

Youth Entrepreneurship Survey

KBA Africa Zimbabwe

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A study of Young entrepreneurs in Zimbabwe.

Conducted and compiled by



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Introduction

As we prepared for our inaugural Boot Camp for entrepreneurs, KBA Africa undertook a survey of its Zimbabwean entrepreneurs in October and November, 2016. The objective of this survey was to provide an understanding of who the entrepreneurs are, where they can be found, what businesses they are in, why they are in business and how they manage to survive.

This survey focuses on assessing dimensions needed for business success, including;

-  Sectors represented
-  Challenges
-  Funding options
-  Growth
-  Marketing and sales
-  Support

The sample size comprised of 80 respondents from the 250 countrywide entrepreneurs KBA Africa has in its Zimbabwean database. Despite the size of the sample size, the KBA Africa team believes that the results are an indication of countrywide youth entrepreneurship trends.

The majority (80%) of respondents completed the questionnaire on the KBA Africa website, the rest sent their responses via email. 80% of the responses were from Harare, and the rest were from other centres in Zimbabwe with a few (5%) from Zimbabweans based in South Africa. Although the KBA Africa database is comprised of 65% males, the survey respondents were 50% males and 50% females.

The questionnaires were completed by 30 November, 2016.

Executive Summary

Zimbabwean youths are drawn to entrepreneurship out of both necessity (to escape unemployment and build livelihoods) and opportunity (to realize their vision and contribute to their country and community). A mix of factors – institutional, social and personal traits tend to foster or impede youth entrepreneurship in Zimbabwe. While well recognised constraints in the business environment (e.g., access to credit, access to markets) undoubtedly play an important role, other factors such as positive societal support and culture of entrepreneurship are also critical for fostering youth entrepreneurship.

Young people represent more than 60% of Zimbabwe's population, leading to the "demographic dividend" as the new buzzword of the development assistance and business world. In the aftermath of the global financial crisis, youth unemployment has been recognised as one of the major challenges of our times. In the Zimbabwean context, the term 'youth' typically refers to people between the ages 15-35.

The KBA Africa survey highlighted the fact that access to funding is the greatest challenge most (35%) of the young entrepreneurs faced.

Most (60%) young entrepreneurs were not familiar with conditions they need to meet in order to start a business or obtain a loan, and as such only 40% attempted to seek institutional funding for their ventures. They were also not aware of all the supporting institutions and services available to them.

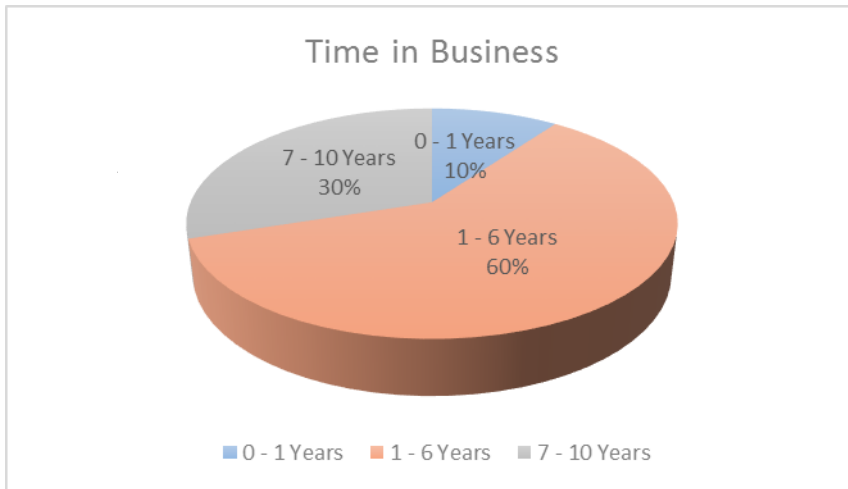
Despite optimism and ambition, youth entrepreneurs continue to face challenges. The top 5 hurdles faced according to the survey include: lack of access to funding 35%, negative economic factors 15%, competition 15%, lack of access to good advice 15%, lack of self-belief 10%, and limited support structures 10%.

