The Startup Recipe

THE STARTUP RECIPE:
A GUIDE FOR YOUNG ENTREPRENEURS

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FOR MY YOU

Your name will forever be engraved in my heart.

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ACKNOWLEDGEMENTS

Let us be grateful to people who make us happy, they are the charming gardeners who make our souls blossom.
– Marcel Proust

First and foremost, I thank the Almighty God, my loving Lord for the strength and energy to be able to write this book. This passion, wisdom and dedication to tirelessly share my business know how with my peers. I thank the Almighty Lord for the ability to exercise patience in my endeavours of building The Startup Mzansi Foundation, a youth entrepreneurial development organisation supporting innovative entrepreneurship in South Africa.

I thank the Lord for instilling in me the spirit of winning by all means, the tenacity of achieving this goal under trying and difficult times, for making me believe in myself. I thank the Lord for the undying love for people – as diverse as they are –, for the forgiveness of my sins, for the rain, the sun, the air, the mountains, the rivers, technology and all creations in this world.

I truly thank the Lord for my late grandmother, Topsy Shabangu, for my chosen career path, for my associates, for my church, my true friends, my few relatives, my reliable staff, my helpful neighbours, for my beloved *My You* – Kedumetse Mampane – and the gift of life itself.

God's love is really amazing. It is because of this love that I have found confidence and courage to write this book to help aspirant young entrepreneurs realise their dreams. This book is about converting those dreams to hope and reality.

I would also like to take this opportunity to thank all those who have contributed to my development and progress in life, those that have helped shape my entire outlook towards life in general. You all know who you are, a very big thank you.

READ ME FIRST

*"My vision is that in 20 years…. The Startup Mzansi Foundation
will become a sustainable and an invaluable resource for young
startup creators. I would like to create more than a legacy; rather a
heritage. My vision is simple because I am not a complicated person
and I do not view the world as complicated. I may not bring all the
knowledge on entrepreneurship and innovation – that is inherent in
our country – I bring my youngness, energy and vision. It is all about
doing good and that is my focus."*
– Sandile Shabangu

At a time when South Africa's biggest issue is youth unemployment, businesses and government must work together to help young people develop an entrepreneurial mindset. That means fostering a culture which supports young people to take risks, set up businesses, create jobs and become masters of their own destiny. Whether it's through finance, mentoring, incentives or training, we must all play our part so that this generation can achieve its full potential.

In my view, priority should be given towards the development of startup businesses, especially those by young people. I believe that young people have the ideas, passion, drive, and determination to move our country forward, old people have the wisdom that can guide and fuel the young on the approaches they should take in making their ideas happen. We need to vigorously push for, encourage and stimulate an entrepreneurial mindset in young people. We can only achieve a better life for all by enabling young entrepreneurs to thrive so that many others are empowered.

At The Startup Foundation, we believe in boosting entrepreneurship through education, and that a cultural shift is necessary for youth entrepreneurship and innovation to accelerate. We believe that there is a very strong need for more innovative funding models and

that our government needs to play a more supportive role. We believe that young people will be the driving force behind our economic prosperity in the coming decades, but we need policies and programs to enhance their opportunities.

The foundation seeks to tell a new story about the role of young people in South Africa. Rather than viewing them as 'problems to be solved', we need to recognize and support their role as innovative and creative thinkers. We need to engage them as partners in development, equipping them with the know-how and tools to impact their own lives and uplift their own communities.

At the core of our work is creating new possibilities for young people. We encourage young people to become startup creators and take risks, to give life and sustainability to big ideas.

With the formidable challenges facing South Africa's young people today, the final lesson is that no idea can be too big or too small. Together, we must confront these challenges. The time to startup is now.

The reason I decided to write this book is because it devastates me to see young startup creators who have good ideas fail because they lack methodology and guidance. What a waste! Through this book I want to help young people build a successful startup business by taking the right actions at the right time.

I present this detailed, easy to follow, step by step book to all aspiring young startup creators. I hope that this book will make a positive impact in your life as you emerge from being a startup creator to becoming a sustainable innovative startup evangelist. I hope it will help you convert your ideas and dreams into realities.

Best of luck,

Sandile Shabangu   January 2015

CHAPTER ONE:

INTRODUCTION TO THE FUNDAMENTALS OF STARTUP ENTREPRENEURSHIP

WORKING WITH THE RIGHT METHODOLOGY

'd like to this begin by explaining a base that I believe every startup should be built upon. Look at my story below:

Back in 2010, I worked for several months building a website design software for schools. I was working on an alpha version for several weeks; then, I began to connect with potential clients and show them what I had done in order to get feedback (and hoping to turn some of them into tangible clients).

I was excited to start showing my "baby" to the real world. But no magic happened ... People were just not that interested in what I had built.

After a few more weeks it started to become clear that I was working on something that people didn't want or maybe they didn't know that they want at all. According to me, my product was solving a problem, but NOT according to my prospective clients.

I came to the conclusion that all these months spent working on my brainchild had been:

- a waste of time;
- a waste of money, and;
- a waste of energy.

I must admit that it was a serious blow to my pride. Uncomfortable moments right there.

Since that day I have read hundreds of articles about entrepreneurship; I have connected with startup leaders from all over the world, been to dozen conferences… I even attended the University of Cape Town… All in order to better understand how to build successful businesses.

And since then I have been exposed to a methodology which generates much more success. It increases your chances at succeeding. Today, I use it to build all my products and services (I even used it to build The Startup Foundation):

Marketing and selling the product. Then, building it.

Setting up such strategy looks counter traditional teachings. Is it impossible to set it up for your startup though? Think about how crowdfunding campaigns work. Startup Creators on platforms like IndieGogo ask for money way before building their product/service. The day they start creating their product, they know that they already have a market for it.

In this book, you are going to learn how to set up a similar strategy - getting people to buy your product even before building it - so that you will be more prepared to create a successful business!

UNDERSTANDING THE SIGNIFICANCE OF BUILDING YOUR OWN COMMUNITY

"Make friends even before you need them"

In order to market your product before building it, you'll need to create your market.

The best way to "create a market", is to grow your own community of potential customers around your startup. Before telling you how to do it concretely, please take time to understand the reasons why building a community is so important for an early-stage startup.

I will point out the three main reasons:

1) GETTING FEEDBACK MORE EASILY
When working on your startup, you will need feedback in order to know if you're heading in the right direction: interviewing potential customers, sending them surveys, analyzing statistics...et cetera.

Startup Creators surrounded by a community are more likely to succeed as they have direct and easy access to opinions of potential customers. They can "test" the offer they are building without much or any effort.

Another benefit is that by intermingling frequently with community members, you naturally learn about them: who they are, what are their goals and problems.

2) DECREASING YOUR MARKETING COSTS
Attracting your first customers is hard, that is why you do not want to repeat the process again and again. If you focus on growing your community, you are going to turn some members into real fans of your startup project. They'll share to their network that you are a dependable expert. Little by little, you'll see that new people will want to engage with you even if you do not make any special effort. You'll start benefiting from the power of word-of-mouth.

3) IMPROVING YOUR MARKETING PROCESS
People are less likely to buy from random strangers. However, when you focus on building your community, you build a very strong relationship with associates. The day you launch a product, your members will be more willing to buy from you because they already trust you and know that you're an expert in your field.

Now that you understand better the importance of building your own community of potential customers, we are going to see how to create   it.

CHAPTER TWO:
BE A STARTUP CREATOR

"The Startup Creator takes unconditional reaction ability in any given situation they find themselves in. In other words, they recognise that they can choose how they respond to a situation."

WHAT IS A STARTUP CREATOR, YOU MAY ASK?

Well this is the most important thing you'll learn in this book. That's why I am telling you now.

If you get this now, it will change everything in your life ahead. You will have more fun, work better with your team and create a kick ass startup. Without it you'll stress more, complain more and generally underachieve.

Up until now, like many students you may be used to learning passively. I mean that you sit in class whilst the teacher talks, you make notes and write the homework assignments. Fairly standard stuff.

Personally, I do not think the education system we have right now works that well. And the main reason is that it limits students to wait to be told what to do. And I don't think that works well in the ever more complex, fast-paced 21st century. I think the world needs more young people who can do work that matters, who can solve problems, think creatively.

This book is designed in order for you to learn in action as you practically apply new ideas and concepts in your startup projects.

I would love it if you could shift from learning passively to actively taking responsibility for what you are inspired to learn. My wish is that you become a Creator, working towards the goals you decided to work towards *because you want to.* Not because someone is telling / making you do it.

Let me unpack this a little bit more and make it really practical.

We'll explore at the two ways how people view the world. One is pretty common, the other much less so.

THE VICTIM

The victim puts the locus or source of control outside themselves in the world. The *react* to challenging situations they find themselves in by blaming others – be that people or events. By so doing they put themselves in a position of helplessness. The victim has a persecutor of some kind, a condition or circumstance that is not wanted or desirable to them.

The key here is that they avoid taking responsibility for their situation and often focus on what they don't want.

You may recognise what I am describing above. No doubt you will have been orienting from this way of seeing the world in your life at times. Maybe more often than you'd like to admit. Do not despair, I do it too!

The problem is that this way of seeing the world makes you powerless. How can you succeed with growing your startup if all you see is problems and complain when things get challenging? It's just not an entrepreneurial way of seeing the world.

THE CREATOR

Let's look at another way of seeing the world.

The Creator takes unconditional reaction ability in any given situation they find themselves in. In other words, they recognise that they can choose how they respond to a situation.

They place their locus of control firmly within themselves and avoid blaming others.

They focus their attention on the goal or positive outcome that they want in any given situation. As a result, they become much more effective leaders and Startup Creators.

Starting to get why I am telling you this now? As you move through your journey as a startup entrepreneur you are guaranteed to encounter challenging situations. That's what makes it special. You can choose how you respond to the experiences you encounter. As a Victim or as a Creator.

HOW DO YOU SHIFT TO BE A CREATOR?

It's pretty simple but definitely not easy. We can be really attached to complaining. Just look around you in the world.

We shift by asking: *what do I want*? *What is it that I am longing for*?

If you encounter a particular situation that is challenging, focus on the positive outcome that you want. Then you can take the necessary steps to begin heading towards the positive outcome.

EXERCISE 1: VICTIMS AND CREATORS IN THE WORLD

1. Spend about five minutes identifying prominent people in the world who may be orienting from the Victim mentality. Why do you identify them as orienting from this place? Tip: Think Xenophobia!

2. Now spend five minutes identifying prominent Creators in the world. Why do you see them as Creators?

EXERCISE 2: THE VICTIM AND CREATOR IN YOUR OWN LIFE

With the help of a friend, spend ten minutes talking about a recent time in your life that you may have been orienting as a Victim. What would the situation looked like from the Creator's point of view?

CHAPTER THREE:
WHAT IS SOCIAL ENTREPRENEURSHIP?

"Social entrepreneurs are people who use innovative business practices in order to solve social problems and/or effect social change. They are innovators who are using their skills and knowledge of business and finance to implement positive change in the world."
BeASocialEntrepreneur.org

WHAT IS ENTREPRENEURSHIP AND WHAT MAKES IT SOCIAL?

First let's look at entrepreneurship:

*E**ntrepreneurship*** describes the act (and art) of being an entrepreneur. An entrepreneur is someone who creates new things, or innovates and then turns those innovations into some kind of value exchange, usually economic.

So what makes an entrepreneur social?

There is an ongoing debate about what exactly makes a business social. This is how I would like to define it:

A **social entrepreneur** is guided by a sense of purpose or vision to have an impact in the world over making profit. Making profit is *essential* though. Without it your business won't survive, let alone have the kind of impact you desire it to have. But the vision, purpose or impact comes first.

Traditional businesses are usually guided by one bottom line: *making profit* for their shareholders. The problem with this approach is that it tends to be very short term in its thinking and can have a detrimental impact on the various stakeholders involved and the environment and its resources.

Below is a diagram which I think beautifully illustrates the place of social entrepreneurs compared to traditional companies and NGOs.

PROFIT

Old School Company

New School of Social Entrepreneurs

IMPACT

Old School NGO
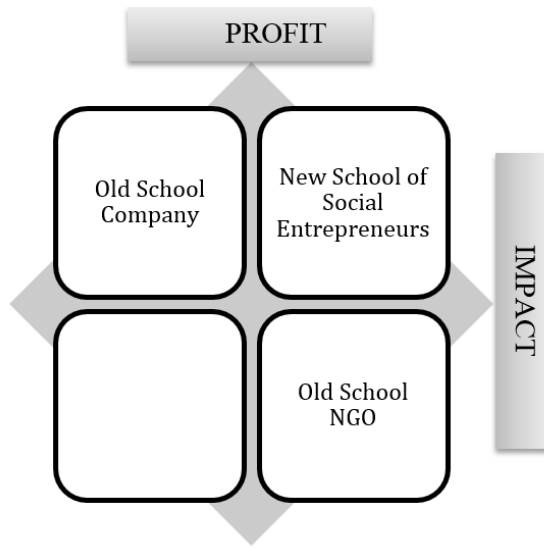
"Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems." Ashoka Foundation

ENTREPRENEURSHIP EMPOWERS EVERYONE!

Everywhere you look more and more people are becoming Startup Creators. They're leaving big companies and deciding to work for themselves and I think this is awesome!

Entrepreneurship is deeply creative. At its core, entrepreneurship is about creating value. It involves you creating something that someone else wants. Not just that - they need it because it makes their life better. It solves a problem they had, makes a job easier, makes them feel better or makes something possible that wasn't before, or faster.....you get the picture.

Now there is a new generation of Startup Creators emerging, the ones that see their work as a vehicle for transformation. Not only

transformation of the world, but also that of themselves. I like to call them *Social or Conscientious Startup Creators*. They are people who put purpose and impact before making a profit. They see profits as being essential, it allows their businesses to thrive and have more impact. But it is not the primary driver of their business.

Put these two together: Entrepreneurship plus a vision to transform the world and you will have one potent transformation cocktail! Rather than being the enemy, as some people these days like to depict, business can be the most powerful vehicle for transformation in the world.

"Just as people cannot live without eating, so a business cannot live without profits. But most people don't live to eat, and neither must businesses live just to make profits."

