubator Model*.

¹⁹ Mian, S.A. 2011. *University's involvement in technology business incubation: what theory and practice tell us?*. *International Journal of Entrepreneurship and Innovation Management*, Vol. 13 (2).

Chapter Three



3. Chapter Three: Impediments within the Business Incubation Centre Ecosystem

3.1 Business Incubation Impediment

The South African incubation landscape is faced with barriers to success which hinder MSMEs' and Co-operatives' development and growth. The impact of incubation centres has not been fully realised and this can be seen in the slow MSMEs development and growth. This is regardless of the significant investment made towards the provision of incubation, whereby outputs are not fully improving the performance of all MSMEs. These barriers entail innovation, access to finance, market access, regulatory challenges, and skills shortages. The SHIDHSS will briefly unpack these barriers and attempt to outline how they will be addressed.

The main objective of an incubation centre is to create and help MSMEs and Co-operatives to grow with expertise (business and technical support), networks, market access opportunities and funding. However, some of these key issues have not yet been fully expressed across the ecosystem and limitations have been attributed to the following issues:

3.1.1 Funding

The sustainability and growth of the incubation centres are determinants of financial resources, among other things. Access to funding can take place on two levels: firstly, on the incubation centre's operations for the provision of non-financial and financial support services, and secondly, on the funding support for MSMEs and Co-operatives' operational activities throughout their enterprise development journey.

It is noted that many MSMEs and Co-operatives are struggling to access early-stage funding due to the high risk attached to their businesses.²⁰Data collected on South African MSMEs reveal that access to funding is a major constraint for their businesses, especially in the establishment or expansion phase of their businesses.

²¹Commercial banks control a large portion of the funding market for MSMEs, but they are risk-conservative and apply tight underwriting standards before giving credit to MSMEs. It is challenging for business owners to obtain funding through this channel. Banks would generally refrain from funding MSMEs and Co-operatives, as they are at a higher risk than larger businesses.

The current funding reductions for ISP incubation centres are causing severe negative impacts on their operations, and recipients of the incubation programme. Limited financial resources have been cited as one of the impediments to the success of incubation centres. To create a viable incubation model, financial investment is essential to achieving the main objectives of incubation.

ISP-supported incubation centres need to devise new modalities of raising financial resources from the market, but this appears to be a huge challenge for most of them. Government is incentivising the establishment of incubation centres, with the intention of attracting private investors to take over the investment. However, the private sector is also establishing privately-owned incubation centres. This creates a reluctance for the private sector to offer financial support to publicly-funded incubation centres, as they're solely focusing on their own. This creates a gap between the private and public sectors in working together. To enable economic growth through the development of MSMEs and Co-operatives, a financial investment model needs to be redesigned.

There is a need to re-look the funding support structure with a deviation from the normal practice of generic funding support to be able to cater to varying sectors of the incubation centres. A comprehensive due diligence should be implored to ensure that adequate funding is offered to incubation centres.

3.1.2 Innovation Chasm

South Africa has done well in putting in place policies and legislation to support R&D activities. The legislation of the Intellectual Property Rights Act sought to establish an environment that can harness publicly funded research for social and economic growth. Measurement of technology performance should be viewed with a specific focus on inputs towards technology (R&D and resources), the outputs of technology (patents filled from invented ideas) and the number of such outputs fully deployed in the market.

The STI advocacy for the creation of new products and services to be deployed in the marketplace. The National System Innovation (NSI) policies are essential for the promotion of economic and social development and are the drivers for the deployment of innovative solutions. The landscape is facing slow advances in commercialisation of the new technologies (R&D output). However, challenges persist in the inability of new research (products and services) to expeditiously reach the market and this has partially affected economic growth.

²⁰ Abor, J. and Quartery, P. 2010. *Issues in SME development in Ghana and South Africa. International Research Journal of Finance and Economics.*

²¹ United Nations Conference on Trade and Development. 2023. *Entrepreneurship Strategy Review.*

The innovation chasm has contributed to the limited exploration of R&D outputs in the market through MSMEs and this has resulted in creating a hurdle for them to have the products or services in the market due to the highly saturated and competitive market. Rightful measures need to be explored to ensure that BIs become critical role players in facilitating the commercialisation of R&D outputs by MSMEs.

One of the major challenges identified is the continuous focus of MSMEs in creating business cases from open innovation which are likely to result in highly saturated solutions in the market. This will create a continuous challenge for MSMEs to struggle to successfully launch and capture the targeted market.

3.1.3 Lack of Coordinated Cohesion

The systemic failures of stakeholders tend to hamper the policy coordination designed to respond to gaps identified. Improper coordination amongst stakeholders weakened the different policies and strategies envisaged impact. Stakeholder collaboration will provide a platform for improving interactions at institutions involved such as government, industry, Higher Education Institutions, and research centres.

The improper coordination has contributed to the duplication of roles and resource deployment. Formulation of programmes of similar focus in an isolated working set-up often results in an ineffective impact on the ecosystem.

The American Silicon Valley has been identified as one of the successful business models to stimulate the entrepreneurial ecosystem. One of the reasons alluded to the success of this model is the working alignment of actors within the ecosystem. The close working set-up of government, researchers, availability of technical infrastructure, venture capitalists, the risk-taking culture, and world-class research universities are very important for the survival of BIs and incubated MSMEs.

The current policy development initiatives are skewed towards publicly funded BIs with less attention on privately-owned ones. The proposed SHIDHSS will consolidate activities in both public and privately funded BIs for effective impact on the ecosystem. This approach will enhance the BIs performance which will ultimately impact other pressing socio-economic issues.

3.1.4 Institutional Capacity

Incubation centres are central towards the realisation of the entrepreneurial development agenda. The inability of institutions classified under the BI community to implement their business plans has been attributed to a lack of capacity and has become a focal point for enhancing entrepreneurial development.

The lack of provision of rightful business development support (mentoring, networking, coaching, funding and market access) to MSMEs and Co-operatives has been perceived as an impediment to their likelihood of success.²² A large number of small enterprises fail because of non-financial reasons, which includes:

- Lack of access to appropriate technology;
- The existence of laws, regulations and rules that impede the development of the sector; and
- Weak institutional capacity and a lack of management skills and training.

Adequate infrastructure contributes towards the full realisation of incubation centres' strategic objectives. Skills and infrastructure are central to the work of the incubation centre. The insufficient training and development of business development personnel hinders the actual delivery of business incubation programmes. The issue of insufficient training and development has been exacerbated by a lack of resources to be invested in programmes tailored for capacity building.

The current portfolio of ISP incubation centres is encountering issues of ageing equipment and technology infrastructures to support their mandate. Certain incubation programmes lack technology to focus on their functional roles, and this is attributed to issues of insufficient capacity and resources.

3.1.5 Market Access

A striving entrepreneur requires a market access opportunity for their product or services.²³ Access to the market will determine the survival of a start-up company, and no matter how good the products and services produced are, if they cannot be delivered or are afforded the market opportunity, such a start-up will not be able to earn sufficient income to become a sustainable company.