With regards to lack of access to good advice, the survey found that family and friends are the most trusted source of advice, at 40%. One in five (20%) have asked family and friends to help finance them.

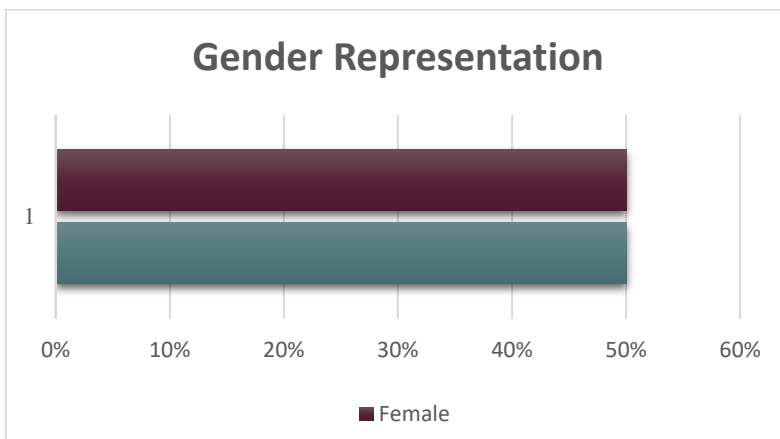
30% of the young respondents said they sought the counsel of experienced entrepreneurs, with one in five asking them to be mentors.

Word of mouth (30%) is the most popular marketing medium, followed by fliers 20% and social media- mostly FaceBook at 20%, followed by direct sales and posters. Paid-for media is used by only 20% of the young entrepreneurs.