HERE'S A GREAT DEFINITION OF WHAT A BUSINESS IS:

Roughly defined, a business is a repeatable process that:

1. Creates and delivers something of value....
2. That people want or need...
3. At a price they are willing to pay...
4. In a way that satisfies the customer's needs and expectations....
5. So that the business brings in enough profit to make it worthwhile for the owners to continue operating

WHERE DO IDEAS COME FROM?

"The best ideas come out of the corner of our eye, the edge of our consciousness, in a flash. They are the result of misdirection and random collisions, not grinding corporate onslaught. And yet we waste billions of dollars in time looking for them where they're not."
Seth Gordon

INTRODUCTION TO STARTUP IDEATION

You may be excited thinking about the chance to grow an entrepreneurial idea into something tangible. You may also be wondering what the hell that idea is.

The bad news is that there is no magic formula for coming up with a golden idea (ouch!). The good news is that there are no rules as to what you can create, there are plenty of places to look and surely it is exciting. Think of it like detective work. You're looking for an opportunity to exploit!

To me, **startup ideation** is centered on solving real life problems, with a solution you are passionate about. Notice that I intentionally did not lead with: can you make a lot of money with this idea? Although that is an equally important concept, that analysis will come later. But unless you are passionate about what you are building, your startup will most likely not survive all the potential pitfalls that come along the way. It is much easier to get frustrated and walk away from a business you are not passionate about. It is much harder to walk away from a startup that hits you in your soft spot. And, it is that drive that every good entrepreneur needs, to get through the good times and the bad times.

Launching **Simple Brands (Pty) Ltd** was like that for me. I was passionate about all things digital. And, that passion fueled the business through both the good times and the bad times. When you

are passionate about something, you want it to succeed that much more, regardless what hurdles get thrown your way.

SO, WHAT IS THE BEST WAY TO IDENTIFY REAL WORLD PROBLEMS THAT NEED SOLVING?

Simply living your day-to-day life will identify plenty of opportunities. Every time you get frustrated about an inconvenience you experience, write it down in a notebook. Before you know it, you will have pages of inconveniences, that most-likely, millions of other people are frustrated by the same thing. Then, prioritize that list of inconveniences around the products or services that are most meaningful to you. Perhaps these are your hobbies, or certain interests that really get you excited. And, worth mentioning, the more first-hand experience you have around a topic, the better you will be in building a business around that topic.

So, an example, in my life, I am passionate about many things. I love movies, music, collecting books, traveling, the internet, and spending time with my family, to name few. We already learned Simple Brands was born out of my love of digital. So, what other pain points exist across these topics, that a startup may solve real world problems? As one example, I hate book reviews from professional book critics, as I usually never agree with them. I would rather rely on the book critiques of friends and family that I trust, who best understand my interests and would recommend books that I would most likely enjoy. Voila! There is a startup idea of turning my Facebook friends into book reviewers; in an industry I am passionate about, and with a solution that will improve my life.

So, keep your notebooks handy and you will find startup ideas will be aplenty!!

THE BEST FIVE PLACES TO FIND GREAT BUSINESSES IDEAS!

1. LOOK AT YOU PASSION!

This is the best place to find an idea and the most important thing to have as an entrepreneur. If you are passionate about something you'll likely know a lot about it. You'll be familiar with the world of that passion and what's going on, the trends, the fads, and the next big thing. You may even be an expert in it. You might see opportunities – something on the horizon that most people don't see yet.

The other great thing about passion is that you're going to need it on the journey ahead. The journey will be tough and if you are working on something you don't care about you are likely to give up. If you think about it, it's kinda crazy to start something you're not passionate about.

2. LOOK AT YOUR LIFE!

Here's a way you can look at your life to find a great entrepreneurial idea. Look for the things that annoy you the most. Is there an experience that you have, perhaps even daily where something doesn't quiet work well as it could?

If so, this could be a great entrepreneurial opportunity. Perhaps, you can see a way to improve the experience? Some kind of product, service, website or whatever that would have that experience go more smoothly, with less stress (or even have it disappear altogether). Many great entrepreneurial ideas came from people deciding to solve problems that annoyed them.

So get your detective hat on and see what you can find in your daily experience that could be a great entrepreneurial opportunity.

3. LOOK AT YOU PURPOSE!

This one is closely tied with passion. What kind of impact do you feel inspired to create in the world? Think big now. Think global. Imagine if you could do something and resources where no barrier, you were destined to succeed. What would that thing be? This thing should send shivers down your back.

Aligning with a purpose like this can have you think and act in ways that surprise you as you work to achieve an idea that is bigger than who you are. Imagine waking up each morning on a mission to grow an idea aligned with deep purpose!

4. LOOK AT OTHERS!

It's time to steal from the world around you. Look at the initiatives, projects and businesses of those that inspire you. What can you learn from them? How can you take what they've done and make it your own? In a sense there are no absolutely unique ideas. Everything has been influenced by someone else.

The great thing is that even if you try to copy someone else you'll make mistakes. Unique, personal mistakes that transform a project into something that is uniquely yours!

5. LOOK AT TECHNOLOGY!

New technology creates new possibilities. Technology literally shapes society by influencing that way we behave and interact with each other. There is a huge area of potentiality opened up by harnessing technology to innovate and improve the way we do existing things. One technology, the internet, opens up to a global audience and means we can reach a specific niche of people who may be interested in just what we have to offer.

BONUS: LOOK RADICALLY!

If we truly want to innovate then we may have to look deeper than the everyday life. If we innovate within the systems that already exist

perhaps nothing will really change. We create some ripples on the surface but deep down everything continues like normal.

We may want to look at innovating the very systems that are outdated and out of touch.

How can we begin to innovate the Financial, Educational, Political, Governmental and Judicial systems that hold a tight grip on our world? We can look at anyone of these fields from a meta-perspective, from the outside, and find the seeds of a great entrepreneurial idea.

FIND YOUR TRAIN TICKET

There is a story about Albert Einstein on a train. They say that he couldn't find his ticket after searching through all his pockets and bags. The conductor approached him and said: "Dr. Einstein, everyone knows who you are. We know that Princeton can afford to buy you another train ticket."

To which Einstein replied: "I'm not worried about the money. I need to find the ticket to figure out where I'm going."

Like Einstein, you should worry not about the money, but about where you are going. If you figure out where you're going, the money will come.

EXERCISE 1: TIME FOR DETECTIVE WORK

Use the principles above to uncover your entrepreneurial idea that you would be inspired to develop. As you move through your journey look at your experiences for entrepreneurial opportunities. Notice your passions, your inspirations, what others are doing. Look at the world like an entrepreneur.

EXERCISE 2: WHAT INSPIRES YOU?

Do a soul search on what inspires you in your life. Jot down all the things that you enjoy doing and give you energy. Which movies do you love the most and why? What kind of books do you read? What do you love to do in your spare time? Notice if there is a thread that connects all the things in life that are meaningful to you.

Take 15-30 minutes for this exercise. Write down a summary of what inspires you and share this with your friends.

EXERCISE 3: BRAINSTORM

Now we will go through a process of generating as many ideas as possible and then converge to choose your favourite. If you already have an idea then you can skip this process.

What you need: Sticky notes, Pens – **Put one idea per sticky not!**

ROUND ONE (10 MINUTES): Go for it!
Without thinking too hard generate at least 10 different ideas. Don't assess them yet. Simply capture them and move on.

ROUND TWO (20 MINUTES): Use the following line of questions to focus your line of exploration. Put each new idea on a sticky note.

- If you had unlimited resources, what would you create?
- If you could do anything in the world in relation to your theme, what would it be?
- If you were Steve Jobs, what business would you start now?
- If you were Mother Teresa, what business would you start now?
- Select the 5 most absurd ideas.

ROUND THREE: Now it is time to choose your favourite idea. Get into dialogue with a friend or someone close to you to find the idea you are passionate about.

SO YOU THINK YOU HAVE A GREAT IDEA?

"I shot an arrow into the sky, it stuck."

THE KEY DRIVERS OF STARTUP SUCCESS: HOW DO I KNOW THAT I HAVE A GOOD BUSINESS IDEA?

I am often asked: *what are the key drivers of success for a start-up?* And, honestly, there is no single right answer to this question. But, what I have boiled it down to is the fact that most startups require the right mix of:

1) a good business idea/revenue model in a sizeable market;
2) an experienced, hungry management team with the right skills for the job; and
3) the right market timing with a little bit of luck.

And, not necessarily in that order. There are certainly more detailed factors like competition, product mix, pricing, sales/marketing strategies, speed to market, etc. But, let's start with these three.

So, let's determine if we have a good business idea/revenue model in a sizable market. Sort of three different concepts rolled up into one. A good business idea comes down to whether or not you are solving real needs for customers. A good revenue model comes down to how profitable and scalable are your unit economics. And, a sizeable market opportunity is pretty self-explanatory.

Let's take a look at various business models in the digital space, with which I am familiar, as the founder of Simple Brands, a digital agency with social media capabilities.

The most lucrative successes have been products that appealed to everyone and had tremendous margins (e.g., Google, Apple, Microsoft, Yahoo, eBay). That doesn't mean niche market

opportunities are bad businesses. It simply means, niche businesses may not attract as much attention from the venture capital community. The average venture capitalist receives 200 business plans a year, and only funds their favorite 5-10 companies (typically businesses targeting the biggest market opportunities with the best revenue models). So, if you think you have a good business idea in a niche market that is OK too. Just realize you will most likely need to fund those opportunities with friends/family/angel investors and will be building a business of smaller scale.

PROTECT YOUR INTELLECTUAL PROPERTY

Intellectual property includes all human-built assets of your business, from your company name, logo, content, technology, contracts or any other proprietary trade secrets of your business. It is often the lifeblood of any startup, and should be protected, as you would protect any other assets of your business.

Right from the start, you should file a trademark for your company name and logo – doing so prevents others from using the same name or logo in your space (including a clear TM mark on your logo). And, if you are producing a lot of content, for use on your website or otherwise, you should make sure that it is copyrighted, to prevent others from re-publishing your hard work, as their own (including a clear copyright mark in the footer of your website). And, when budgets can afford such, consider getting patents filed for your unique inventions or processes, to prevent others from claiming such inventions or processes as their own.

DO NOT COMPROMISE THE NAME FOR YOUR STARTUP

Startups are like giving birth to a new baby, including coming up with a new name and personality for the business. When coming up with a name, you need to keep the following points in mind.

As for the name itself, you really have two roads to consider:

    (i)   choosing an intuitive, descriptive name for your business (e.g., Toys R Us, YouTube, Pick n Pay); or

    (ii)   creating a whole new memorable name, not specifically related to your business (e.g., Google, Yahoo, Mxit, Twitter).

If you have loads of money to spend, maybe creating a unique name is the right way to go. But, for the most of us, starting a business on a shoestring budget, I always vote for a clean and clear name that simply describes your core product offering. It will take less marketing money to educate a consumer on your business the clearer your name is. As an example, people will intuitively know Fruit & Veg City is a place to go to buy fruits and vegetables, without any other words or marketing message required. Which is important for consumers with very limited attention spans, getting bombarded by marketing messages from every direction.

Now, there are alternative opinions that a unique name is the way to go. And, I clearly understand their arguments. For example, how great it would be for your marketing efforts, if your brand name became the de facto term for an industry. Instead of saying "look for it on the search engines", you say "Google it". Instead of saying, "overnight it to me", you say "FedEx it to me". Instead of saying, "pass me a tissue", you say "pass me a TwinSaver". But, that typically takes a lot of money and a lot of time to build up to that kind of brand position in an industry.

But, coming up with a name, is only half of the chore. Making sure it is available and non-competitive is the other half of the chore. More important than the name itself, is making sure your desired name is available for all potential uses and in all potential markets.

So, the first place I start is the Companies and Intellectual Property Commission (CIPC) and international trademark databases, to make sure nobody is already using, or has reserved the use, of a potential name in the industry and countries you plan on operating.

The next place I look is the WHOIS records of the domain name registries, to make sure the desired domain name is available in all the variations I may need (e.g., com, .co.za, .net, .org.za). And, to me, a desirable domain name means a clean .co.za extension in South Africa., since so many people are familiar with .co.za addresses in South Africa. So, BrandName.co.za is preferred to Brand-Name.co.za or BrandName.net.

As a last step, you should do South Africa and international Google searches around your prospective name, to make sure no other competing companies have similar names.

Whatever your business name ends up being, make sure it can clearly stand on its own feet:

(i)   clearly communicating your business line and brand goal;
(ii)   without violating any trademarks worldwide;
(iii)   without being too similar to others in the market; or
(iv)   without being too confusing for consumers to find.

REGISTERING YOUR BUSINESS IN SOUTH AFRICA

I thought it is a good thing to include this section so that you may be able to know what to do, should you wish to register your own business. The laws in South Africa obliges anyone operating a business in the country to be registered.

Registering a business in our country is less of a hassle and can be done by anyone by following the right methodology. It is a pretty straightforward process. I advise you to not pay anyone to register the business on your behalf, rather do it yourself!

As a startup entrepreneur on a limited or no budget at all, you will need to avoid unnecessary startup costs. You should also be aware that there are many self-appointed CIPC representatives in our country and many people have fallen prey to these bogus representatives by paying them ridiculous amounts up to R3500 just

to get their businesses registered. The best thing you can do to protect yourself as an emerging entrepreneur is to keep your eyes open and take heed of my advice lest you fall into the enemy's trap. Or just make sure whoever is assisting you is not ripping you off

Many people elect to let an expert do their company registration – an accountant or lawyer will be able to do all the paperwork required and leave you to focus on your business. However, it is possible to do it yourself with a little elbow grease, perseverance and patience.

This section will help you understand the types of businesses available to you and guide you to all the resources you need to register your business.

1.   CHOOSE YOUR BUSINESS TYPE

There are a number of business structures in South Africa that fall into 2 categories: profit and non-profit.

Tax and other considerations affect the choice of a particular type of company, so speak to an accountant about your options, but here are the main company structures that you might encounter.