MSMEs still experience a huge challenge in attempting to expand their business to the international market. They often have limited information on local and international market experience, poor quality control and product standardisation, and international partners'

22 Abor, J. and Quarterny, P. 2010. *Issues in SME development in Ghana and South Africa. International Research Journal of Finance and Economics.*

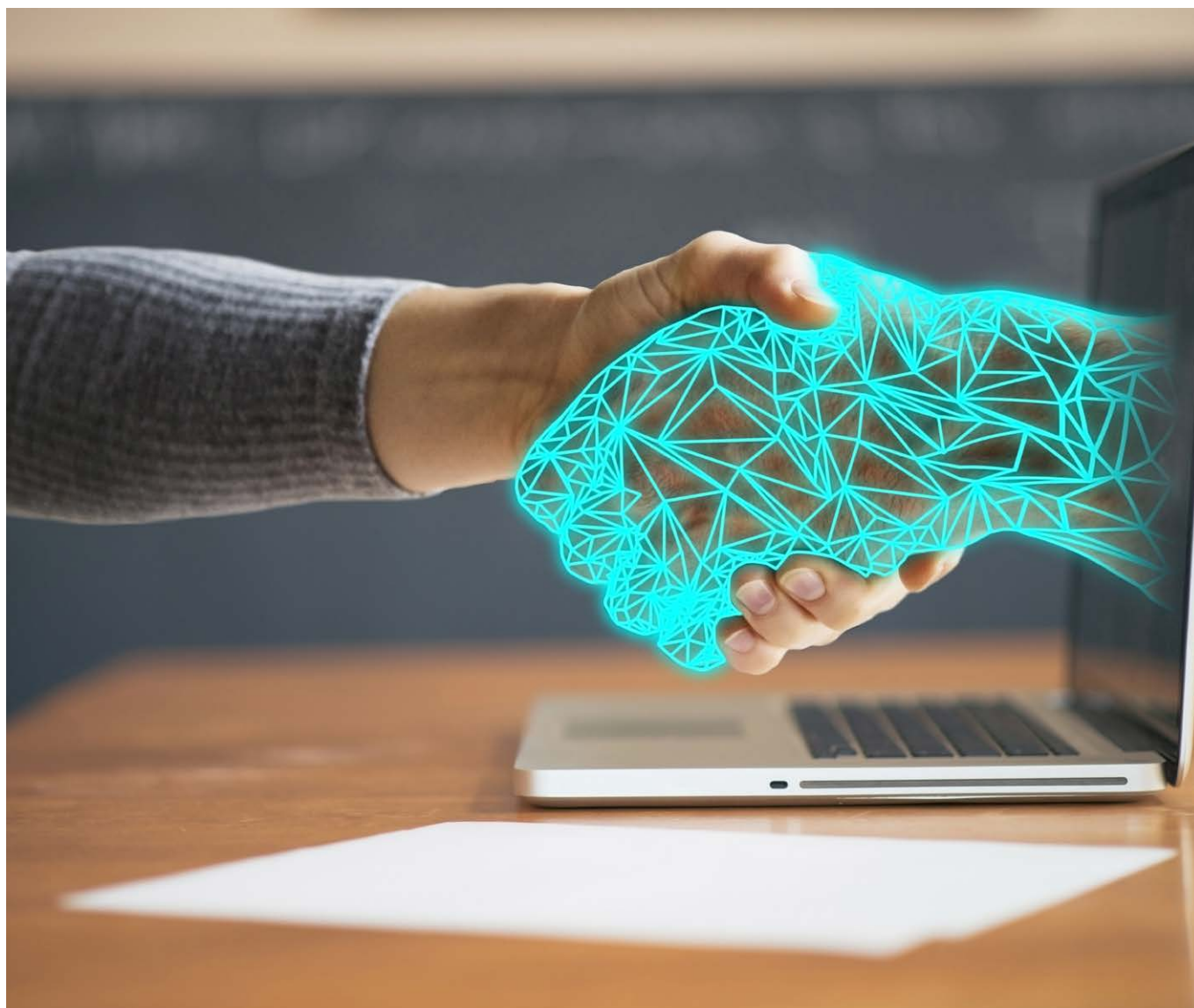
23 Anwar, M.R., Yusup, M., Millah, S. and Purnama, S. 2003. *The role of business incubators in developing local digital start-ups in Indonesia. Start-uppreneur Business Digital. 2022. Vol no. 1.*

accessibility. ²⁴Access to the market becomes difficult when local start-ups must compete with established companies, even foreign start-ups that have strong capital support to compete for market attention.

Market intelligence data are critical in the incubation programme to help with the determination of key market opportunities for MSMEs. Most incubation centres are experiencing challenges in financial resources to deploy for market intelligence data and this has severe negative effects on its operations and MSMEs growth.

Over and above these impediments, other issues which undermine the efforts to support and promote the performance of MSMEs entail challenges such as:

- Lack of coordinated and timely support;
- Duplication of services from various interventions;
- Double-dipping by beneficiaries as various programmes and support structures are working in silos; and
- No information sharing within the sector and amongst programme stakeholders.



24 Anwar, M.R., Yusup, M., Millah, S. and Purnama, S. 2003. *The role of business incubators in developing local digital start-ups in Indonesia. Start-upreneur Business Digital*. 2022. Vol no. 1.

Chapter Four



4. Chapter Four: SHIDHSS Impact Areas

4.1 Impact Areas

The impact areas are main issues that need to be addressed in attempts to create an improved incubation programme and they will then be supported by strategic interventions at the implementation level. A stronger incubation programme can be realised wherein clear sets of goals supported by various instruments in the form of enabling guidelines are in place. The SHIDHSS is a response initiative aimed at strengthening implementation of MSMEs and Co-operatives sustainable development and growth. The policy instruments such as the NDP, NISED and Economic Reconstruction and Recovery Plan align a strategic interest in the development and support of performing MSMEs and Co-operatives.

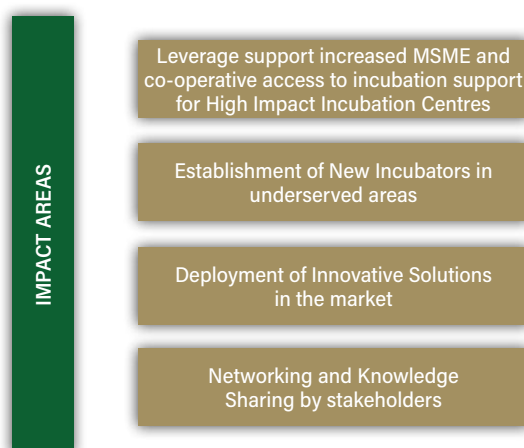


Figure 9: SHIDHSS Impact Areas

4.1.1 Establishment of New Incubators

South Africa is a middle-power country in the global community and is ranked as a developing economy. The socio-economic challenges affect most populations residing in the country. An incubation centre (BIs, DHs and CFERI) is an economic tool that can be deployed to respond to some of the economic challenges faced by citizens.

An agile response is imminent in the form of economic reform programmes to support economic growth. Deliberate action is required from various points and programmes of delivery to address challenges and align service delivery to realise the impact as required. To effectively contribute towards the economic growth phenomenon, an enabling environment for MSMEs is required. The adoption of incubation centres as a policy intervention can result in an economic stimulator that can effectively accelerate economic growth.