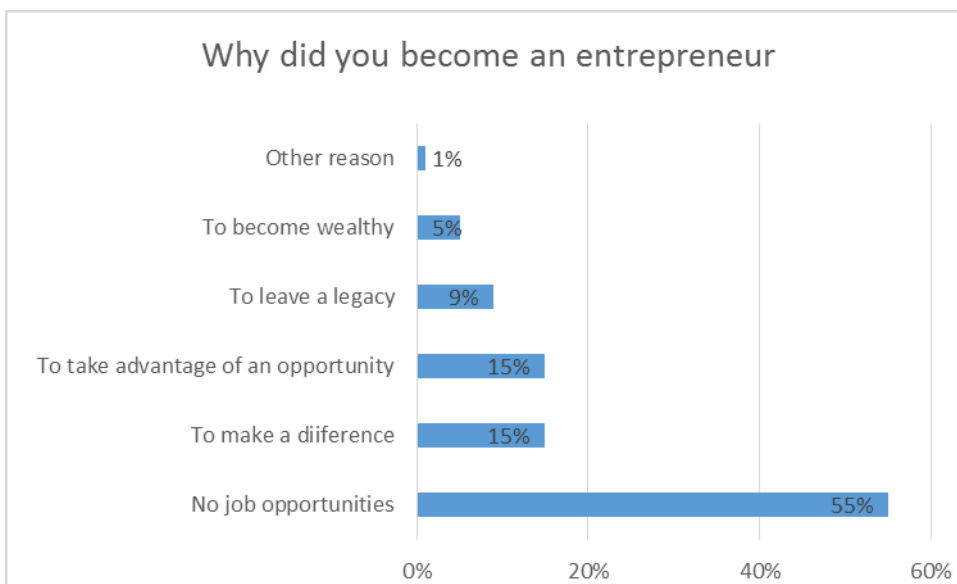
Respondent Profile



Most respondents have been in business between 1 and 6 years

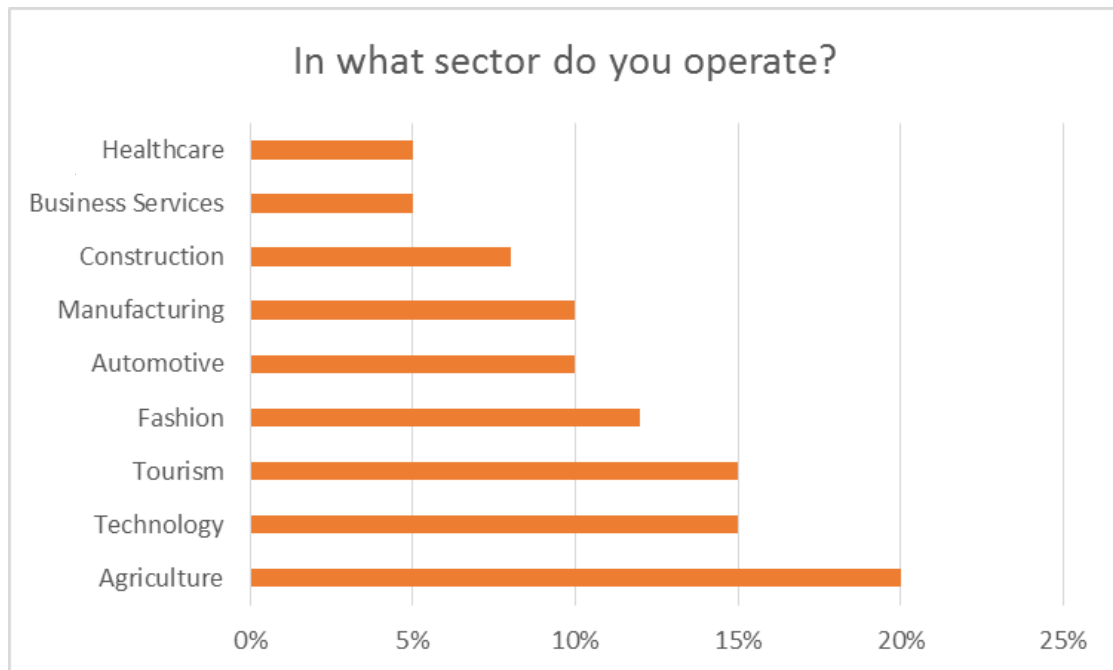


Males and females are equally represented

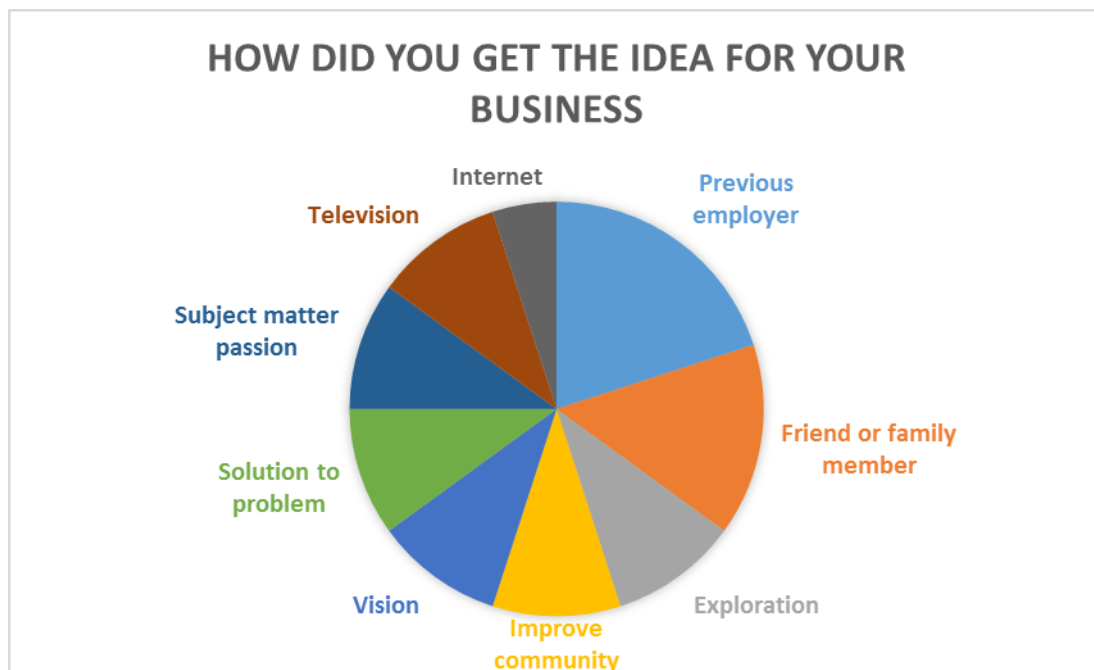


Most young people are pushed into entrepreneurship because of the lack of job opportunities