PROFIT COMPANIES:

Sole Proprietor

- This is the simplest kind of business structure and does not need to be registered.
- The owner (sole proprietor) trades under his or her own name.
- No separation of personal and business assets and liabilities.
- Sole proprietor benefits from all the profit and assets accumulated through the business
- No limited liability – the sole proprietor is liable for any debt that the business incurs

Private Company - (Pty) Ltd

- A private company is the type of company that will not be listed on the stock exchange – shares are never offered to the public. Private companies require the least amount of annual formalities
- Private Companies are granted Proprietary Limited or "(Pty) Ltd" status.
- May be founded and managed by 1 director if required (a one-man company)
- This business structure is ideal for Startup Creators to run their business with no limit on the number of directors.
- Private companies are not allowed to offer securities (stock, bonds, shares, etc.) to the public and is also restricted from transferring its shares.
- No annual audits required, if all requirements are met (example: all the directors are also the only shareholders of the company).

Personal Liability Company

- Personal Liability Companies are most often registered for a group of professionals where the liability is shared by directors.
- Personal Liability Companies are granted Incorporated or "Inc" status.
- Must have a minimum of 1 director.
- As a business owner or professional you can register a company that you want to be personally liable for.
- The Personal Liability Company and its directors, past and present, are jointly liable for any debts and liabilities incurred.
- This type of company is normally registered by individuals such as Doctors, Lawyers, Engineers, Accountants, Sole Proprietors, Partnerships, etc.

Public Company (Ltd):

- Public companies raise funds by offering shares to the public, so there is no limit to the number of shareholders
- Public companies are granted the "Limited Ltd" status.
- Only requires one member for incorporation
- No limit on the number of shareholders
- Securities (stock, bonds, shares, etc.) can be offered to the public to raise capital, usually through the stock exchange
- Management is vested in a Board of Directors.

Non-Profit Company (NPC):

- A company created for public benefit or relating to one or more cultural or social activities, or communal or group interests.
- The income of a non-profit company is not distributed to its incorporators, members, directors, officers or persons related to any of them.
- The name of a Non-Profit Company will end with "NPC".
- Incorporated by at least 3 persons for public benefit, social activities, communal or group Interest, etc.
- Must have a minimum of 3 directors.
- The primary objective is to be a benefit to the public and not to make profit.
- Income/property may not be distributed to the incorporators, members, directors or officers.
- Only reasonable compensation for services rendered by them may be taken.

2. Registering Your Company with CIPC

CIPC, the Companies and Intellectual Properties Commission, is where all companies in South Africa are registered. They will issue you with your company registration number, without which you cannot trade.

CIPC has tried to make company registration much easier, and now allows for registration of certain types of companies online. For most small businesses, this is ideal. You can find them at www.cipc.co.za

THE PROCESS OF REGISTERING YOUR BUSINESS:

Step 1: Go to www.cipc.co.za and register as a user. During the registration process, you will need to pick a unique Customer Code.

Step 2: Once registered and can be able to login the CIPC website, you will need to deposit money onto your virtual account. To do this, you will need to use the account details provided on the CIPC website. The amount you need to deposit will depend on the cost of registering your business.

Step 3: Reserve a name (I provide some insight on choosing a company name below). If you do not know what to call your business yet CIPC will allow you to register your business without a name, using your company's registration number as your business name.

Step 4: Register your business by filling in the online form and submit it.

Step 5: Print out the forms sent to you by email, sign them, scan and send them back to CIPC together with ID copies of all directors of the company.

CHAPTER SIX:
IT ALL STARTS WITH A VISION

"Vision is the art of seeing what is impossible to others."
Jonathan Swift

As I have previously mentioned, what separates out traditional businesses from social businesses is their sense of purpose or vision to have some kind of positive impact in the world. We do not want to forget the 'Why' of why we exist.

We are going to begin uncovering yours right now.

5 PRINCIPLES FOR UNCOVERING YOUR STARTUP'S PURPOSE

1. IT MAY TAKE TIME

You may be clear on what kind of impact you'd love to have. But it may not – and sometimes it takes time and several conversations to get clear.

2. LOOK WITHIN THE IMPULSE YOUR IDEA CAME FROM

The seeds of greatness are always found within the birth of an idea. Look at the idea you are inspired to work on. Imagine it unfolding into its fullest potential. And then some more...

3. DREAM BIG, TAKE SMALL STEPS

What would you do if resources and money where no barrier to success? It's important to dream big right now. There is a tremendous amount of creative energy latent within dreams. Yes, we'll get realistic later. But for now dare to imagine what is possible in your wildest dreams!

4. THIS IS NOT RATIONAL ENDEAVOR

Purpose should be something that puts you on fire. It is energy, a life force and fuel. Connecting to it should be a whole body, whole being experience – expanding, energising. This is vital in times of difficulty as they surely lie ahead. It is a never attainable guiding star on your entrepreneurial journey!

5. IT NEEDS TO BE REAL!

Do not make your vision or purpose up for the sake of it. That is backwards! The whole point is that it is something that you are *genuinely* passionate about. So if nothing emerges do not get caught up in forcing something to happen. No, no....give it more time.

THE 4 MOST IMPORTANT COMPONENTS OF YOUR STARTUP

When I ask entrepreneurs to explain their startup to me, I focus on asking them 4 main questions:

WHO DO YOU HELP?
WHY DO THESE PEOPLE NEED HELP?
HOW ARE YOU GOING TO HELP THEM?
WHAT IS THE PRODUCT YOU WANT TO SELL THEM?

Below is an awesome tool I call "The Startup Grid" that recaps the most important part of your startup.

WHO	WHY
HOW	WHAT

Our objective is to fill out each section of this tool, which represents the basis of a startup. This work is important because:

- it will provide you a clear view of the key components of your startup
- it will help you explain simply what your startup is.

Let us detail each section using The Startup Foundation as an example:

1) WHO

Who do you want to help? ("everybody" is not a good answer. Be more specific). What is your market? What kind of people are going to join your community?

TSF EXAMPLE: Early-stage youth startup entrepreneurs

2) WHY

Why do you do what you do? Why do you need to help these people? What is the purpose of your startup project? What is your mission?

TSF EXAMPLE: Young Startup Creators work hard on trying to make their business successful, but they lack methodology and direction on how and where they can access resources to make their entrepreneurial ideas happen (they do not know how to best identify painful problems which are worth solving, they take risks by building their product before having any customers...)

The purpose of The Startup Mzansi Foundation is to support and help these Startup Creators build successful businesses effectively.

3) HOW

How are you going to help your customers? How are you unique / different from what already exists in the market?

TSF EXAMPLE: We provide a unique methodology that teaches startup creators how to build their market (build a community), before building any product. We help Startup Creators build a successful with the best resources available.

4) WHAT

The simplest question: What do you sell? What is your product?

TSF EXAMPLE: Whether you are preparing to launch your first startup, seeking connections to industry leaders, or just curious about entrepreneurship, The Startup Foundation offers a wide range of programs that will help you learn and grow as an entrepreneur.

EXERCISE 1: CREATE YOUR FIRST CANVAS.

Answer the following questions:

- WHO do you want to help?
- WHY do you do what you do? What is the purpose of your project?
- HOW are you going to solve your customer's problem in a unique way?
- WHAT do you want to sell?

THE GOLDEN CIRCLE

A great alternative perspective on Purpose and Vision is provided by Simon Sinek's Golden Circle. Simon discovered that inspirational companies (such as Apple) and leaders (such as Martin Luther King Jr.) are always connected to and communicate the *Why* of what they are doing.
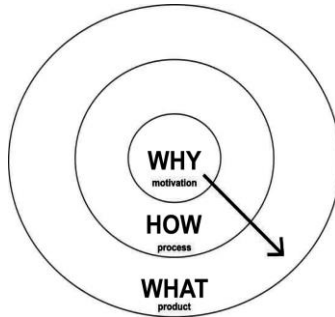
Most other companies speak first from the **WHAT** and the **HOW** which is much less compelling.

I recommend you watch his video titled **"How do great leaders inspire action?"** on TED.com.

EXERCISE 2: DARE TO DREAM

Spend 40 minutes in "***dream mode***" imagining about what you see is possible in relation to your project. In a piece of paper jot down what you would do if anything was possible. Imagine there were no barriers to resources or money. What would you do?

EXERCISE 3: WHAT IS YOUR PURPOSE AND VISION?

Write down your startup's purpose (Vision). If what you have written doesn't inspire you, then it isn't it. Like Simon Sinek, I strongly advise you to work on this question:

WHY DO YOU DO WHAT YOU DO?

In other words:

- What is the purpose of your startup?
- What is the reason why you want to build what you want build?
- Why do people need your help?

FROM VISION TO ACTION

"A journey of a thousand miles begins with a first step."
Lao Tzu

DREAM BIG, THEN START SMALL!

Uncovering our Purpose and Vision is essential. It's our guiding star. Every decision we make about our startup and how to move forward will need to align with it. Otherwise we will end up travelling on a road that will take us where we don't want to go. We will build a business that does not inspire us, and what is the fun in that?

It is now time to start taking a small step after a small step as you head towards your vision. You will make some wrong turns along the way. But if you do not start, you will never make it.

START FAST! FAIL FAST!

A few key words of Solomonistic wisdom I give young startup creators is:

1) Start fast; and
2) Fail fast.

I'll explain more of the braveries of this guidance below.

Start fast simply means figure out a minimal viable product (MVP) and get it into the market as soon as possible. We deal with the MVP in Module 8.

Too often many Startup Creators want to build a "Range Rover" solution with all the bells and whistles that are in their head, instead of simply launching a functional "Avanza" to start, and evolving to the "Range Rover" over time.

The MVP advantages of the "Avanza" are:

- it is less expensive to build with your limited startup capital;
- it can get your product in the market faster, before your competitors do; and
- it more quickly allows for consumer testing, to ensure consumers really like the core service and truly need the additional luxuries that would get built into the "Range Rover".

Fail fast simply means you want to learn whether or not your model is working, and has a reasonable chance for profitability and long term success, sooner than later. Too often many Startup Creators:

- have not clearly identified the key success metrics for their startup;
- do not put the proper tracking and processes in place to ensure such success metrics are met; and
- hang on trying to keep a bad idea on "life support" for too long, simply because they can't walk away from their "baby".

All that does is continue to invest "good money" after "bad money", and worsens your pain and capital lost, when you ultimately have to shut the business down. So, make sure you are clear on your ultimate success metrics and pull the plug sooner than later, as soon as it becomes clear you are not heading towards long term success.

Too often, many Startup Creators are afraid to fail, and unnecessarily persist their misery. The sign of a smart entrepreneur is one that does not get too excitedly devoted into their idea (to being blinded beyond the point of rational business judgment) and knowing that failing is OK, allowing you to "fight another day", albeit in a new startup or different direction that has a better chance for long term success.

START FAST, START CRAPPY

Look at the two scenarios below:

Scenario 1: "I need to get this perfect. I have got all the time in the world ahead. The right thing to do is to stay inside and create the perfect product, the perfect plan. Then I will build it really well, I will make sure I put everything that my customer might possibly want. I do not need anyone's help, I can do this all by myself. Then I will launch to a *fanfare* and *massive success.*"

Or

Scenario 2: "I should move fast. Things are not going to be perfect, especially not in the beginning. I will get out into the world and find the right people to help me succeed. I need to experiment. Yes I need a plan but my plan will change over time as I learn. I need to get out and talk to my customer, find out if what I think they want is true. Then I can make my product better and better."

Ok – now which one do you think is better? The choice is yours.

TURNING YOUR IDEA INTO
A PLAN THAT WORKS

"No business plan survives first contact with customers!"
Steve Blank

THE CRUCIAL ELEMENTS FOR WRITING A BUSINESS PLAN

When writing a business plan, it is critical to do research and setup a strategy across the following important topics:

1. your industry/competition;
2. business/revenue model;
3. sales/marketing plan;
4. management team;
5. cash requirements; and
6. forecasted financials/expected ROI.

When you are done, you will end up with the necessary research to back up the key assumptions of your plan. We will tackle each of these points below.

INDUSTRY/COMPETITION: To me, this is the most critical research that needs to be done upfront. How large is your industry? Who are the key competitors? How quickly is the industry growing? Are you a first mover, or entering a crowded space? What share of the market is reasonable to capture for your business?

Investors like to invest in large, growing markets as a first mover with limited competition where a business can scale up to 10-20% share. So, pitching them the "next Google search engine" is a very large market opportunity, but would be very difficult to build with large, well-capitalized competitors in the search space that would aggressively defend their turf. On the flip side, pitching them the newest patentable innovation in door hinges may be perceived as less competitive and disruptive in the marketplace, but the market is

really small to build material scale. You need that right intersection of large market opportunity, disruptive/defensible business and limited competition.

BUSINESS/REVENUE MODEL: Now that you have found your ripe industry opportunity, what kind of business are you building? A hardware solution? An installed software solution? Software as a service? And, more importantly, how are you going to make money? One time purchase? Recurring monthly revenues? Heavy repeat usage? Where are your prices when compared to your competitors? What value are you bringing vs. current solutions in the market? Investors obviously prefer large and recurring revenue streams for disruptive businesses that bring terrific value to their customers. We will zoom more into the Business Model and explore a faster way of mapping your business model in the next section.

SALES/MARKETING PLAN: The next step is figuring out your go-to-market strategy? Does the product appeal to business clients (B2B) or consumers (B2C)? Is it dependent on building a big team of salespeople? Does it require a heavy investment in consumer marketing? If marketing, is it going to be driven by the search engines online or direct mailers or trade shows? Does it require any social media or viral elements for success? Typically sales-driven B2B business are cheaper to launch than marketing-driven B2C businesses. But, B2B businesses are sometimes harder to get investor interest, as they have a much longer sales cycle (e.g., cash burn rate is high) and it is very difficult for a startup to break open new B2B relationships, especially one going after large corporations.

And, B2C businesses that can be virally grown online, are much preferred to ones requiring heavy investment in expensive TV, Radio or print (which frankly you should never use to launch a business until the concept is proven out, given their heavy expense and long-term branding aspects of such media).

And, in all cases, make sure the marketing or sales investment makes sense for the scale of revenues you are trying to build (e.g., is there a reasonable customer cost of acquisition metric compared to traditional industry norms).

MANAGEMENT TEAM: To me, this is the most important element to any business. I would rather have an A+ management team in a B-industry, than a B- management team in an A+ industry. You want a team that has "been there and done that" before in a start-up environment, and will not be experimenting and learning with your limited startup capital.