New small business formations can be supported by strong incubation centre programmes, and they are an imperative tool to support new industries with prospects of high growth. Emerging economic sectors such as cannabis, and other emerging new high-tech industries can be nurtured by the application of an incubation model to empower effective growth and business sustainability. Sector mapping is critical to identify key economic areas that require incubation centres as a means for accelerating their growth. Such mapping should be supported by market intelligence data that will provide accurate indicators for establishing a new incubation centre.

The work of new incubators should be informed by a comprehensive feasibility study that will determine the required skill sets, business opportunities, stakeholders available, and access to input materials. For instance, incubation centres should be informed by the level of innovative ideas and business viability that are likely to emerge from the area and any prospects of research outputs that can be transferred to MSMEs and co-operatives for potential commercialisation. The idea of establishing an incubation centre without clear, structured outcomes may lead to incubation infrastructure deviating from its intended purpose or misalignment with its strategic focus.

Township and rural economic development are other areas that require intervention. Incubation centres in a developing economy can serve as an enhancer for economic development, thereby supporting the local entrepreneurial cohort. New businesses have the capability for economic and social spillovers within the geographical location of the incubator. Incubation centres have the capability to impact economic activities within the township and rural areas and it can attract investment for MSMEs and Co-operatives within a specified location.

4.1.2 High Impact Incubation Centres

Incubation centres offer positive outcomes and impact on MSMEs growth and sustainability. The high-impact incubation centres have an assertion of lowering MSMEs failure rate and increasing growth and sustainability from the short- to the long-term. Requisite capability and capacity are central to setting up a high-impact business incubator.

Clear policy articulations and implementation are central to the formulation of a viable incubation programme. This will help to create impactful growth and development of MSMEs. Impactful incubation programmes should not be viewed from the MSMEs graduation perspective only, but also on the sustainability of supported businesses.

4.1.2.1 The Status of Incubation Support

In dealing with non-financial support, incubation is a significant measure, and therefore, SHIDHSS is imminent for ecosystem support, and will help to address pertaining challenges faced by MSMEs and Co-operatives.

The incubation programmes could develop MSMEs and nurture them into sustainable enterprises that can provide employment and contribute to economic growth. An effective incubation programme is associated with high MSMEs performance which will ultimately respond to revenue generation. Well-structured business development support, market analysis, market linkages, access to modern technologies and applications are essential for an effective incubation programme.

a) Incubation Performance

To transform incubation centres into a high impact service offering, there is a need to improve the overall performance, and enhance operational capabilities and impactful business support services. The impact of the incubation centres operations lies squarely on the type of business support services offered to MSMEs and Co-operatives. The SHIDHSS seeks to ensure that incubation centres address economic development, stimulate entrepreneurial sustainability, job creation and distribution of innovation (products/services) across communities (markets). The incubation centres will fail to be rated as high impact if they are unable to respond to the socio-economic issues arising from society.

b) Incubation Systems and Structures

Incubation centres should have the requisite infrastructure and oversight function to support their operations for the achievement of set goals. Globally, DHs require to have:

- i. An innovator maker's space to enable in-house technology development. In other contexts, this is not necessarily the case, as some of the DHs are operational without innovators maker's space and this creates a deviation from their mandate and ends up supporting generic start-ups with open innovation focus.
- ii. Incubation centres need to have basic infrastructural support to ensure that they provide effective business development support. Existing incubation centres are challenged with outdated equipment and machinery to use within their facilities.
- iii. Creating high-impact incubation centres requires a regulated ecosystem with policy frameworks such as the Incubation and Business Development Services (IBDS) policy which is the guiding principle document for setting industry guidelines to support the ecosystem. Implementation of the policy will be enforced in incubation centres by ensuring that business plans have performance indicators that set out key outputs of the IBDS policy.
- iv. The South African Bureau of Standards (SABS) incubators and accelerators standards offer technical specifications and guidance on the physical outlay and operational systems that need to be put in place when setting up a new incubation centre. The standards aim to create a standardised process of compliance with the establishment of incubation centres.
- v. Since incubators established by public entities, government spheres and sector departments utilise public resources, an oversight function is needed. This is for the purpose of holding the Executive accountable for the performance through processes of monitoring, facilitating, and coordinating the activities of business lines, to ensure they are operating effectively and within budget.

4.1.3 Deployment of Innovative Solutions

The SHIDHSS advocates for incubation centres to play a leading role in the facilitation of commercialisation of innovation.²⁵ It is globally acknowledged that innovation fosters economic growth and one of the most important challenges for economic systems is to encourage technological innovation among research institutes, universities, agencies, and firms.²⁶ The university-based technology incubation centres are knowledge-based facilities which are used to strategically engage in activities that support the nurturing of technology-based start-ups and new products, and their programmes include: technology and business incubators, science and technology parks, R&D and innovation centres, technology transfer programmes, entrepreneurial training and associated funding mechanisms.

25 Calle Gati, E., Grandi S. and Napier, G. 2005. *Business Incubation and Venture Capital. An International Survey on Synergies and Challenges. Joint IPI/IKED Working Paper.*

26 Mian, S.A. 2011. *University's involvement in technology business incubation: what theory and practice tell us?. International Journal of Entrepreneurship and Innovation Management, Vol. 13 (2).*

²⁷Innovation is increasingly becoming a priority for governments, firms, and organisations, and in most countries throughout the world. New entrepreneurial firms and MSMEs are gradually recognised as generators of innovation and economic wealth.

²⁸Incubators are perceived as gateways for enterprises, a place where all actors in the entrepreneurship and innovation ecosystem can meet and exchange views and information. ²⁹This is evident with an emphasis on the effective use of science and technology, coupled with the creative ability of innovation, which often triggers a competitive advantage and promotes entrepreneurship with a focus on technology and innovation. The BI process is an important tool to strengthen the National System of Innovations (NSI) stakeholders and unleash innovation and entrepreneurship convergence.

The Science, Technology, and Innovation (STI) policy is a critical instrument to support the advancement of the country's economic development. It enables society to respond to socio-economic challenges using innovation as a driver for job creation, poverty, and inequality alleviation. The Department of Science and Innovation developed the White Paper on STI on the premise of making South Africa economically competitive on a global scale, and providing essential services, infrastructure, and effective health care to a greater extent to achieve NSI policy imperatives. This entailed actors such as universities, science councils, industry, and the public sector cooperating towards solving the real problems facing the country. The STI policy will offer strategic guidance on the technology innovation agenda and position such with the national imperatives.

The DSI STI decadal plan identifies and places MSMEs as a key contributor towards the realisation of the STI objectives in terms of the commercialisation effort. ³⁰The decadal plan intends to create an enabling environment for South Africa with the following outcomes: (1) innovation culture across society; (2) Increased support for and collaboration with the business sector, with a focus on SMMEs; (3) increased commercialisation of publicly funded IPs; (4) a conceptualisation of innovation beyond R&D; (5) targeted support for social and grassroots innovation; and strengthened role for government as an enabler for innovation.