Sectors Represented

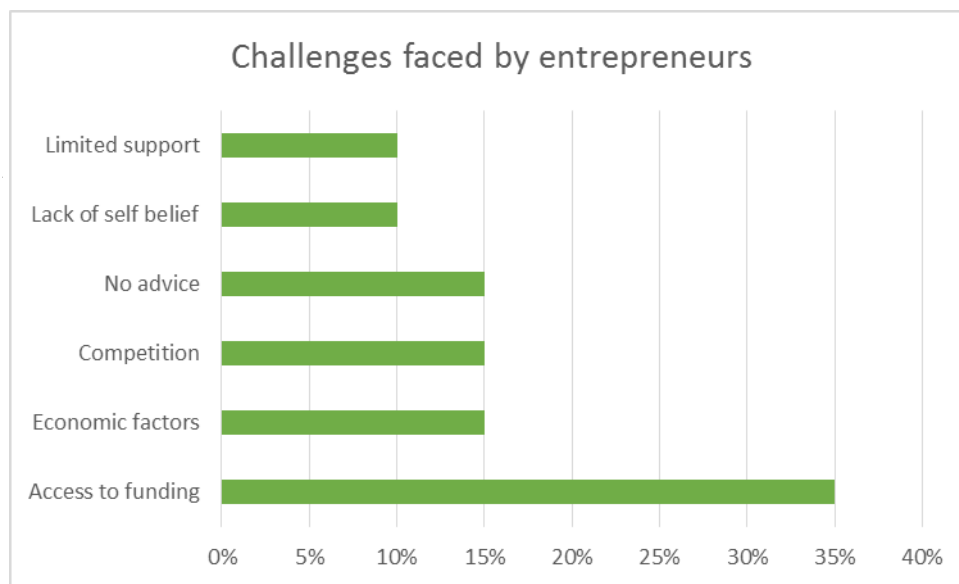


Agriculture had the highest representation, followed by technology and tourism. Young entrepreneurs showed innovative solutions in the agriculture and technology sectors. Noticeably absent was the energy sector, these were no entrepreneurs with energy related or energy value chain projects.



The majority of business ideas were obtained from a previous employer or an idea from a family member.

Challenges Faced



Access to funding was the greatest challenge (35%) entrepreneurs faced. Additional difficulties highlighted regarding funding included:

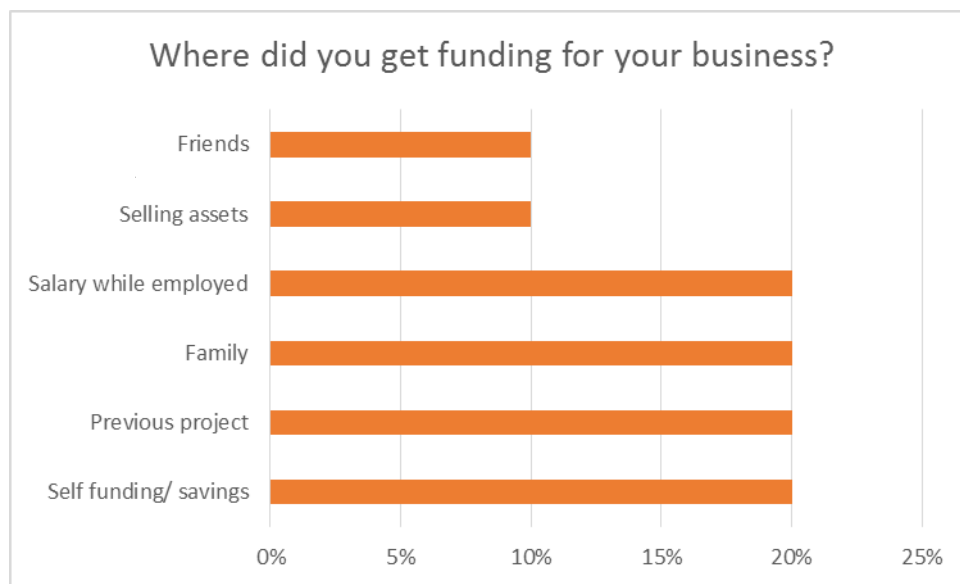
- Lack of information regarding available funding options for start-ups (other than business loans from the banks),
- Insufficient knowledge on drafting a funding proposal or a business plan.