CASH REQUIREMENTS: Sales and marketing investment will drive revenues. Revenues will have cost of sales. And the business will have overhead and other employee costs. That will determine how much of an operating loss you will need to fund. On top of that, will be any capital expenditures that need to be put into R&D for your product, CAPEX for your office or whatever. So, fully think through your cash requirements before approaching an investor. And, two words of wisdom:

(i)   investors prefer lower burn rate, lower cash need businesses (so a R1M need has a better chance than a R10M need); and

(ii)   whatever the model says you need, double it for your cash raise (as things ultimately go wrong and you will want a cushion in place, to prevent going back to investors looking for more later--most likely at worse terms).

FINANCIAL REQUIREMENTS/ROI: The last check is a sanity check more than anything else. Over the next 3-5 years, will the investor realize a 3x return or a 10x return on their investment? And, there are two drivers of that:

(i)   the scale of the revenues/profits in that period; and

(ii)   the valuation at which the investor invested their money. Obviously, investors are looking for 10x opportunities, so make sure your financial model gives them a reasonable chance to achieve such, either via scale or valuation.

My friend is a Startup Pioneer and investor, and he once purported to me: *"if you are unable to express your vision in one sentence, you are making it difficult for the listener to digest".*

Great advice!!

THE BUSINESS MODEL CANVAS: A FASTER WAY OF MAPPING YOUR BUSINESS MODEL

It's now time to get practical. Until very recently, the first step any entrepreneur would take after coming up with a new idea would be to spend months creating a business plan. This plan was seen as the Holy Grail, essential in charting the way forward towards world domination and untold riches.

There's been serious challenges with this regard and the exercise itself blocked many potential businesses to thrive. In fact many business owners didn't write their own plans, they outsourced the work. Many of those who have tried drafting their business plans with their limited knowledge failed. Some of them failed because of simple mistakes made during their planning stage or mistakes that were made on their behalf by their so called "Business Planning Consultants" and so they successfully executed the mistakes and that ultimately lead to their failure. Business plans don't work.

Thank God we are going to take another route. We'll quickly map out your Business Model, the engine of your business, using the Business Model Canvas. Alexander Osterwalder, the creator of the canvas, identified nine essential building blocks of any successful business. The nine building blocks represent key aspects of any business that needs attention.

The canvas is visual, so you can quickly map out your idea and see how each part relates to one another. This has proven to be a great tool especially for startup business. The idea is that if you can't understand your business in one page, then you shouldn't be doing it.

THE NINE ESSENTIAL ELEMENTS OF YOUR STARTUP

Let's explore the nine essential building blocks for your startup:

1. CUSTOMERS

One of the most fundamental blocks of the canvas. This segment represents the customers within your business model. You need to know who your customers are better than your own mother.

- What job are they getting done when they use your product or service?
- What problem are they looking to get solved?
- What needs do they have that you can meet?

2. VALUE PROPOSITION

- What value are you creating for your customer?
- What product or service are you building for your customer?
- How does it get the job done for them?
- How does it solve their problem or meet their need?

3. CHANNELS

- How are you going to reach your customers?
- Physically or Virtually?
- How does your customer want to be reached?

drawings by JAM
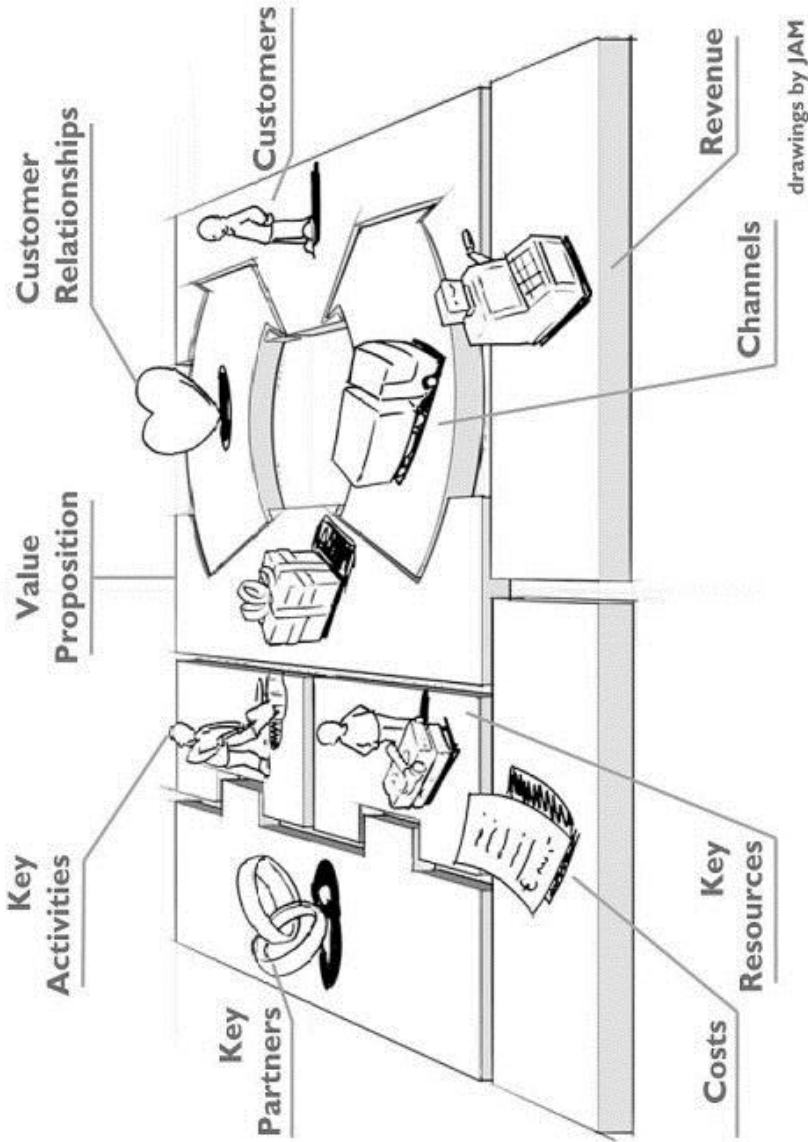
4. CUSTOMER RELATIONSHIP

- How are you going to acquire, keep and grow your relationships with your customers?

5. REVENUE STREAMS

- How will you make money?
- What is your revenue model?

6. KEY RESOUCES
- What are the key resources your project is going to need?

7. KEY ACTIVITIES
- How will you make money?

Remember, your business needs to be generating money in order to have an impact.

8. KEY PARTNERS
- Who are the partners you need in order to thrive?

9. COST STRUCTURES
- What are the operating costs of your business?

EXERCISE: BUSINESS MODEL CAN VER. 1.0

It's time to fill in your first Business Model Canvas.

Find the copy of the BMC and use post-it notes to fill in each section of the canvas. Make sure to fill in the Customer Segments and Value Proposition Segments first. Do not spend more than twenty minutes carrying out this exercise.

After you've finished – notice which segments you found difficult to complete. It may be time to give those some more thinking.

FURTHER RESOURCES:

- Creator of the Business Model Canvas Alexander Ostewalder has a great blog here: www.businessmodelalchemist.com
- Derek Silvers: What you need to fail: www.youtube.com/watch?v=HhxcFGuKOys
- Derek Silvers: Start Now! No Funding Needed (great 2 minute video): www.youtube.com/watch?v=1h6RsLxro9s
- Steve Blank talking about the canvas and testing assumptions: www.youtube.com/watch?v=teURBQ6qnRY
- Why is Business Modelling Relevant Today: www.businessmodelsinc.com/why-is-business-modelling-relevant-today-10-trends

CHAPTER NINE:
GOING DEEPER
TO UNDERSTAND YOUR CUSTOMER

"You are not in business until someone says: 'yes, I will buy that.'"
Sandile Shabangu

STOP!!

O kay – I got your attention. Great! I want you to go over a fundamental principle of business one more time before we go on. (That way you are clear about why you are doing what you are doing.)

Business is about creating and delivering value. A company creates a product or service that other people (customers) *want* or *need* enough that they are *willing to pay for it* (or provide some other kind of adequate exchange that enables your business to fulfill its purpose).

Therefore – you need to really know who your customers are. You know clearly what they want or need. You understand them. *You're not guessing* – you have interacted with them. You have tested your product or service with them and gathered important feedback around the type of value it provides.

Knowing your customer clearly – you can market them specifically – using their language in a way that influences them. More on this later....

GETTING TO KNOW YOUR CUSTOMER

Often, startup entrepreneurs make the mistake of thinking they know who their customers are when they don't. Exploring your potential customer in more depth can help you understand them on

a whole new level. What are their needs, dreams and desires and problems? The more you get clear, the more you can design your product or service to fit your customer.

DEFINING THE RIGHT MARKET FOR YOUR IDEA

Now that you understand the 4 most essential components of your project (Module 3) we detailed in the "Startup Canvas", let's focus on the first and most important section:

WHO

WHO DO YOU WANT TO HELP?

I recommend that you spend time identifying what market you want to serve before moving forward. Here are 3 parameters that can help you choose the right market:

1. FOLLOWING YOUR HEART

"If you're not passionate about the people you want to sell to you've got a big, big problem."(Steve Blank)

You need to appreciate being with your market. When you go to events, workshops and conferences, when you read content on forums, what community do you have the best connection with? You need to have a strong feeling for your market, a sense of belonging.

2. HAVING SOME EXPERTISE

First-hand experience is critical to show your audience you know what you're talking about. This experience also makes you unique and establishes credibility in your community. Having something meaningful to teach others will not only upgrade you to expert in your area but will also make your relationship with your members more solid.

Let me explain this one with an example: you want to create a solution to help people build better CVs so they can get a job more easily. However, you have never worked for a recruiting firm / HR department nor have you ever struggled finding a job. I am not saying that you cannot succeed, but not knowing anyone and anything about this industry can prove a difficult road.

Think about this instead: Do you have some advanced knowledge about a particular topic? What is something unique you can teach others?

3. LOOKING AT YOUR EXISTING CONNECTIONS

In order to get feedback and "test" your offer easily, you need to personally know some people from your market.

Building connections takes time. You can be really more efficient by picking a market where you already have several relationships.

Here are the reasons why I've decided to work with entrepreneurs:

> 1. **FOLLOWING MY HEART:** I help early-stage Startup Creators because I was tired of working with existing organizations where everything takes so much time to change. Many of the so called institutions claiming to be working with young Startup Creators are making it difficult for young people to tap into their resources. I prefer working with startups. Young Startup Creators are often extremely motivated, they are passionate, ready to think differently and to try new experiences in order to succeed... I have a good connection with these people and that is why I have decided to help them achieve their dreams more effectively.

> 2. **HAVING SOME EXPERTISE:** After failing at building my last startups, I connected with startup entrepreneurs from all over the world to understand the best strategies to build successful endeavors. I participated in startup events in

several countries, met startup leaders from around the world. A few months later when I met budding entrepreneurs, I realized that I had a lot of helpful advice to share.

3. Having some connections: When I started to work on The Startup Foundation, I was living in the East Rand, where "almost everybody is an aspiring entrepreneur needing help to unleash their potential". As I was surrounded by people wanting to launch startups, it made sense that I had an easy access to this market.

VISUALIZING YOUR MARKET BETTER BY WORKING ON YOUR PERSONA

Last time I explained the importance of knowing exactly who your customer is. Too often, startups tend to look at target audiences as one amorphous group. To help you visualize better who you are building your product for, I recommend using the concept of "persona". A persona is a fictional character created to represent concretely a potential customer.

Here is my persona for The Startup Mzansi Foundation.

Ruth is single, 23, lives in Hazyview, Mpumalanga, and has worked as a Junior Manager for two years in a tech company. She has been working on a new project for 4 months now. She spends at least 3 evenings every week and most of her weekends developing her project with her co-founder, Hazel. They are building an app. Ruth believes their idea will change the world. However, she thinks sometimes that the startup is going nowhere. She would like to quit her job as soon as the startup begins to generate revenues. She is familiar with the Lean Startup principles, has read blog posts from Eric Ries and Steve Blank, but struggles at applying these concepts.

Your turn now. Take a pen and write down your persona. Consider the following parameters:

- Name.
- Basics: Age, city...
- Personal and professional background: Hobbies, passions, job...
- Goals to reach at the end of the year
- Favorite websites to help reach the goals
- Plans for the future

I even advise you to find a profile picture for your persona. Every time you design your product, write a blog post or build an offer, imagine that you are talking to this persona.

EXERCISE 1: THE CUSTOMER EMPATHY MAP

Below is the customer empathy map: a tool designed by Xplane that helps you sketch the profile of your customer.
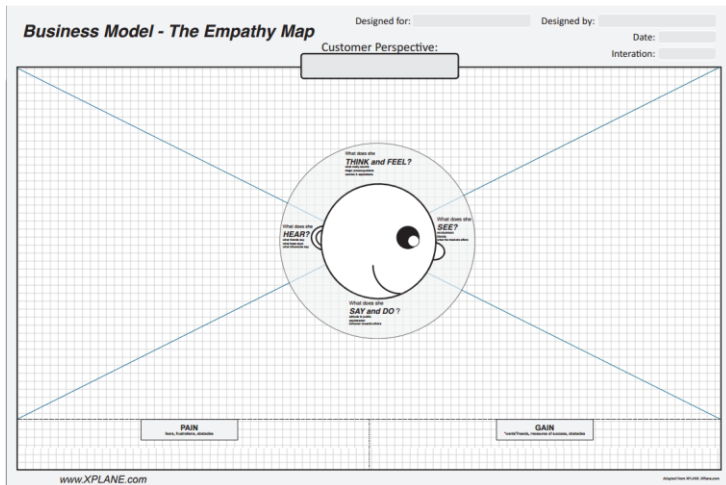
Step 1: Who is your ideal customer? Think about your entrepreneurial idea... Who would it serve the most? Get as specific as you can.

Step 2: Print a large copy out and complete the map in relation to your ideal customer.