4.1.3.1 Critical Activities to Support the Deployment Process:

- The R&D outputs from public knowledge providers should be prioritised for commercialisation by incubated MSMEs and Co-operatives. The IP regime allows for IP to be transferred to another party either through a licensing agreement or a university spin-off entity.
- The Innovation Promotion Programme should fund IP transfer costs and market research to determine the viability of such technology.
- IP deployment of innovative solutions will respond to market limitations (technology pull) and lessen the dependence on foreign technology consumption.
- Deployment of innovative solutions requires mechanism support in the form of infrastructure support that will enable innovation to flourish. The adoption of an infrastructure tool such as an incubation centre will assist in the development and nurturing of MSMEs and Co-operatives.
- There is a need to re-look the current model of setting up of new incubation centres, with a focus on innovative technology-driven start-ups which will be the key driver of getting innovations in the market. This will help to invest in MSMEs and Co-operatives with high growth potentials.

4.1.3.2 MSMEs and Co-operatives Innovative Solutions Opportunities

a) Fourth Industrial Revolution

The Fourth Industrial Revolution (4IR) technologies poses huge opportunities and developed economies are ahead in terms of offering solutions along the 4IR space. However, South Africa remains behind and requires effective systems and policy enablers to leapfrog 4IR technologies. MSMEs have the potential to adopt 4IR technologies and other high technologies for commercial application and benefit. The 4IR Presidential Commission made recommendations for the establishment of Digital Hubs (DHs) as a mechanism to assist with the adoption of the 4IR technologies. DHs can play an instrumental role in the development of 4IR technologies emanating from MSMEs' business ideas and they can serve as a business spin-off launching pad (commercialisation enablers).

³¹South Africa has the opportunity to create economic value through a targeted industrial development strategy and to harness technology and scientific innovation towards the goal of societal well-being. MSMEs and Co-operatives must be positioned for the commercialisation for 4IR homegrown innovations and building these to the global scale and relevance. The SHIDHSS will play a critical advancing role in elevating MSMEs and Co-operatives capability to participate within the 4IR value chain. MSMEs and Co-operatives with the technical capability to adopt or develop (incremental innovation) 4IR technologies should be aggressively supported and funded.

²⁷ International Organisation for Knowledge Economy and Enterprise Development. and Istituto per la Promozione Industriale. 2005. *Joint Working Paper on Business Incubation and Venture Capital, An International Survey on Synergies and Challenges*.

²⁸ The World Bank. 2014. *An Evaluation and Impact Assessment of Business Incubation Models in Eastern Europe and Central Asia. An Info Dev Study of nine Business Incubators in Armenia, Belarus, Kazakhstan, Poland, Romania, Russian Federation, Serbia and Turkey*.

²⁹ Park, K.W. and Kim, J. 2016. *Manual of the Korean Business Incubator Model*.

³⁰ Department of Science and Innovation. 2019. *Science, Technology and Innovation Decadal Plan 2022-2032*

³¹ Commission on the Fourth Industrial Revolution. 2020. Report of the Presidential Commission on the 4th Industrial Revolution.

The sector focus is imperative in line with the 4IR technologies to enable innovation in the market and new industry creation through commercialisation efforts. The 4IR possess an opportunity for MSMEs to offer new solutions in the market with a high prospect of capturing new end-users.³² Technologies relating to 4IR have been in existence for some time, thus opportunities are on enabling commercialisation, upgrading existing industries and creating new industries is apparent. Lessening the innovation chasm challenge, whereby homegrown innovation is lost either by not commercialising or lost to other markets.

The business development services access should be widened, while developing skilled business support across business type, stage and potential to scale for relevance with the 4IR technologies.

b) New Industries Spin-off

Creation of an enabling environment that will spin new industries with high growth potential. This would be done by providing an attractive working environment with infrastructure and supporting industry in terms of technology know-how (IP), training needs, and critical expertise.

The DSI invested in the development of emerging research areas which include Nanotechnology, Photonics, Advanced Manufacturing and Hydrogen storage. New technologies offer high efficiencies and reduced cost of production in the long run, high cost for initial acquisition and adaptation of the technology.

Entrepreneurs and innovators that have developed these high technologies at pre-production prototype stage face difficulties in moving on to the commercialisation and business development phase. Incubation centres are critical as an excellent mechanism for helping MSMEs to navigate this difficult stage. To create incubators that can incubate high-technology MSMEs, a review exercise should be done to ensure that there is an enabling infrastructure within these centres. Skills and infrastructure are important to ensure that incubation centres are an integral part of harnessing emerging technologies.

4.1.3.3 Mechanisms for Innovative Technology Support

³³ The 2017 Intellectual Property and Technology Transfer survey reported that about 45% start-ups were formed over the period (2011-2014) and 73% of start-ups were based on publicly-funded IP, which almost doubled from 2011 to 2014. The total number of start-up companies operational that are at each year-end, has grown from 29 to 45. This offers empirical data to reflect on the potential of commercialising publicly-funded IP and in support of it, the SHIDHSS put forth the following key mechanisms as part of creating viable support:

- To effectively deploy innovative solutions to MSMEs, incubation centres need to work in collaboration with public universities and science councils. Technology transfer offices within these institutions will offer support in transferring developed new technologies (IP) to MSMEs and Co-operatives. In the case of grassroots innovations (indigenous knowledge), the proposed incubation innovation programme will provide financial support for creating access to universities' and science council's technical assistance on technology development and enhancement to ensure market-ready innovative solutions.
- IP filling remains a key challenge in most MSMEs and Co-operatives in terms of understanding its role within the innovation and enterprise development value chain. Dissemination of information on IP rights and how to protect them are essential to the successful commercialisation of innovation and is an imminent task that needs to be undertaken. The hosting of workshops on IP will help to deepen understanding on the commercialisation process. Incubation centres will have to work closely with the Companies and Intellectual Property Commission and National Intellectual Property Management Office to ensure that existing gaps and limitations are removed.
- Technical capacity building on IP to incubation practitioners is imminent to make sure MSMEs are offered accurate support on IP. Incubation centres will conduct IP capacity-building session to incubation centres practitioners to ensure that they're well-capacitated on IP (patent, trademark, copyright, and industrial design) matters.
- Creating access to information channels on available filled IP (patents and industrial designed) in the public domain and the licensing contract procedures will be done to strengthen the IP transfer processes. This can be done through widening access to DSI Innovation Bridge which offers a vast array of information along the innovation value chain.

4.1.4 Network of Knowledge Sharing

Formulation of collaboration between stakeholders is essential towards the realisation of set objectives. The SHIDHSS emphasises the need to strengthen a network of knowledge sharing within the incubation ecosystem. This will promote knowledge sharing of best practices which will help stakeholders to leapfrog on areas that are not well advanced within their respective roles and activities.

32

³³ South African National Survey of Intellectual Property and Technology Transfer at Publicly Funded Research Institutions. Inaugural Baseline Study: 2008-2014. 2017. Department of Science and Technology, the Southern African Research and Innovation Management Association, the National Intellectual Property Management Office and the Centre for Science, Technology and Innovation Indicators.