The Key Economic factor affecting businesses in Zimbabwe (15%) that was highlighted was the cash shortage which limited the flow of money into our respondent's businesses.



Challenges to do with funding were further highlighted when the young entrepreneurs were asked to identify where they required support for their businesses.

Funding Options



Access to funding was cited as the premier challenge facing young Zimbabwean entrepreneurs, however 20% managed to raise the cash required to start their businesses from personal funds and/ or savings. Most of these youth owned businesses seem to have low initial capital outlay requirements which allowed them easier entry into the market.

Only 40% of the entrepreneurs have formally applied for funding for their business. Most have little information on access to funds, types of funding and requirements for funding.

Entrepreneurial insight from team KBA Africa:

“There is more to raising capital than just simply asking for money. Most investors want to invest in already established businesses with minimal risk and they want to be sure that they get returns for the risk they take. Most brilliant business ideas never scale through the venture capital stage because the entrepreneur is either not prepared or lacks what it takes to raise the needed capital. To overcome the challenge of raising capital, an entrepreneur must develop the ability to sell their idea and vision to potential investors.. In the game of raising capital, an entrepreneur must have a good story to tell; backed by a strong business plan and good persuasion skills.”

Growth

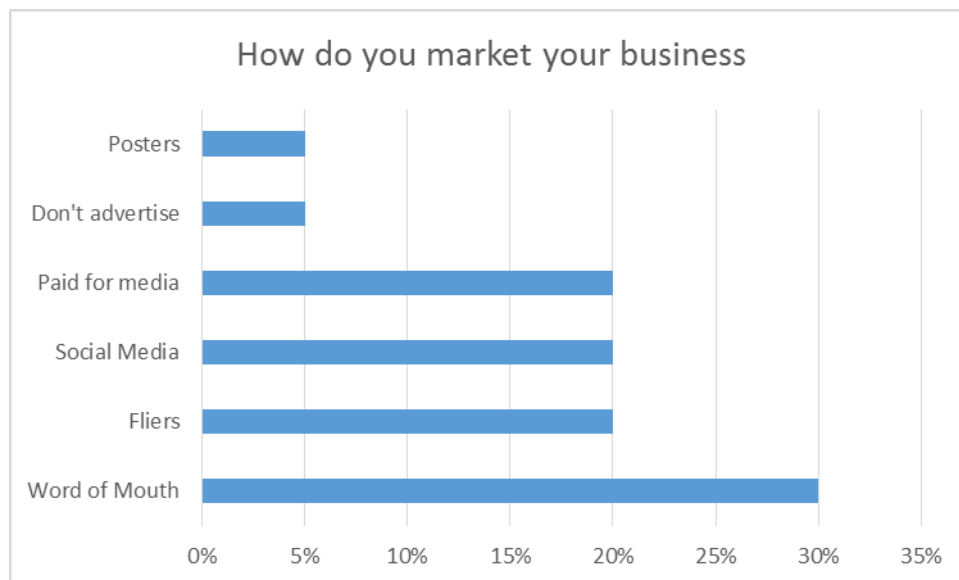
One issue that was highlighted by the young entrepreneurs, is that they struggle financially for a while before their business becomes profitable. In the mean-time, they work long hours and for little to no pay. They state that growth is desirable but is not a focus as, at the time, the entrepreneurs are focused on survival.