EXERCISE 2: CUSTOMER AVATAR
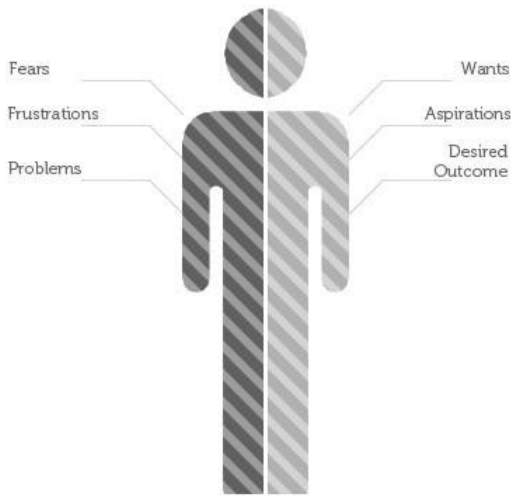
It's time to create your customer Avatar. Your customer avatar is a profile of your customer, including their age, passions, problems and fears in relation to your product, things they would say and do, want and needs. It can help you understand your customer.

- How old is your customer?
- Male or Female?
- How would you describe their character (what they care about, do, etc)?
- How often do they buy the type of product you are offering?
- What problem are they looking to get solved?
- What job are they looking to get done by using your product or service?
- How would they pay?
- What is the end result they desire to have from using your product or service?
- What is the pain they are relieving by buying your product?

THE CUSTOMER JOURNEY MAP

Another great way to better understand your customer and the jobs they want to do is to consider the journey they make as they interact with your service or product to get the jobs done that they want to get done.

Doing this can help you uncover important insights around the *gains* (benefits) customers are looking for and the *pains* (problems) that they experience. These insights can then feed into the design of your value proposition.

EXERCISE 3: CUSTOMER JOURNEY

STEP 1: CHOOSE YOUR PLAYER

The first step is to decide who you will visualise a day in the life of. This is the customer that you most want to grow your awareness around. Spend a few moments created a shared reality amongst your team members on who is the player in your customer journey.

STEP 2: DEFINE THE GOAL

What is the goal of your customer? What job are they trying to get done in relation to your product or services? Clearly articulate the goal they want to achieve.

STEP 3: VISUALISE A DAY IN THE LIFE

Visually describe the journey your customer makes as he interacts with your product to reach their goal.

At each of the points above your customer is having an experience. Is their experience a positive one or one that could cause potential stress?

Especially at the ones that could cause potential stress you have a chance to innovate the customer experience and create more services or products. But also even at the positive ones.

Where your customer experiences stress or problems add a ☹

Where you customer is having a positive experience add a ☺

MORE ON THIS EXERCISE: http://www.servicedesigntools.org/tools/8

FURTHER RESOURCES:

- Customer Empathy Map:
  http://www.gogamestorm.com/?p=42#
- Customer Value Canvas:
  http://www.businessmodelalchemist.com/2012/01/the-customer-value-canvas-v-0-8.html
- Forbes Article – Know Your Customer:
  http://www.forbes.com/sites/alanhall/2012/06/14/to-succed-as-an-entrepreneur-know-your-customer
- Seth Godin: 7 Truths at the Heart of Marketing:
  http://heidicohen.com/seth-godin-7-truths-at-the-heart-of-marketing-how-to-use-them
- How should Innovators really talk to their customers?:
  http://scalemybusiness.com/how-should-innovators-really-talk-to-their-customers

CHAPTER TEN:
PROTOTYPING WITH THE MVP

"Your job as a founder is to quickly validate whether the model is correct by seeing if customers behave as your model predicts. Most of the time the darn customers don't behave as you predicted."
Steve Blank

TIME TO EXPERIMENT

You're now going to take the next step in testing your idea. By getting out and talking to potential customers and knowledge holders you will gain invaluable knowledge. You may have already discovered information that is not compatible with your initial idea and the business model behind it.

If this is so, fear not! This discovery is good news! It means you are uncovering the difference of opinion between your initial ideas and what the market wants. The more you uncover this difference, the more you can adapt your idea to create what entrepreneurial thinkers call a '**Product-Market-Fit'.** (In other words, how can you make really cool stuff that your customers really want?)

"If there's something I've learned in the last four years, it's the power of iteration. Rapidly create, test, change..."
Scott Cook, Founder Intuit

THE MINIMUM VIABLE PRODUCT (MVP)

This is a term coined by Eric Ries, author of The Lean Startup (a must read for budding Startup Creators!)

"The MVP is a version of the product that enables a full turn of the Build-Measure-Learn loop with the minimum amount of effort and the least amount of development time" ~ Eric Ries

A Minimum Viable Product (prototype) is a way to test your product so that you gain valuable feedback in order to improve the design. It helps you to avoid a common mistake that many startup entrepreneurs make, that of spending lots of time developing a product based on their vision, locked away in their laboratories for months, only to find out upon launching that no one wants what they have created.

The MVP helps you to evolve your idea by moving through a series of rapid iterations as you use it to test the core assumptions embedded within your business model.

Below is a cool diagram, developed by Ries, that illustrates the cyclical process:
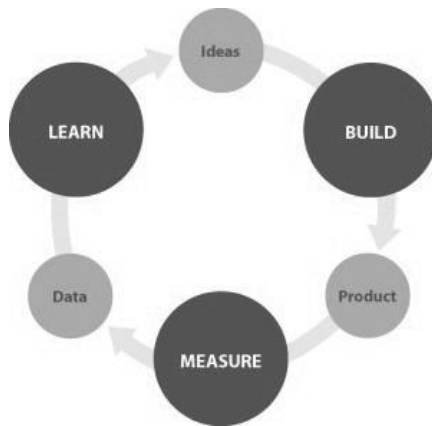
Here's how it works... You have an **idea** – you **build** an experiment to **test** the assumptions found at the core of the idea. You **measure** the results and see how well your product gets the idea done for your customer. Then you **feed** that data back to **innovate** the design of your product.

"The MVP is a version of the product that enables a full turn of the Build-Measure-Learn loop with the minimum amount of effort and the least amount of development time." Eric Ries

Pivoting is what you do when you discover data that doesn't fit with your initial idea. To pivot means you change direction in the design of your product, moving in a direction that will lead to a better product-market fit. It doesn't mean that you abandon your idea all together. Think of it as keeping one foot in your original idea and stepping in a new direction with the other foot.

5 GOLDEN RULES OF MVPS

"What differentiates successful startups from unsuccessful startups is the pivot."

1. The goal is to begin the process of learning.

2. Aim your MVP at early adopters. They don't care about perfect solutions. They care about being first users...

3. Any additional learning you do beyond what is required to start learning is a waste.

4. Be prepared for your MVP to bring bad news (and essential feedback).

5. No matter what happens, don't give up hope. Keep on testing, learning and growing

HOW DO YOU KNOW WHAT YOU WANT TO LEARN?

First you want to test the assumptions at the core of your business model. These assumptions could be defined as the most risky in that you don't test to see if they are true or not they could undermine your whole business model.

How do you find these assumptions? They are embedded within your business model canvas.

Here are some examples of hypothesis that may need to be tested:

- Music fans are willing to pay R2 to download an album from our online site
- Record companies will license the music on their labels for us to sell
- Customers will be willing to pay R10 a month for premium add free access to our site.

The most important assumptions to begin testing can be found in the customer segment and value proposition blocks of your business model canvas.

EXERCISE: DESIGNING YOUR MVP

Step 1: What do you want to learn?

Get clear on the most important assumptions you want to test by looking at your Business Model Canvas and Product / Customer sheets from the last module. What is most important for you to test?

Step 2: Design your MVP

What features does your MVP need in order for you to learn what you need to learn? Remember Eric's formula from the video: Take what you imagine you need to out in the MVP and divide it by half. Then by half again. Any effort beyond what you need to learn is a waste.

Step 3: How will you measure the results?

How will you measure the results of your MVP?

GO DO IT!

Okay - Now is the time to get out and run your MVP. Make sure to document the whole process...take pics, make videos, blog posts. I can't wait to see how you get on!

Next we'll be taking what you learned and incorporating back into the design of you product.

FURTHER RESOURCES:

- Steve Blank talking about the MVP (2 minute video): www.youtube.com/watch?v=joNkkWPafZs

- Steve Blank talking some more about the MVP (2 minute video): www.youtube.com/watch?v=KovkopclLQ8

- Wikipedia on MVP's: http://en.wikipedia.org/wiki/Minimum_viable_product

- Minimum Viable Product, A guide: http://www.startuplessoned.com/2009/08/minimum-viable-product-vs-minimum-delightful-product

- Eric Ries, The Lean Startup and MVP's: http://ecorner.stanford.edu/authorMaterialInfo.html?mid=2329

CHAPTER ELEVEN:
PROJECT PLANNING WITH GAMEPLAN

"The Graphic Gameplan provides a whole-system approach to action planning. It creates a visual portrait of the team and its resources, presents a clear target, and outlines strategies to reach goals and objectives. Everyone in the group, from the visionaries to the skeptics, has room to contribute (and eventually agree) on where the group is headed."
- Leaders Guide, Graphic Gameplan

I n this module I'll take you through a project planning tool called Gameplan that's been developed by some cool folks at The Grove Consultants International. It allows you to map many essential elements of your project on one visual plan so that you get a holistic impression of where you are going and how to get there.
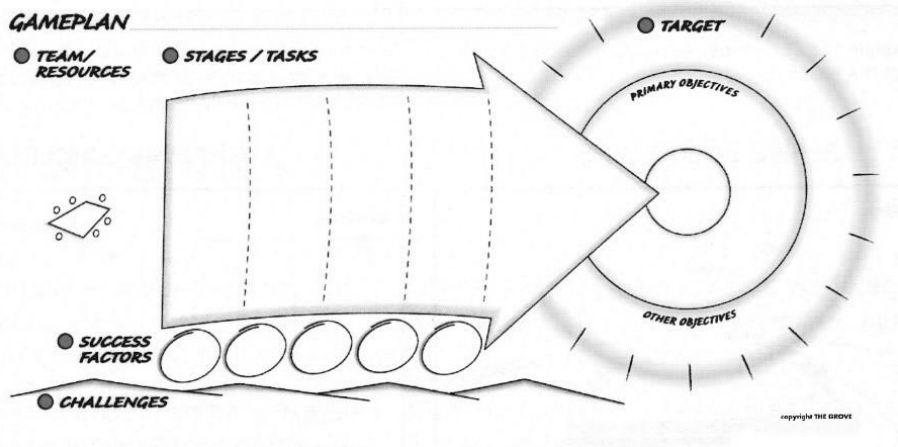
1. It is important to know where you are going. If you set off without a destination in mind you are likely to be pulled in all directions chaotically
2. Why are you going there? What nee will you meet by reaching the destination?

3. Who do you need to travel with in order to get there? What people will be your companions and what qualities do they have that can help you succeed?

4. What challenges may you encounter along the way? How can you prepare now to deal with the challenges, or avoid them altogether?

5. What are the main milestones you will pass through on your journey in order to reach your final destination?

6. What specific actions do you need to take in order to reach each milestone?

7. What opportunities may arise from completing the journey successfully?

EXERCISE: IT'S NOW TIME TO FILL IN YOUR GAME PLAN

Draw out a large copy of the Graphic Gameplan onto a large sheet of paper. Use coloured pens and sticky notes to fill in Gameplan.

STEP 1: CLARIFY YOU TARGET

Take time to crystalize your current central goal as a team. What will be final outcome of your project?

It helps to be specific as you can be. Here are some of the questions to help you clarify your target.

1. What specifically will your team have achieved by the end of the first year?

2. When will your event, workshop, selling process etc. take place?

3. How many customers will take part in the first 6 months?

4. What other important elements need to be included here?

It is important to get this part clear. If you don't define your target then creating milestones and actions will be difficult. Also remember that your target can change over the coming few months as you receive new information.

STEP 2: TEAM MEMBERS AND RESOURCES

Take time to reflect on what skills each team brings to the team. For each team member list the skills and roles they would most see themselves taking. Also include potential key partners that would help you better their chances of success.

STEP 3: REVIEW STAGES AND TASK

What major milestones can you identify in your project? For example marketing or event execution? What individual tasks need to be complete in order to reach each milestone?

In one section write down a list of the milestones. In the next include each task that needs to be completed to reach each milestone.

STEP 4: IDENTIFY CHALLENGES

List all the challenges and obstacles you are likely to encounter along the way. This is a good time to honor any sceptics in your team. It is likely that the challenges and issues you identify will suggest more action steps needed to be taken.

STEP 5: IDENTIFY SUCCESS FACTORS

Begin by defining the success factors. These could be described as guiding principles that the entire team agrees to in order to ensure the team's success.

STEP 6: ADD A TIMELINE

Underneath your milestones arrow add a timeline. Along the timeline add a number that corresponds to a number that you have given each task. The timeline should include dates that each task needs to be completed by.

REFLECT ON THE PROCESS

How was it to complete your Gameplan? Did your team have any major insights? Is there anything missing in your Gameplan? What information do you need in order to complete it?

DYNAMIC STEERING

It is important to remember that flexibility is required in relationship to your plan. As you move through the startup phase of your business you will continuously respond to new data, altering direction as you head towards your goal. I call this process Dynamic Steering and consider it a key practice of entrepreneurship.

A good analogy is that of a plane heading towards its final destination. The plane is constantly recalibrating its instruments in order to head towards its desired destination. Of course you may be confronted by data that challenges key components of your target. These moments often require skillful and courageous pivoting as you chart new territories.

CHAPTER TWELVE:
STARTUP FINANCE

"Finance is the art and science of watching money flowing into and out of a business, then deciding how to allocate it and determining whether or not what you're doing producing the results that you want."
Josh Kauffman

STARTUP FINANCE 101

O kay now stay with me! Talking about finance does not need to be dull. We are going to get to the essence of financial planning in the most direct way possible.

Most likely, one of the reasons you want to start a business is because you are excited about the chance to make money and create employment opportunities for other young people in our beloved country. So it's worth thinking right from the start about what kind of financial target.

And getting clear on your financial goal creates the opportunity for backward planning.

FOR EXAMPLE:

Let us say you want to make R40 000

> You can now work out how many units you need to sell (minus any outgoing cost) in order to reach that target.

> If you are selling your product at R500 a time, but have R5000 costs, then you'll need to sell 90 units.

> (90*R500=R45000-R5000 =R40 000)

Pretty straight forward so far....