The ideology of knowledge sharing enables alignment with various stakeholders and partners within the ecosystem. This will help to conceptualise collaboration frameworks with well-defined activities in response to informed challenges. Effective coordination and communication offer an important opportunity to remove barriers by creating a meaningful platform for knowledge sharing. The NISED has acknowledged that “many mandates have been identified to overlap between support agencies with insufficient coordination to achieve optimum impact and cost efficiency resulting in what is termed ‘double dipping’ by MSMEs seeking support”. The SHIDHSS identifies key priorities that need to be undertaken in the short- to long-term, but these will not materialise if the stakeholders are not close in a working set-up with clear focus areas.

The knowledge sharing will assist in formulating projects that are aimed at improving the performance of incubation centres across the ecosystem. The rationale of the knowledge sharing should not be limited to information exchange, but also to the formulation of new projects/programmes with partners with clear outcomes and envisaged impact.

The incubation ecosystem is fragmented and there are evolving gaps that make it difficult to curb the high rise of MSMEs and Co-operatives mortality. If the ecosystem is well informed and working closely with each other, it will have the ability to respond to various challenges.

The incubation ecosystem requires active participation by NSI stakeholders namely, government, industry (including small enterprises) and academia in order to address the challenges.

It is important to note that stakeholders within the ecosystem may have different priority focus areas. Misaligned priorities often make it difficult to align the programme performance and activities and, in order to avert it, it will require a full assessment of their roles and contributions.

A viable incubation programme requires building a robust incubation ecosystem to create, develop and support MSMEs to enable them to become sustainable in partnership with other key role players. The interaction between these stakeholders creates an enabling environment for the growth of MSMEs.

It is critical to note that the entrepreneurial ecosystem is not only limited to MSMEs and Co-operatives in the incubation programme but also includes other role players within the sector. It is important to acknowledge the role of funding institutions, universities, Science councils and corporate companies as active players within the ecosystem. Figure no. 10, illustrates the incubator ecosystem, and what is critical is the close working relationships of all stakeholders involved.

³⁴International new ventures role has been recognised in the development of the nation's competitiveness and the exploitation of new knowledge and technology, and the United Kingdom's universities, research institutions, and corporate institutions have been encouraged and supported through public interventions to transfer and commercially exploit science and technology.³⁵

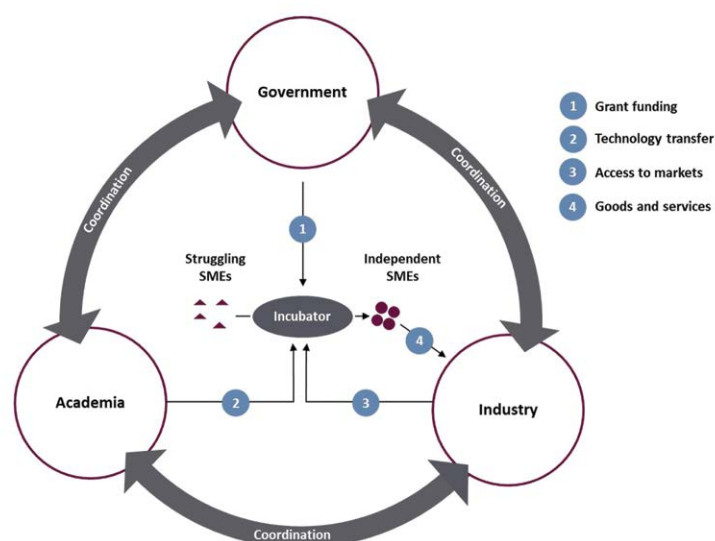


Figure 10: Incubator Ecosystem³⁶

In Indonesia, the government is on a path to help local start-ups not wither before they develop. Several industry stakeholders and investors (both individuals and venture capitalists) agreed to work together and build various incubation and acceleration activities with the hope that these activities will develop the capacity of local start-up founders.

4.1.4.1 Incubation Stakeholders Consolidation

Taking into account of the other public organs such as sister departments, provincial and local government, have established different incubation programmes in support of their institutional mandates and needs. The private sector is another player in the incubation space in pursuit of their business objectives as part of their enterprise supplier development initiatives. This position possesses an opportunity to consolidate these varying initiatives geared towards MSMEs and Co-operatives support through a partnership collaboration to gain synergy out of the offerings under the programme.

Consolidation of incubation programmes through partnerships and other collaborations of programmes offered, specifically in the public sector through a One-Stop-Shop has potential in:

- Affording MSMEs and Co-operatives access to information on incubation relating to support under one location, thereby enabling access to informed choices.
- Encouraging efficiencies in service delivery as there would be a single entry and exit, therefore allowing traceability of incubatees' movements which would manage double dipping as well as performance monitoring and also support post-graduation.
- Cost efficiencies based on institutional resources usage and management together with knowledge management based on the centralisation of this intervention as a one-stop-shop.
- Effective match between programme offering, enterprise opportunity and precise capacity building for the entrepreneurial team.
- Adequate packaging of concept in alignment with resources requirements, market positioning, relevant definition of differentiated business processes and procedure documentation and checklists for application to sustain operations and business operational growth.
- Research findings application, innovation friendly and development support as well as peer knowledge and lessons sharing.

34 Hannon P.D. and Atherton, A. 2006. *Localised Strategies for Supporting Incubation*. Journal of Small Business and Enterprise Development, vol 13 no.1, pp. 48-61.

35 Anwar, M.R., Yusup, M., Millah, S. and Purnama, S. 2003. *The role of business incubators in developing local digital start-ups in Indonesia*. Start-uppreneur Business Digital. 2022. Vol no. 1.

36 Department of Trade and Industry. 2014. *South African Business Incubator Establishment Handbook. A guide to Establishment Business Incubators in South Africa*.

4.1.4.2 Formulation of Incubation Stakeholder Collaboration Forum

To achieve the SHIDHSS pillars, an incubation stakeholder collaboration forum will be established as part of the consolidation effort. As much as the DSBD seeks to create a conducive environment through policy initiatives, incubation centres are encouraged to contribute to the implementation of strategic interventions, which will lead to tangible partnerships with various stakeholders. The forum will offer guidance on the implementation of the different activities that are aligned and will consolidate all activities around incubation within the ecosystem.

The forum will help to strengthen created partnerships amongst actors within the ecosystem with an opportunity for initiatives conceptualised to be fully implemented. The silo working has created gaps and duplication of effort with minimal impact achieved. The SHIDHSS strategic interventions should be supported by the forum to ensure that there is a well-gearred and aligned ecosystem, inclusive of all key stakeholders.

The forum will help to identify other potential stakeholders within the National System of Innovation with key roles to play in the implementation of the SHIDHSS. The forum will eliminate the continuous gaps within the ecosystem, where there is uncoordinated activities.



Chapter Five



5. Chapter Five: Programme Capacity Intervention and Initiatives

5.1 Introduction

The SHIDHSS puts forth strategic interventions that result in the fulfilment of outlined objectives. These strategic interventions provide key areas that require attention for the realisation of the incubation ecosystem objectives. Implementation plans will be informed by the strategic interventions and other critical initiatives within the ecosystem.