All the entrepreneurs were aware of the fact that they needed assistance financial, technical or otherwise to get to the next level, however, only 25% of them were prepared to financially invest in their development.

100% of the businesses claimed to be profitable.

Marketing and Sales

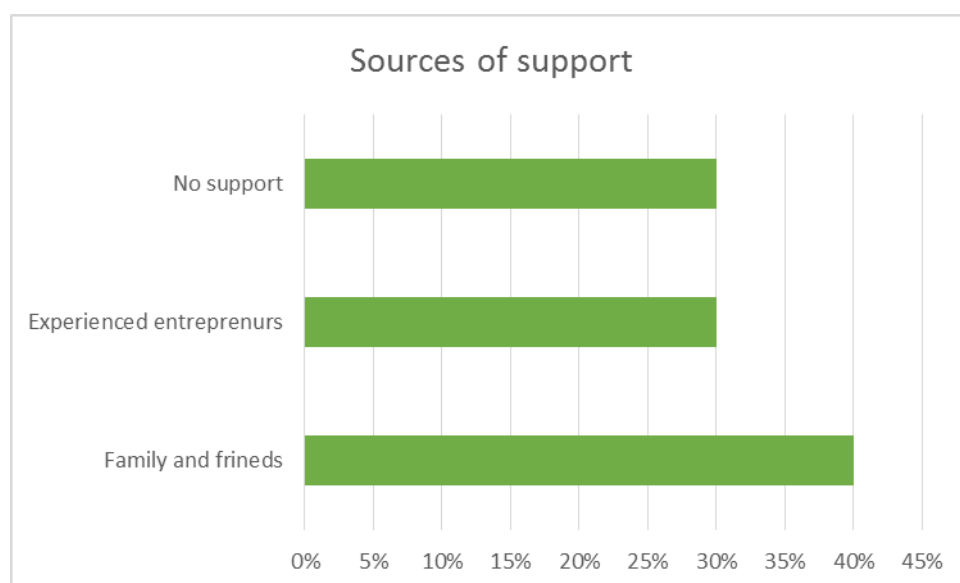
Many entrepreneurs believe that a quality product will simply sell itself, and because of that, they do not have a budget for marketing and decide that marketing can be done later. Nothing could be further from the truth: While creating a business plan, a detailed marketing plan should be created which identifies target market, competition, and which marketing channels will best serve the business. Word of mouth was cited as the most popular marketing tool used by the young entrepreneurs at 30%, followed by fliers and social media at 20% respectively.



Support

Entrepreneurs are the driving force behind creating and growing new businesses. They are driven, assertive and independent, however, it's a known fact that entrepreneurship is a lonely path.

Although the entrepreneurs who participated in the survey said their family and friends found it difficult to understand their entrepreneurial drive, 40% still relied on their support. 30% of the young entrepreneurs found support in colleagues and industry connections, whereas 30% had no source of support.



Knowing where to find the right support network isn't always easy. A few good places for the entrepreneurs to start include business-focused networking events as well as online forums and groups created specifically for young people in business.

The abilities that help entrepreneurs launch a business are not the same as those needed to help it grow. Thus it's important for the young entrepreneurs to realise that they need training and/ or mentorship to acquire the skills and attitudes required to lead growth. 20% of our entrepreneurs expressed a desire to have a mentor.

Conclusion

KBA Africa's definition of an entrepreneur:

“An entrepreneur is an economic leader who possesses the ability to recognise opportunities for the successful introduction of a new product, new sources of supply, new technique of production etc and who assembled the necessary resources and organises them into a going concern.”

In spite of the challenges our surveyed entrepreneurs face, there are still many stories of success, heroes and heroines, who have defied the odds and are taking their businesses to the next level.

KBA Africa

KBA Africa is an African Business Incubation organisation specialising in accelerating the growth and increasing the success rate of start-up, early stage and growth focused Small and Medium Enterprises including Social Enterprises.



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