You've also now got an idea on the amount of people you need to reach with your marketing efforts. If you need to sell 150 units of your product, you'll likely have to reach at least 2000 people.

This brings up an important question that you need to answer as soon as possible. Is the financial return from all the effort we put into developing, marketing and selling a product worth the effort?

The last thing you want is to put in lots of effort only to find out that you made R300. So it's wise to think up front about the return on investment you'll get for the time and energy that you'll put into creating, marketing and selling your product.

The great thing is that by now you'll have done a large part of the work in avoiding wasting effort by testing your business model. By getting out there and validating your customer, and adapting your product to their needs, you've made it much easier to sell. You've created something they want.

So the next step in avoiding the scenario I have mentioned above is to get income you want to generate, how much you will price your product, and any outgoing costs you may occur.

5 STEPS TO SOLID FINANCIAL PLANNING

Follow these 5 steps to get clear on your financial plan. Document your financial plan into an easy to use and system such as Microsoft Excel or Google Docs.

STEP 1: HOW MUCH INCOME ARE YOU INSPIRED TO GENERATE?

Think about this. It should be a high enough figure to inspire you, but not too high that it is unrealistic. Get clear knowing that it may change after you've completed all the 5 steps.

STEP 2: WHAT ARE YOUR OUTGOING COSTS?

Get clear on your overheads. What startup costs are involved in getting your product made, marketed and delivered?

It is worth thinking of all the ways you can reduce your cost. This is called Bootstrapping and has become a popular term in startups in recent years (we will zoom into this in the next section). Having no money reduces waste and focuses you on doing the most important things.

STEP 3: HOW MUCH WILL YOU CHARGE FOR YOUR PRODUCT OR SERVICE?

Here are some tips on how to price your products:

- Look at industry standards. This is a good place to start with pricing your product.
- Don't go too low. It can be tempting to attract more customers but ultimately it devalues what you offer and means you have to sell more to meet your targets.
- Put yourself in the customer's shoe. What would be a fair price to you?
- Ask your customers! Create 2 or 3 pricing packages and see which is the most appealing to you customer.
- Remember: The more value you provide for your customer, the more you can charge for your product or service.

STEP 4: HOW MANY UNITS WILL YOU HAVE TO SELL IN ORDER TO MEET YOUR FINANCIAL TARGETS, TAKING INTO ACCOUNT YOUR OUTGOING COSTS?

Here you need to know the simple concept of profit margins: the difference between how much money you make and how much you spend to make it. If it doesn't add up, you're on a road to nowhere.

STEP 5: DOES THE TARGET YOU HAVE SET NEED REVISION?

Is it realistic? Is it set too low? Does all the effort you're putting in provide ample reward? If not, how can you increase the value of what you offer your customer in order to make money?

4 WAYS TO INCREASE REVENUE:

1. Increase the number of customers
2. Increase your prices
3. Increase the transaction size by selling more to each customer.
4. Lower your costs (whilst not strictly increasing revenue it is increasing your profit margins).

THE ART OF BOOTSTRAPPING

Sourcing capital for your startup is never easy, especially when you are pre-product completion and before the proof-of-concept the traditional venture investors are looking for. Oftentimes, the only way to get your business from a piece of paper concept to a venture-backable business is to bootstrap your efforts, via whatever means necessary.

Below is a summary of the some of the most-used bootstrapping techniques:

LIMIT PRODUCT SCOPE. Always start by building a Minimum Viable Product to get something quickly and cheaply into the market. Cut back on any unnecessary features and functionality, that add up on costs and slow down the launch. Don't try building a "Range Rover" product out of the gate, when an "Avanza" will work just fine to start.

PERSONAL ASSETS. Tap into whatever cash resources you have access to, from your cash accounts, to credit cards to home equity loans to selling other investments. The less cash you raise from

outsiders, the more your personal stake will be worth, especially during the "infancy" stage of your business when valuations will be at their lowest point.

CO-FOUNDERS. Co-founders can be a great source of cash investment or sweat equity from people who believe enough in your product to work without a cash salary. Don't think you need to build your startup by yourself. Find others who share your dream and complement your skillsets.

FRIENDS & FAMILY. Sometimes it is easiest to raise capital from the people that know you best, and can vouch for your personal drive and skillset, much better than a stranger investor can. But, be clear with them upfront that they could most-likely lose 100% of their investment in a risky venture and not to invest more than they feel comfortable "gambling" with.

ANGEL INVESTORS. If you can uncover them, there are plenty of rich individuals looking for the next big thing. The problem is finding them. Get in touch with the Startup Foundation (www.startupmzansi.org) to learn how to best techniques for finding angel investors.

CROWD FUNDING SITES. Sites like Thundafund and IndieGoGo have even made it easy to raise capital via donations from a crowd, without giving away any equity in your business. This works best for "edgy" consumer products businesses, where donating consumers can get insider access to the first products built.

SMALL BUSINESS GRANTS. Sometimes free grants are available if your startup is helping to solve a bigger problem (e.g., healthcare, education). Check out NYDA, DTI and other government organs to see if any grants are available in the market you are serving.

STARTUP LOANS. Working with the banks as a startup is not usually advised, given how conservative the banks can be. But, some banks are more startup friendly than others. The Startup Mzansi

Foundation is working to establish T**he Startup Bank**, a friendly bank for startups where you may be able to get a R50 000 startup loan.

FREE/DISCOUNTED RESOURCES. Always keep your eye out for free or discounted resources for startups. Don't pay for consulting, if you can get free mentorship from a peer. Don't pay for rent, if you can hangout out at a free shared meeting place. And, check out preferred vendor discounts for startups negotiated by organizations like The Startup Foundation

The key for being a good startup CEO is learning how to stretch pennies into man-hole covers. Hopefully, this module helped you learn how to best stretch your very limited cash resources and find cash resources from previously unknown methods.

CHAPTER THIRTEEN:
SETTING A SALES & MARKETING PLAN
FOR YOUR STARTUP

"Be undeniably good. No marketing effort or social media buzzword can be a substitute for that."

Sales and marketing planning are my favorite part of building any company, as they are the key drivers of the company's revenues. The lack of a solid sales or marketing plan is typically the number one reason a business fails, as any shortcomings here will result in revenues and profitability falling short of goals. So, this area requires intense focus for any startup to succeed.

First of all, what is the difference between sales and marketing? Sales is typically human driven, with a salesperson introducing your company to prospective customers. These salespeople can either be inside salespeople, residing in the home office, or outside salespeople, traveling to clients' offices. What drives the ultimate success of your sales plan, is the quality of the salespeople in terms of their training, skill base, and Rolodex. So, hiring the right salespeople with the right relationships will make or break your efforts here. In addition, it is critical to make sure these people are appropriately incentivized with a meaningful commission plan for closing sales and hitting their targets.

Marketing is typically media driven, where an advertisement or other communication is introducing your company to prospective customers. Marketing can be driven via multiple channels, including the internet, social media, word of mouth, print, television, radio, billboards, events and direct mail, to name a few. What drives the ultimate success of your marketing plan is a smart marketing team that has properly studied your prospective customer demographics, and placed the appropriate marketing messages in front the appropriate media placements where these customers are looking.

So, hiring the right marketing team with proven experience working within your industry and desired budgets will make or break your efforts here.

Most B2B companies are sales driven organizations, and most B2C companies are marketing driven organizations, with numerous examples of companies overlapping between the two. The reason most B2B companies are sales driven is three fold:

(i)   they are usually dealing with a much smaller base of customers, more easily reachable by a sales team;

(ii)   corporate customers are typically relationship driven, and want the comfort of working with a salesperson that best understands their needs; and

(iii) the average transaction size can get very large, often into the millions, which needs the comfort provided from a face to face meeting to close a sale (e.g., the trust factor).

So, for example, if you are an auto parts manufacturer, your prospective calling list in South Africa is pretty small, with GM, Ford and VW your primary prospects. But, as you can imagine, given the size of those companies, tons of auto parts manufacturers are trying to get their attention, since any one order can make or break their business. And, only a salesperson with solid relationships in the industry can break through that clutter, get the attention of the key buyers and closes those sales.

The key downside of a sales driven organization, particularly for large ticket orders, is the lead time can be very long before transactions start to close (e.g., 6-24 months, depending on the product). So, it will take a lot of money to keep the business funded until revenues start driving, especially when trying to break into big companies, where established relationships and processes are hard to change.

The reason most B2C companies are marketing driven organizations really comes down to one primary reason: media is the most efficient

way to get in front of millions of prospective customers. It would not be practical building a salesteam to call on 30 million. Media comes in multiple forms and reach, from 10 million unique monthly visitors on websites like Google, YouTube or Facebook, to 15 million households on channels like SABC 1 or eTV, to 2 million people that drive by a certain billboard each month to 500 000 people that listens to SAFM. You get the point, lots and lots of different marketing options, based on your desired medium, reach, demographics, frequency and budget.

As a startup, your marketing budgets typically can't afford that thirty second ad on SABC 1 for R90 000, despite almost 11 million watching the channel during peak hours. You need to be much more frugal in your initial spend, looking for cost effective (or even free) tactics. Especially since you want to test all tactics first, with small budgets, to make sure they are working as planned, before hitting the accelerator and spending a bigger budget. Here you are talking about doing search engine optimization of your website for free inbound traffic, keyword based advertisements in Google's search results on an affordable cost per click basis, leveraging the powerful word of mouth benefits of social media via Facebook or Twitter, affiliate or cross marketing relationships with similar businesses, and PR based communications, to name a few.

The downsides of marketing are:

(i) it can get expensive for any budget, so you will need to have cash resources to spend;

(ii) the results are not always perfectly attributable to a specific marketing piece, so you may not be able to know with 100% certainty which tactics are working better or worse than others; and

(iii) we are living in a world where small budget startups are competing with big budget brands for the same marketing real estate

BUILDING YOUR STARTUP TEAM

"If you hire people just because they can do a job, the will work for your money, if you hire people because they believe in what they believe, they will work for you with blood, sweats and tears."

There are few responsibilities that face an entrepreneur that are more enjoyable than hiring employees to a hot startup. What could be better than finding people to help change the world? And there are few factors that are more critical to the success of a startup than good people.

Good recruiting starts at the top: CEOs must recruit the best people they can find. Next, good recruiting requires looking beyond frivolities such as race, faith, color, education, and work experience. Instead, you should focus on three factors:

1. Can the nominee do what you need?
2. Does the nominee believe in the essence you're going to make?
3. Does the nominee have the strengths you need (as opposed to lacking the weaknesses you're trying to avoid)?

If nominees pass these tests, then go get them, but in a smart way—by using all your weapons, negotiating at the right moment, and verifying your instincts. After they're on board, you should define a honeymoon period during which both parties can analyze whether things are working out. Finally, as a philosophical framework, make the effort to "recruit" your employees every day—to make sure they want to come back the next day.

It's not enough that nominees are good and different; they must also believe that your organization can change the world. They must be alive with enthusiasm for what you do. Working in a startup isn't

easy: Salaries aren't as high as elsewhere, benefits aren't as lavish, and there's always the risk of running out of money. Therefore, conviction in what you're doing is as important as competence and experience. It's often easier to teach an alive nominee how to do a job than to teach an agnostic (or atheist) how to believe.

Personally, I would rather have an A+ startup team in a B- industry, than a B- startup team in an A+ industry. You want a team that has "been there and done that" before in a start-up environment, and will not be experimenting and learning with your limited startup capital.

YOUR ROLE AS A STARTUP LEADER

Chief Executive Officer? Chief Resource Officer? Chief Dreamer? Chief Visionary? Chief Cheerleader? Chief Salesman? Chief Funding Officer? Chief Communications Officer? Chief Team Builder? Yebo, all of these titles apply to the role of a Startup Leader. It is perhaps one of the hardest job to do in the business world, given the wide range of skills required to excel. This is one of the reasons only 5-10 startups in 100 actually succeed, as it takes a really special person that has the right combination of skills and startup DNA. In many ways, a much harder job than a CEO of a Big Four Bank, minus the big salary!!

When it comes down to the core skills required, a Startup Leader needs:

1. a clear vision of where the ship is sailing;
2. a finger on the pulse of the industry and competitive trends, to navigate the ship over time;
3. solid team management skills to keep all employees sailing in the same direction;
4. impeccable sales and motivational skills, while maintaining credibility with clients, investors and employees; and
5. to keep the business on plan, on budget and liquid.

I'll tackle each of these points below.

The first two points really go hand in hand. In order to create the clear vision, you need to have a good sense to what is going on in the industry and with competition. That is really the first step to building a winning business model. It is not enough to say, "we are building a great web design agency", as there are tons of website designers out there. You must shape the vision in a way it is more unique and competitive than current solutions in the market. My startup, Simple Brands, positioned itself as a niche killer for digital Communications & Marketing. And, within the digital communications & marketing sector, Simple Brands marketed as a "step-by-step guide" to the online world at a price point 25% less than similar work being offered.

But, the leader's job is not done setting the initial vision. He or she must stay on top of those competitive trends to navigate the ship over time. For example, after I moved to Johannesburg, Simple Brands needed to evolve from a digital & communications agent of other web designers, into a preferred marketing agency for startups in an effort to get more margin to the bottom line during a difficult economic climate. And, at the same time, Simple Brands opened up a whole new revenue stream from online advertising, to get the company to profitability. It is the leader's job to constantly watch these kinds of economic, industry or competitive movements over time, and to respond accordingly to keep the ship afloat.

Another job of the leader is to make sure all employees are clear on the vision, and that all staff are sailing in the same direction. In the Simple Brands example for Digital Communications & Marketing, you can't have your tech guy building a game seller, your operating guy building an events seller and your finance guy building a music seller. Everyone is building a Startup Digital Communications & Marketing seller, and the leader's job is to make sure all staff have contributed in building that vision, so all players are on the same page as to what they are building. Therefore, the leader is not only the communicator

of the vision, the leader is the consensus builder for that vision. You will never be successful if your team does not buy into the vision, or if they feel their good ideas for improving the vision are not being listened to.   Then once everyone is firmly on board, keep them clearly focused on the goal.