5.2 SHIDHSS Strategic Interventions

The strategic interventions address the barriers that are encountered in the ecosystem:

5.2.1 Commercialisation of Innovative Solutions (Research and Development Outputs)

There is a need to re-look into the concept of ISP incubation centres to ensure that the programme also attracts interest from technology value-added products and services, which will help in placing a focus on R&D outputs until the commercialisation phase. This approach will assist in driving new start-up rates for technologically oriented MSMEs and commercialise technologies (IP) from publicly-funded universities and research institutions.

The strategy will accelerate the commercialisation of innovations through the encouragement of deployment of such solutions in the market. Incubation centres should upscale the adoption of an innovation culture by formulating performance indicators that support the realisation of innovation by MSMEs and Co-operatives. Innovation is another element that is critical for the development of MSMEs and Co-operatives as it helps them to develop new products and services.

The SHIDHSS advocates for activities that will result on the analysis of available technology transfer projects. This entails R&D outputs filled by the public knowledge providers and science councils. Innovation workshops in partnership with the NIPMO and public knowledge providers will be held for policy advocacy and showing available market-ready technologies. Matchmaking sessions will be conducted with the aim of identifying potential technology adopters from the pool of MSMEs and Co-operatives.

Different memorandums of agreement will be explored with the rationale of creating a smoothing working collaboration with technology developers. This will remove barriers and challenges that MSMEs are facing with accessing services of the university and science council office of technology transfer.

To effectively adopt 4IR technologies, critical infrastructure and business development support with capable personnel will need to be put in place within incubation centres, in particular the DHs. This will be followed by a designation of key 4IR technologies for commercialisation based on market intelligence data.

IP understanding remains a challenge and the developed SHIDHSS will offer capacity building for incubation practitioners and create advocacy and awareness to MSMEs and Co-operatives.

Commercialisation of R&D results will improve the country's industrial base and nurture the start-up and growth of new innovative MSMEs, and Co-operatives engaged in value-added and on both levers of technology (medium, and high-technology-related activities) over some time. The SHIDHSS intends to strengthen the functional linkage between research actors and MSMEs and Co-operatives. This process will contribute to the creation of new industries/sectors with the support of an incubation centre, as a mechanism for support. The developed economic sector-specific masterplan/framework will be strengthened by the incubation centre through creating an enabling environment of financial and non-financial support. The centre will play an immense complementary role whereby it will house these MSMEs and co-operatives and offer them tailored business support in line with masterplan objectives.

It is important to accelerate the commercialisation of innovative ideas in the market, which will result in an increase in the innovation base. The DSBD will need to create an innovation programme that will encourage technology-push/pull products and services at the BIs and DHs. This will be informed by market intelligence information on the new solutions required in the market. This will inform the type of solutions through MSMEs incubated and encourage application of new solutions to the market innovation chasm.

The SHIDHS will create a viable entrepreneurial ecosystem with the involvement of R&D actors, university and science council, funders, and government. Incubation centres will play a facilitation role whereby they create relationships with various knowledge providers for the benefit of MSMEs within their portfolio.

Incubation centres without capabilities to advance the physical set-up, will have a technology development support facility (makers space) to help accelerate the translation of innovative ideas into commercial products and services. This is an international practice which enables business incubators to play an active role in the innovation value chain from inception until the commercial phase.

5.2.2 Creation of an Innovation Programme

The innovation programme will incentivise the creation of proof of concept, market readiness and business readiness support to MSMEs. The incubation alumni would have creations that require support for upscaling their concepts to market and attracting investment. In certain instances, to convince investors of early-stage market testing, results may be required to influence their favourable decision. This calls for start-up incentives that support proof of concept in the market, for improvements in business readiness.

The R&D is a capital-intensive exercise that MSMEs and co-operatives may fall short of to undertake on their own. The intended incentive will aid MSMEs and co-operatives to source support along the technology readiness level (proof of concept, technology development, and commercialisation). The programme will accelerate the participation of MSMEs and co-operatives on technology-intensive activities.

The programme will internationalise the new technology industry with the market orientations for new offerings. The programme functionality will be aligned with the existing offerings to respond to the missing gaps in the innovation value chain. The nature of the programme is to supplement the ecosystem. The development of the innovation programme will take into cognisance existing programmes that support innovation. The Technology Innovation Agency has a Seed Funding programme, but its focus is a project of TRL 3. The Incubation centre innovation programme will support the project from the idea phase, TRL 2, until the commercial phase. The development of the programme will happen, taking into consideration the funding policy and consultation with the Small Enterprise Finance Agency that will take place on the determination of viable market acceptable fund.

5.2.3 A Partnership Approach

The SHIDHSS proposes the identification of key stakeholders to cultivate an incubation ecosystem in a partnership model. This process will be supported by activities and programmes of implementation, which will be informed by stakeholder institution mandates. A stakeholder incubation collaboration forum will be formulated as part of an effort to create partnerships and to consolidate the ecosystem. The consolidation will allow close working relation set-up with aligned activities.

A partnership approach with other sister departments offering similar services is to be prioritised to avail a wider spectrum of support to MSMEs requiring such support. Additionally, the partnerships will assist in streamlining offerings in a consolidated manner, which will expand the options and opportunities available for exploration by MSMEs. Resources will also be utilised effectively, thereby allowing the realisation of integrated service delivery goals efficiency.

The need for a collaborative approach involving government, private sector, academic institutions, and civil society is essential.

³⁷The National Development Plan advocates for support for MSMEs through better coordination of relevant agencies, development finance institutions, and public and private incubators.

Cooperation among stakeholders is crucial to the success of the strategy in the South African context. The South African context presents both challenges and opportunities for business incubation and the support of small enterprises.

The strategy seeks to create a collaborative platform where stakeholders can co-work together. Partnerships are important for fostering the growth and success of supported MSMEs. These collaborative platforms will play a critical role in offering business development support services which, amongst others, will include funding, market access facilitation and intelligence, training programmes, business linkages, and commercial agreements.

An active ecosystem will provide economic diversification through the development of MSMEs and Co-operatives in different economic sectors. The SHIDHSS ecosystem encourages linkages between MSMEs and big industries acting as local suppliers, thus creating new streams of locally developed products. Although attempts to bridge the gap between MSMEs and big businesses are happening, this process needs to be intentional through rigorous policy interventions. The SHIDHSS interventions will formulate activities which will strengthen ESD partnerships.

5.2.4 Shared Database Development

The starting point is to develop a database of available Centres supported by both the public and private sectors and profiling MSMEs that are on incubation support. This includes those that went through and have graduated within the public and private sectors. There should be ongoing updates as new intakes get enrolled at respective centres. Linkages with responsible Business Advisors for monitoring through a set schedule to track developments and graduates' developments and their enterprise performance should be followed up over a set period and reported quarterly to track performance.

A similar kind of approach can be followed with private sector incubation centres wherein a social compact may be developed to integrate and share methodologies. Sharing of databases of profiled MSMEs would be a positive initiative that will encourage shared processes and development pointers.

37 National Planning Commission. 2012. *National Development Plan 2030*.

Shared databases will help the ecosystem to easily track incubation graduates and remove double-dipping. This process will also help institutions to align their support with the intention of removing a duplication of effort. The shared database will allow practitioners within the ecosystem to be fully aware of the activities taking place in terms of the nature of support and intended outcomes.

5.2.5 Incubators and Accelerators Continuous Technology Improvements

Incubation centres are established to coach and mentor MSMEs to adopt and advance relevant and current sector good practice that position them for competitive and responsive systems to address current sector challenges. This being the case, they must be positioned to move with the times, especially regarding technological requirements as the programme is primarily poised for technology transfer to attract efficiencies that come with the use of technology. It should also be appreciated that the speed of change in this regard is overwhelming, and as much as it is an element that is highly capital intensive, it cannot however be ignored if the true intention is to render these MSMEs and Co-operatives competitive.

Most centres were established in the early years of the incubation programme inception and implementation and in the case whereby technology is outdated it defeats the purpose of introducing MSMEs and Co-operatives to new trends. The old established incubators will be saddled with technologies that are more than five years old. This challenge may be identified in the areas of equipment, machinery, software systems and other tools used to train these MSMEs and Co-operatives. Considering the speed at which change occurs in technology, support is imperative to ensure that MSMEs and Co-operatives are afforded the opportunity to access support and learning that is aligned to the current methodologies and practices. Available options regarding access to up-to-date technology may as well be considered. These options may even be in the form of leasing, that leaves the option of maintenance with the lessor where this option is economical and available.

5.2.6 Performance Self-Assessments

A culture of performance self-assessment should be encouraged among incubators and MSMEs and Co-operatives supported through the programme. The performance self-assessment will offer valuable input to monitor progress on the existing interventions and to identify areas of improvement. The self-assessment will assist to identify opportunities to improve processes and forge synergies between stakeholders within the ecosystem.

Organisations and MSMEs alike have a set of elements that can be used as indicators of their measures for good performance. These elements should be identified at the level of incubators and hubs as well as in the case of MSMEs supported and for those comprising members of the alumni. Once these are known, a process of self-assessment within stipulated time frames will assist in creating self-awareness of areas fully developed and those underdeveloped geared towards supporting the positive achievement of objectives of those that undermine performance and influence negative performance. Self-assessments are the starting point of creating awareness towards a decisive action plan towards continuous improvement.

Effective support through services delivered for MSMEs growth non-financial based, incubation support should include mechanisms that promote self-assessment on the efficiency and effectiveness of support that is delivered to MSMEs and, in turn, the businesses supported should follow suit through a self-assessment using relevant and proven diagnostic tools. This process is to enhance the performance of the programme and to encourage a culture of continuous improvement and learning through benchmarking.

In addition to the self-assessment, there should be ongoing monitoring and evaluation (M&E) of incubators performance for continuous improvement. It is important to take note of the existence of M&E systems within business incubators. However, they tend to fall short of achieving the desired results. These M&E systems fail to capture the long-term impact of incubators on the local and national economy space. The development of the SHIDHSS will help to modernise performance of business incubators responding to limitations and prescribing mechanisms to alleviate these systems. It is critical to highlight the essence of instruments in use to collect data on MSMEs and Co-operatives because this should be able to track the performance post the incubation phase.

5.2.7 Organising Incubation Stakeholders

Organisation of the incubation sector is highly important. This involves the creation of an organised structure by members to which stakeholders in the incubation space, both in the private and public sectors, can affiliate. The benefits of this initiative are indicated in several factors. These include professional development, networking opportunities, access to members' knowledge bank, access to industry heavyweights to share experiences and access to education regarding best practices and other benefits.

The process of organising incubation stakeholders should follow the process where firstly, the objectives are determined. Aspects such as clarity of purpose in terms of what this initiative is intended to achieve, outlining the aspects of association amongst members and how to derive the intended benefits for members together with other relevant aspects.

5.2.8 Yearly Incubation Indaba

An incubation indaba, which is a discussion workshop conducted by members or stakeholders in this space to discuss developmental factors that influence incubation and share ideas on how to develop the profession to achieve better outputs is also an area for exploration. The members of the incubation community should meet annually to discuss factors that share developmental aspects, lessons, and systems development.

The approach of hosting indabas will create enabling systems where there is an availability of knowledge, tools and resources to build a viable incubation ecosystem. This helps to formulate new programmes to deliver change and growth to MSMEs. Lessons shared from indaba platform can be used as empirical data set to inform decision making by policy makers. It is crucial that an Incubation Indaba should not be viewed as an event hosting, but should be followed by formulation of the intervention plan of critical issues unpacked.

5.2.9 Building E-Commerce Platforms for MSMEs

With the knowledge that market access is a challenge that causes most of MSMEs and Co-operatives demise. An online market platform where MSMEs and Co-operatives can advertise their products and services is essential in order to change the performance of beneficiaries. This would be a one-stop shared market place where suppliers and buyers interface.

The e-commerce platforms should be developed or have an integration into existing systems for the incubation programme cohort MSMEs and Co-operatives for market access opportunities. The e-commerce market platform will enable MSMEs and Co-operatives to advertise their products and services, and this is valuable in attempts to broaden their market exposure. The platform will also serve as a one-stop market place where suppliers and buyers interface. Additional support such as product enhancement support and resources will be easily accessible by the MSMEs and Co-operatives.

The SHIDHSS needs to create market awareness opportunities for MSMEs and Co-operatives within the incubation programme. This process requires leveraging existing programmes that are designed to support market access. The e-commerce will provide domestic exhibitions and outward market trade mission information should be easily accessible by MSMEs and Co-operatives.

5.2.10 Incubation Fund of Funds

The creation of financial support at the incubator level will provide applicable types of financing to promote technology-intensive MSMEs and Co-operatives. The incubation ecosystem needs to be alleviated to stimulate the interest of the private sector funding including the venture capital industry.

Fund of funds model needs to be explored to retain resources through the inclusive participation of other key stakeholders. The DSBD, private sectors and venture capital industry need to establish business incubator funding. This fund will focus on two layers. Firstly, a joint partnership funding for the establishment of business incubators and secondly, layer funding opportunities for MSMEs to partners (venture capitalist) participating in the fund through new potential applicants. Venture capital is one of the key players in the financial sector and offers funding support to MSMEs.

The new fund will offer financial support to MSMEs who are looking for capital investment to commercialise their innovations or support operational costs. Venture capitals are often found to be predominantly working with MSMEs under business accelerator programmes. This is mostly attributed to the minimal risk associated with MSMEs on acceleration programmes as they would have advanced their business development growth.

³⁸The availability of the venture capital industry has been a successful tool in supporting high-risk innovative and growth-oriented firms across sectors and regions in the United States. A conducive environment should be created to allow full participation of venture capitalists in the incubation space to increase access to funding for aspiring MSMEs. This will lessen the dependence on developmental funding institutions with the inclusion of venture capitalists on the incubator level. BIs should offer linkages to the venture capital community by making introductions as the start-up companies would have proven themselves (products & services) in the marketplace and by orientating them about the venture capital process and the mindset of the investors to the investees.

This approach will help the venture capital practitioners to create a new pipeline from businesses under the incubation programme. Multinational companies participating in the Equity Equivalent programme should be invited to participate in the new fund in line with their ESD commitments.

38 International Organisation for Knowledge Economy and Enterprise Development, and Istituto per la Promozione Industriale. 2005. Joint Working Paper on Business Incubation and Venture Capital, An International Survey on Synergies and Challenges.