Once the vision is set and being maintained over time, now comes execution.   And, one of the key execution requirements for any startup leader is to be its Chief Evangelist. This includes cheerleading the staff, from top to bottom, and getting prospective business clients and investors excited about getting involved with the company. Everyone has been around that infectious personality that lights up the room, and you can't help but be excited by that person. That is who you need to be. But, and this is a big but, everyone has also been around that person who you feel is trying to sell you Legal Protection. So, it is important that your sales and motivational skills, are tempered with equally important business judgment and intellect to come across as credible and backable to all parties involved.

Keeping the business on plan, on budget and liquid is a no brainer requirement for any startup leader. The leader needs to set achievable proof of concept points, and put key managers in place for hitting those goals.   That means building a management dashboard of the key drivers for your business that are going to dictate its success or failure.

Figure out your key drivers, and get the right team members to manage them accordingly. But, more importantly, you need to be able to quickly identify when things are not going according to plan, so you can put new initiatives in place to make up for any shortfall. The longer you let cash-using problems go unfixed, the shorter your liquidity runway, and the higher odds you will run out of money and potentially go out of business. So, plan accordingly.

The worst thing that can happen to any startup is running out of capital mid-launch or prior to full proof of concept that would attract additional capital. So, it is the leader's job to make sure those proof of concept points are clear to the entire staff, a reasonable timeline has been created to achieve those points and the company has enough cash (including a cushion) to get to those goals. The best people to solicit proof of concept input are your prospective investors. Ask them, "what are you looking for before you would be willing to fund our business?", and firmly focus on hitting those targets. And, when raising money, always raise more than you think you will need, to leave a material cushion for when things go wrong, as they always do with startups.

There is no single right answer for "who makes for the best startup leader?", as everyone is different in terms of skills, style and personality, and every business is different in terms of economic, industry and competitive dynamics. But, the above is a good summary of the types of people that have the best odds for success in becoming a successful startup leader.

BUILD A BOARD FOR YOUR STARTUP

Many Startup Creators believe that a board of directors is appropriate only for organizations that have raised truckloads of money and are fairly far along. According to this theory, until then, these organizations should make do with no board or with a board of only the internal team members.

This perceptive is incorrect on several counts. Firstly, good guidance is always valuable. The need for it is not dependent on the stage of the organization or the amount of capital it has raised.

Secondly, money, or the amount of capital you've raised, is not the only factor that can attract high-quality board members. Other factors include the novelty of your product or service, the impact you're going to make, and your personality.

Building a board of high-quality directors—just as assembling a great team—without funding is solid testimony to your product or service and your evangelism skills. Plus, a great board will help you get money as much as money will help you get a great board

CHAPTER FIFTEEN:
THE POWER OF CO-CREATION

"Co-creation involves both a profound democratisation and decentralisation of value creation, moving it from concentration inside the firm to interactions with its customers, customer communities, suppliers, partners, and employees, and interactions between and among individuals."
Venkat Ramaswamy and Francis Gouillart

THE CO-CREATION CONCEPT

It is used to be that customers would passively consume the products and services that companies created in a distinctly one way process. Customers wouldn't get much say over what type of cereal flavours were available or which new features they wanted to see in their latest family car. These day's things have changed. It is now essential for companies and Startup Creators to actively co-create products and services with consumers.

Why? Because doing so allows you to tailor your products and services to the specific and unique needs of each customer, bringing increased customer satisfaction and extending the life time relationship.

In the co-creation process you involve your customers in one or more of the stages of the innovation process. You get them to share their thoughts and ideas about your future products and services. You might even ask them to create products together by co-designing, sharing expertise or resources. It can happen at any or all stages of development.

"People pay more attention to the output when you've taken them on the design journey and they feel involved. The solution holds more water than if I make up the design myself."
Paul Morris, Head of Customer Experience, Virgin Media

One driver of the rise of co-creation is the internet. The explosion of interactive technologies such as Youtube, Facebook and Twitter means that companies can now interact with customers in a way that was simply not previously possible.

Co-creation is highly complementary with the Lean Startup and Customer Development approaches to being a startup (Ries and Blank respectively). At the heart of it is a challenge to the fallacy for any organisation to *assume* that they are creating value for their customers. It's all about getting out of the building and co-creating offerings with customers. This results in increased success rate of new innovations. Aka - more sales!

"Co-creating has the power to transform our everyday human realities....and allows us to design around the human experience rather than just create goods and services and then just assume we're creating value for people." Venkat Ramaswarmy

IDEA EXCHANGE

Whilst not strictly co-creation, it is worth looking at another closely related idea, the importance of sharing your idea with a wide range of people. Rather than trying to re-invent the wheel, it is a smart move to tap into the knowledge, expertise, experience and creativity that already exists in the world to rapidly innovate your idea.

Matt Ridley makes a compelling case for the ever-increasing rate of innovation and diversification of artefacts in his 2010 Ted Talk '**When Ideas have Sex**'. Ridley argues that what enabled Homo sapiens to survive over Neanderthal man was their propensity to exchange ideas and technologies amongst tribes.

"Human beings bring together theirs brains and enable their ideas to combine and recombine, to meet and indeed mate. This is how ideas have sex." Matt Ridley

Each time you share your idea you'll receive feedback, critique and new ideas that will help you move forward. You'll also get new ideas around your next port of call.

WHY AM I TALKING ABOUT CO-CREATION AND IDEA EXCHANGE?

You and your team are far more likely to succeed and do great work in the startup phase if you harness the power of co-creation. Rather than trying to re-invent the wheel or find solutions to your challenges alone, you will find more success and create better solutions if you interact with key stakeholders and invite them in to create your project.

8 WAYS TO BEGIN CO-CREATING

1. HOST A CO-CREATION WORKSHOP
Invite users into a workshop to brainstorm ideas at the concept phase of your startup project. Design your workshop to gain insights into the needs of your customers.

2. TAP INTO THE WISDOM OF KNOWLEDGE HOLDERS
Identify at least 10 knowledge holders in a field related to your startup project and get into a dialogue with them. Meet face to face. Get them working for you! Tell them all about your project; the problem you're trying to solve, who for, and the ideas you already have. What possibilities or potential problems do they see? What would they do? Would they be willing to stay connected to your team and help when the time is right?

3. CROWD SOURCE
Ask potential customers to solve the problem and offer a price for the winning solution. This can create buzz and provide a ton of great ideas for your team.

4. TAP INTO COLLECTIVES OF EXPERTISE

Rather than hold onto your idea, do the opposite. Share it! Define the problem you're trying to solve in communities of expertise on the web. Ask if anyone in those places could help with solutions or ideas that could help you move forward.

5. CO-CREATION DINNER

Invite a group of friends to sit together over dinner and brainstorm around your project. Likely they will give you a ton of suggestions to move forward.

6. CROWD VOTE

Come up with a cool way for customers to vote on what they want to see you create. It could be an interactive event or an online social media campaign. Better still, combine both.

7. CO-CREATE WITH FELLOW INNOVATORS

Co-create your product with another party. Find someone who has part of the solution to your problem and invite them to work with you on developing something together.

8. USER GENERATED MARKETING

Invite customers to come up with the best ways to build awareness of your product for a prize.

EXERCISE: BRAINSTORM AND DESIGN YOUR CO-CREATION STRATEGY

ROUND 1: In 30 minutes create 30 different ways you could harness the power of co-creation. At this stage no idea is too crazy or too normal. Think inside and outside the box about innovative ways you could invite in customers to help co-design your product or service.

ROUND 2: Out of the 30 ideas select your favourite 5 - 10 to develop further. Spend 30 minutes coming up with 3 ways you could improve each idea.

ROUND 3: Time to make things concrete. Select your top 3 ideas and define when you will do it, how, what you need and how you will measure the results of the process. As with prototyping, make sure to clearly define the purpose of each co-creation event. What do you want to learn as a result?

FURTHER RESOURCES

- Venkatram Ramaswamy and Francis Goillart discuss the power of co-creation: video: http://www.youtube.com/watch?v=RUQm7cTudqw

- Co-opting Customer Experience: Havard Business Review Article by C.K Prahalad and Venkatram Ramaswamy: http://hbr.org/2000/01/co-opting-customer-competence/ar/1

- Blog post on the trend of 'Customer Made' : http://www.trendwatching.com/trends/customer-made.htm

- Proctor and Gamble co-creation channel: https:www.cocreate-pg.com/start.php

- IBM paper on Tapping Into Collective Wisdom: http://www.hrminfo.net/Tapping_Into_Collective_Intelligence.pdf

- My Customer Blog Post: Building a model for Customer Co-Creation: http://www.mycustomer.com/topic/customer-experience/co-creation/111040

PART TWO

THE STARTUP MZANSI MANIFESTO

We believe in entrepreneurship and innovation. In the change that is brought about by startups. **We're telling a new story about the role of startups in South Africa.** *We recognize and support young people in their role as innovative and creative thinkers. We believe in changing the world. We have the fire to inspire and develop one another.* We defy the status quo. We create employment. We ENGAGE YOUNG PEOPLE AS PARTNERS IN DEVELOPMENT. *We equip them with the know-how and tools to impact their own lives and uplift their own communities.* **We believe in working with great people.** WE INSPIRE YOUNG LEADERS IN OUR COMMUNITIES. WE WANT TO CHANGE PEOPLE'S LIVES FOR THE BETTER. *We want to build amazing products.* We want to build a successful and profitable company that delivers value. We're laying a foundation. Block by block. We have fun. WE BELIEVE YOUNG PEOPLE HAVE SOMETHING TO CONTRIBUTE AND THEY MUST BE GIVEN THE OPPORTUNITY TO REALISE THEIR DREAMS. We are igniting change. We do everything, every little thing, with the greatest INTEGRITY AND HONESTY. We believe that no idea can be too big. For us, nothing is impossible. *Because we get involved, stay involved and help each other out.*

The time to STARTUP is now.

THE STARTUP MZANSI BLUEPRINT

"The Startup Mzansi Blueprint is a proposal for establishing an excellent, nationally successful support environment for startup companies in South Africa. Its purpose is to guide The Startup Foundation and encourage key stakeholders to take action that will help South Africa become an attractive place for innovative entrepreneurial to flourish, and for developing fast growing companies, that will create high added values and new jobs."

Prepared by:
The Startup Foundation NPC
With colleagues from the South African startup ecosystem
February 2015

1. SUMMARY

I n the year 2015, South Africa, Africa and the world find themselves in the most important period of the new economic revolution, the strongest and biggest one so far. It is the revolution leading us from the post-industrial era into the knowledge-based society. According to economic experts, the future will bring a divide between countries that will know how to answer challenges of a knowledge-based society, and countries in which the economic and social lag will become increasingly larger. The Startup Mzansi Blueprint discusses key challenges and possibilities for building a globally competitive startup ecosystem in South Africa.

A startup company is a newly born enterprise that has the purpose of developing a new, usually innovative product or service in uncertain circumstances and often has big growth potential. An entrepreneur with high potential creates on average as much as 3 times more jobs than an entrepreneur with average potential, and as much as 15 times more jobs than an entrepreneur with low potential. A third of dynamics of countries' economic growth can be explained with the dynamics of startup entrepreneurship. However, for these companies to grow, we need a suitably developed startup ecosystem.

Startup companies and high-tech industry in South Africa thus do exist and are developing. Unfortunately this still happens to a too small extent to be able to restructure the entire South African economy. The key question is therefore how to encourage this industry to contribute to the development of a knowledge-based South African society as much as possible.

The answer lies in the development of a suitable startup ecosystem, i.e. an appropriate support environment for startup companies. South Africa has already developed a general entrepreneurship support environment, but it doesn't yet bring as many results as it could, since it does not differentiate between general small business and entrepreneurship support and support of startup companies. In

South Africa, we have already developed some foundations of the startup ecosystem, but they aren't yet sufficient. In order to develop successful startup entrepreneurship, we need a lot more of support activities, a higher quality of already established support services and better networking with support institutions located internationally and globally.

We strive to set a social goal for South Africa that until 2020 we will annually:

- Create 2000 new youth-led startups in South Africa;
- Connect at least 50 startup companies with the most important startup ecosystems in the world;
- Create or attract at least 150 startup companies with global potential.

But in order to reach these goals, we have to systematically invest into the development of the entrepreneurship ecosystem, which is why this Blueprint presents different fields of development and running of the entrepreneurship ecosystem, where various public and private players should compete and simultaneously collaborate in order to realize their joint vision. This document also provides suggestions for preparing instruments and carrying out activities that support the development of innovative startups.

2. THE GAME HAS CHANGED. WHERE WILL SOUTH AFRICA END UP ON THE GLOBAL COMPETITIVENESS MAP?

As stated by the strategic documents of the Republic of South Africa (e.g. National Development Plan (NDP) - Vision 2030) we live in the most important period of the new economic revolution, the strongest and biggest one so far. It is the revolution leading us from the post-industrial era into a knowledge-based society. The transition presents a great challenge, opportunity as well as danger to individuals, companies and countries. Talent, technology and tolerance lie in the heart of success of the modern creative society.

In order to succeed in a knowledge-based society, however, a suitable innovation ecosystem is needed, enabled with access to capital and other sources that allow the talent to flourish. According to economic experts, the future will bring a divide between the countries that will know how to answer challenges of the knowledge-based society, and countries in which the economic and social lag will be increasingly larger. Most African countries belong to the second group due to outdated values, an insufficient level of innovation, uncoordinated policies and slow response to global changes. We believe that South Africa has the potential to place amongst the winning countries.

On the global level, many cities, regions and countries realized that the so called "talent war" isn't only happening on the level of companies, but also on the level of geographical areas. A big and important policy orientation on the global level is the creation of entrepreneurship hubs, which can refer to cities, regions or countries, depending on the size of the area. The talent namely tends to gather in those geographical areas that have characteristics such as the right creative values, technological development and possibility of commercializing ideas. We are already seeing Cape Town as a technology hub of South Africa and Africa.

Why wouldn't South Africa also be on this list in the future?

The Startup Mzansi Blueprint talks about the key challenges and possibilities of building a globally competitive startup ecosystem in South Africa.

By implementing the outlined programmes, The Startup Foundation and key stakeholders can create a startup ecosystem that will enable and encourage the development of innovative entrepreneurship in South Africa.

"The solution lies in identifying the best-fit people to start and grow businesses. It is the job creation of those enterprises that is really going to make an impact on unemployment. Governments, businesses and civil society need to work together to understand more about the policies and types of support that best enable the start-up and growth of youth-led enterprises."