Chapter Six



6. Chapter 6: Implementation Plan

SHIDHSS implementation plan will focus on strategic initiatives being translated into activities that with outputs, outcomes, and impacts.

6.1 SHIDHSS Implementation

Strategic Objective	Target	Output indicator	Activities	Timeline	Resources Required	Responsibility	Impact
Increased MSME and cooperatives access to incubation support	1.Establishment of New Incubators	Incubation Centres	a) Identify new opportunities for establishing new business incubators. b) Establish a partnership with the private sector for funding support. c) Advocate and coordinate sector participation and support in the decision-making for incubation centres through the establishment of sector represented technical advisory committee. d) Ensure alignment and compliance with prescripts entailed in cooperate governance and Companies Act. e) Leverage support from public mandate including enterprise development and infrastructure development.	Ongoing	Financial and non-financial	SEDFA DSBD	Improved coverage of incubation support for SMMEs nationally

Strategic Objective	Target	Output indicator	Activities	Timeline	Resources Required	Responsibility	Impact
High performance and high growth MSMEs and Cooperatives	2.Leverage support for High Impact Incubation Centres	Impactful Incubation Centres	a) Conduct an overview assessment on the incubator technical infrastructure. b) Conduct a comparative evaluation with partner economies and draw lessons. c) Develop an Improvement Plan to upscale the models of incubation. d) Integrate incubators and accelerators standards on incubation centres. e) Remodelling of the incubation programme with well-structured business development support, market analysis and linkages support. f) Capacity building on incubators personnel. g) Deployment of market data analysts h) Prioritise innovation driven MSMEs for support. i) Conduct technology assessments in the incubation centres to align with technology trends.	Ongoing	Financial and non-financial	SEDFA and DSBD	Improved performance and growing MSMEs
		Incubators and Accelerators continuous technology improvement	j) Design and adopt diagnostic tools that will allow incubation centres to conduct self-assessments towards continuous performance improvement. k) Establish monitoring and evaluation digital process for data collection.				
		Support a culture of ongoing Performance Self-Assessment					

Strategic Objective	Target	Output indicator	Activities	Timeline	Resources Required	Responsibility	Impact
		IP advocacy awareness and support	ii). Mobilise private sector and venture capital industry to contribute to the fund.				
		Incubation Fund of Funds	iii) Other areas requiring support to upscale developed innovative solutions to market				

Strategic Objective	Target	Output indicator	Activities	Timeline	Resources Required	Responsibility	Impact
Collaborations towards strengthening of support	4. Network of knowledge sharing	Partnership Approach Organising incubation stakeholder. Co-location of public sector incubation concepts – (One-Stop Shop) Shared Database Development	a) Establish partnerships with: i) Sector departments driving incubation and innovation ecosystem; and ii) Amongst incubation peers b) host incubation indaba/ conferences. c) Support organisation of incubation stakeholder and develop shared platforms to encourage: i) single entry and exit; ii) registration of innovations; and iii) development of databases and tracing mechanisms through: 1. alumni association establishment; and 2. Peer-to-peer networking platforms. 3. Introduce tracking system for incubation graduates.	Ongoing	Financial and non-financial	DSBD, SEDFA, Sector Department, and Private Sector partners	Strengthened Incubation Ecosystem

6.2 Monitoring and Evaluation

M&E offers support for oversight on the implementation of the SHIDHSS. The M&E tends to ensure that there is alignment between strategy development and implementation.

To effectively conduct an M&E process, a digitisation of data collection at incubation centres level will be done to enable real-time data collection. The system will be managed at the DSBD and SEDFA programme management team. The M&E system will allow the incubation centre to capture their performance on a monthly and quarterly basis. A physical verification will be done to validate the data captured by the incubation centre. The system will incorporate the current incubation centre business plan performance indicators.

Stakeholder engagement within incubation practitioners will help to assess progress and challenges in the incubation landscape. This will help to re-evaluate programmes and projects being implemented to align their evolving development.

The DSBD and SEDFA annual performance plan will have performance indicators aligned to the SHIDHSS implementation plan.

The logic model outlines the relationship between the inputs and activities performed by the incubation centre and intended outcomes. The Logic model together with the M&E system will help track performance at input, activity, and output levels to enable one to assess progress and impact achievements.



6.3 Logic Model

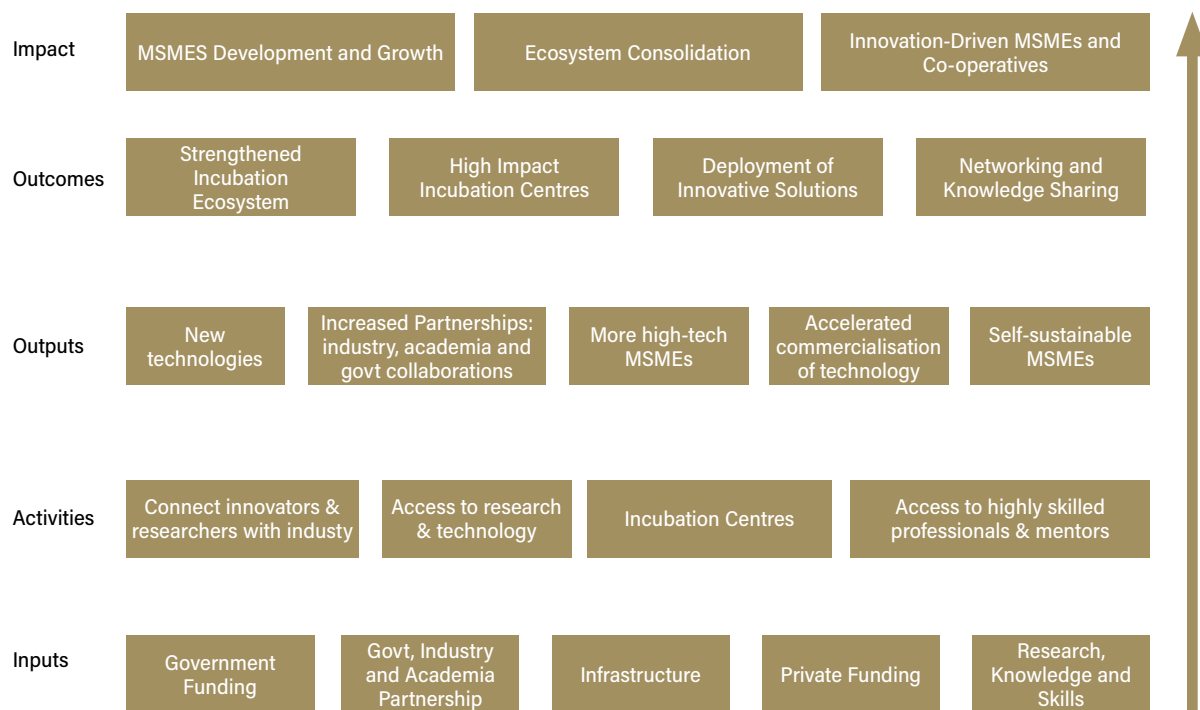


Figure 11: Logic Model