3. THE IMPORTANCE OF STARTUP COMPANIES FOR ECONOMIC DEVELOPMENT

3.1 WHAT IS STARTUP ENTREPRENEURSHIP?

In a knowledge-based society, innovation is the driving force of the economy on all levels and in all types of organisations. Due to high risks present when introducing new products and services, innovations are usually commercialized via isolated formal formations such as startup companies.

Eric Ries, the creator of the Lean Startup movement, defines a startup as company is a newly formed company, the purpose of which is to develop new, usually innovative products or services in uncertain circumstances. If it satisfies a new need, present in a broader area or even globally, it also has great growth potential. Startup entrepreneurship is crucial because of innovations, new jobs and bringing competitive dynamics into the business environment. A feature of these companies is that they first test different possible business models in order to find the right one. But for this, they need a suitably developed support startup ecosystem.

The Global Entrepreneurship Monitor (GEM) research data show that worldwide, an entrepreneur with high potential creates on average as much as 3 times more jobs than an entrepreneur with average potential and as much as 15 times more jobs than an entrepreneur with low potential. Thus there is only 4 % of Startup Creators who can be placed in the group of dynamic companies that have the

potential to grow on global markets (on average they reach at least 20 % annual income growth) and they truly contribute to the economic development of the society, as they create as much as 38 % of all jobs. In the society, there is only 6 % of Startup Creators with average potential, amongst which we also count those who achieve between 5 % and 20 % average annual income growth, and they create 28 % of all jobs. But the great majority of Startup Creators have low potential (90 % of all) – on average they achieve only up to 5 % average annual income growth and together create 34 % of jobs.

Therefore growth is mostly generated by highly ambitious Startup Creators who find and realize promising business opportunities. Their companies grow quickly and so increase the employment rate. A research by the Global Entrepreneurship Monitor South Africa (2012) states that one third of dynamics of countries' economic growth can be attributed to the dynamics of startup entrepreneurship. They also contribute to the promotion of the research and innovation system and introduce values of proactivity into the society.

Entrepreneurial talents with high potential are very scarce and represent the most precious human resource of every nation, which is why they should be fully supported. The economic policy in general and the policy for promoting entrepreneurship have to understand that not all business activities are the same, much less that the motives for being an entrepreneur are the same for everyone. Facilitating settings for ambitious innovative entrepreneurship is fundamentally different to facilitating settings for self-employed necessity entrepreneurship.

Startup companies are thus those that have ambition and potential to become gazelles that can, with quick growth, create a large number of new jobs. This is often, but not always, the case for companies from high-tech industries.

3.2 IMPORTANCE OF STARTUP COMPANIES FOR ECONOMIC DEVELOPMENT

The majority of developed countries in a knowledge-based society encourage startup entrepreneurship from the aspect of investment into the future as well as from the aspect of actively designing long-term economic policy. Why?

FIVE KEY REASONS FOR ENCOURAGING STARTUP ENTREPRENEURSHIP:

1. **INNOVATIONS** – They are the main driving force behind economic development and the increase of productiveness in a knowledge-based society. Startup companies are the most suitable form of implementing inventions and consequently the best mechanism for commercializing technological and other novelties. Startup companies contribute to a quick development of new technologies and the location where they operate. Large companies often buy startup companies because of technology (fundamental ingredient) that they then integrate into their business and thus keep their competitive advantage. At the same time, they provide knowledge as well as spin-off and spin-out companies to the startup environment, which wouldn't be possible without a well- functioning startup ecosystem.

2. **NEW JOBS AND ECONOMIC GROWTH** – In the long term, startup companies create a large portion of new jobs and contribute to the country's economic growth. Considering that startup companies are based on innovations, the potential of startup companies represents the healthy core of the economy. If the country wishes to encourage new employments in the long term, it is necessary for it to invest into the segment of companies that create the most jobs in the long run (in 10 years and more). Startup companies are the ideal form and opportunity for employing and activating the Y generation.

3. **BRINGING NEW COMPETITIVE DYNAMICS INTO THE ECONOMIC SYSTEM** – Startup companies are the most dynamic economic organisations on the market, since they provide additional dynamics and competitiveness to the economic system. This means that the economy stays healthy, vital and diligent, while individual companies find it harder to fall asleep on their laurels.

4. **PROMOTING THE RESEARCH-INNOVATION SYSTEM** – High-tech as well as knowledge-based service startup companies are very closely connected to knowledge institutions. An appropriate entrepreneurship ecosystem thus promotes the research & development as well as research & innovation approach of knowledge institutions, companies and connecting institutions as well as contributes to the applicative orientation of research work at universities and research institutions. Meanwhile it also works as a role model and encourages students and researchers to implement their ideas via a startup company.

5. **BRINGING THE VALUES OF PROACTIVITY INTO THE SOCIETY** – Startup entrepreneurship changes the values of the society and brings a new mind-set, in line with the society based on knowledge and creativeness. The population is starting to increasingly realize that they have a responsibility for their work and career development.

3.3 DEVELOPMENT PHASES OF START-UP COMPANIES AND THE NEED FOR SUPPORT

The support for startup companies differs according to their development phase. A successful transition from one phase into another does not yet ensure success in the new phase. This makes it necessary to have a permanent and phase-appropriate support for startup companies, with suitable programmes in all individual development phases. The essential parts of the ecosystem are quality programmes integrated on the national level that help entrepreneurial

talents solve business and technical challenges in different development phases.

TALENT MOTIVATION AND ACTIVATION –The first critical point is identifying and engaging talent. It is necessary for suitable programmes to spread current knowledge and paths of career success, values of innovativeness and entrepreneurial drive, general creativity etc., with the purpose of providing the most competent individuals with the insight into all possibilities that they have on the domestic market. In the phase of talent motivation and activation, it is not only crucial to identify competent individuals but also to systematically help talents develop their ideas and join suitable programmes that enable the implementation of business ambitions. More broadly considered, it is important to adjust the entire education system, from ECD-level to university, so that it will be able to encourage creativity and entrepreneurial drive.

STARTUP COMPANIES –The second critical point is founding the company and starting the validated learning process, i.e. development (search) of the right business model and setting up a flexible organisation of the company. In this phase, the mortality rate of companies is extremely high, as individuals discover that the path to first customers isn't that easy and that leading a young startup company is a very demanding career task. Namely there are a lot of risks that prevent the company from succeeding on the market. This is why it is necessary for startup entrepreneurs to have a suitable environment of similarly thinking people, less bureaucracy, current entrepreneurship knowledge, appropriate regulations on the labour market and suitable systems for the protection of intellectual property as well as consultants and mentors who help them through the most critical times of the growth of a young company.

In doing so, connections play a crucial role, since they ensure quick adaptability and learning. Connections with the market, connections with mentors, connections in the local support ecosystem and connections with international entrepreneurship ecosystems are those that ensure feedback information to startup companies about their

newly developed products and services and about their business models.

Mortality of startup companies is incredibly high (80- and more percent), mostly due to the difficulty of implementing business operations, which is what makes it necessary for a company to be in a suitable environment, where it has, at its disposal, a flexible infrastructure, current knowledge on building high-tech companies, a community of individuals with similar values, access to state-of-the-art business services, entrepreneurship resources etc. Several scientific studies have confirmed that a suitable entrepreneurship ecosystem evidently decreases the mortality rate of startup companies on the one hand, while very much accelerates their formation on the other. Due to an increasingly more turbulent business environment, new practices of building companies are being created (e.g. lean start-up) and consequently also suitable mechanisms of support to these companies.

4. THE STATE OF YOUTH ENTREPRENEURSHIP IN SOUTH AFRICA

According to the Global Entrepreneurship Monitor (GEM) Report 2013, a quarter of young people in South Africa between the ages of 18 and 34 years old believe that they have the skills and knowledge to start a business and that there are good opportunities to exploit. The rate of potential youth entrepreneurs in South Africa is substantially below the average for sub-Saharan Africa (60%). Sixty percent of young people surveyed believe that lack of knowledge of how to start a business is a substantial barrier to entrepreneurship, while more than half of the youth think that becoming an entrepreneur in South Africa is difficult or very difficult. Only 13% of the non-entrepreneurial youth, i.e. not currently involved in setting up or running a business, indicated an intention to start a business in the next three years. 61% of young people believe that most young adults that start their own business have to work too hard for little money.

South Africa's early-stage entrepreneurial activity rate (TEA) for its youth is 7%, the lowest of the 10 sub-Saharan African countries, and far below the average for the 10 countries of 29%.

And last but not least, South African support environment has been flourishing since 2012, namely with a larger number of new institutions, projects and the increasingly larger number of entrepreneurs included. With the launch of the new Small Business Development Department, we are still yet waiting to hear what the ministry has to offer, that wasn't already there. In this, individual elements of the ecosystem's services don't lag behind the offer abroad that much. The main difference lies in the way that these services are offered – they are very fragmented in South Africa, while in benchmarked ecosystems, they are integrated into uniform products such as business accelerators, which represent a combination of financial, mentoring, consulting and infrastructural products in one place. This way they offer an integrated support and achieve better visibility, as well as make it more attractive for startup teams.

South Africa already has a fairly developed entrepreneurship environment in many parts. Its development started 20 years ago, but was designed without considering that the entrepreneurship structure is made up of a very diverse group of companies: self-employed individuals, small companies, growing companies, big companies, social entrepreneurs, etc. All individuals who initiate a company and lead it are entrepreneurs, but there are great differences between them in regards to their ambitions, contribution to the development and their needs for various types of support. The support to high-tech companies with potential for quick growth clearly has different demands than the general support of entrepreneurship, as it has numerous specifics that do not concern other types of entrepreneurs. The lack of understanding of these differences prevents the creation of a suitable and successful entrepreneurship policy and the creation of the most efficient support mechanisms, as each of these types of entrepreneurs demands a different support ecosystem.

5 WHAT IS NECESSARY FOR ESTABLISHING A SUCCESSFUL SUPPORT ENVIRONMENT FOR

INNOVATIVE ENTREPRENEURSHIP – STARTUP ECOSYSTEM?

Based on examples of countries that already developed successful startup ecosystems, it seems that all successful startup systems have the following elements in common:

They all try to systematically raise the level of activation of entrepreneurial talent (human capital) in order to increase the number of innovative startup companies. More people with knowledge should dream about building a breakthrough company that would change industry standards and reach multi-million values. The school system and the broader entrepreneurship education system play a special role in this.

They build on the awareness that commercialization of knowledge and technology is crucially important for innovative startup entrepreneurship. Entrepreneurs don't and can't work in a vacuum, but rather have to build their companies on the basis of connections with research- development achievements and ideas that are arising within knowledge institutions and other companies in the ecosystem. This is why a suitable and successful support infrastructure as well as a developed innovation and research system are needed.

They use their networks to encourage company growth on international markets. Talents with business ambitions want to succeed on international markets, since this ensures the capability of building a significant company that reaches enviable great value and can influence the development of the entire industry. This is why entrepreneurship ecosystems are establishing global connections with other hubs, which enables an efficient access to global sources and markets.

They contribute to bigger capital accessibility, as lack of capital is one of the key obstacles for growth and development of startup companies. This is true even for the most developed ecosystems, but is even more acute in South Africa and the region. The capital must support companies in all phases of development and help build a

company with connected services as well (so called "smart money), but at the same time it "forces" the company into fast growth and development. On the other hand, experienced investors also quickly eliminate projects and companies that don't achieve the expected results, and thus save resources that would otherwise be lost. Consequently an appropriate financial system is crucially important for the success of an ecosystem, but mostly this demands capital investments and, to a substantially lesser degree, debt sources. An example of a widely present financing system that supports startup companies is Singapore.

They all understand the importance of activating various ecosystem stakeholders and strive for their more active involvement. The entrepreneurship ecosystem doesn't function efficiently if various stakeholders don't play their role actively and aren't coordinated. It is necessary to find suitable incentives and also ensure the adequate level of their key abilities. A harmonized, comprehensive and strategic leadership of a support environment is necessary. It is important to emphasise that a lack or an inadequate level of services of even only some parts of the support ecosystem can hinder the creation of a positive feedback loop of the startup ecosystem. Certain factors are necessary for success and without them, other factors can't bring success either.

How does the South African entrepreneurship ecosystem cover these areas, which elements are already established and what else needs to be done in order for the positive feedback loop of the startup ecosystem to be established?

In South Africa, we already have many foundations of the support ecosystem established, but they aren't yet sufficient for its full development. The startup ecosystem is not yet completely developed and some areas aren't covered at all. Some of the other areas may be covered, but insufficiently. In our opinion, most areas are like that. In order to achieve the development of startup entrepreneurship, we need a lot more of all support activities for individual phases of development of startup companies, organised in comprehensive programmes. It is necessary to raise the quality of support services,

their integration strength, which can be achieved by efficient connecting and improving the fragmented programmes of domestic support institutions into comprehensive programmes and connecting them internationally.

In order to reach these goals, we have to systematically invest into the development of the support ecosystem. On the basis of the analysis above and conversations with more players in the existing ecosystem, we suggest a couple of measures that would surely efficiently contribute to reaching this goal.

PROPOSED MEASURE	DESCRIPTION	KEY SUCCESS INDICATORS
ACCESS TO CAPITAL		
Establish an environment for crowdfunding platforms	Prepare the instruments and legal environment that will enable, facilitate and regulate activities for crowdfunding South African startup companies.	- Assure a substantial increase of investments into South African startups with the help of crowdfunding – to the level of a couple of million rands per year.
Establish a platform for early project testing and financing	At the start of their business journey, entrepreneurs face two key problems: testing their solutions and finding funding capital. The solutions have to be tested before entering the market, which is formally legally impossible before founding the company. Thus entrepreneurs are often forced to sell first products illegally or create companies before the solution had been seriously tested on the market. In order for even the simples companies to	- Create a platform for initial solution testing and their funding – the "pre seed" phase. - The platform can also be organized as a company, cooperative or other. For the launch, it needs minimal financial resources in the form of capital

	start working, it is necessary to secure some initial capital, which can be a big problem for many. Investors aren't interested in small projects, while banks aren't prepared to support start- up projects either.	
Actively promote and search for different possibilities for investors to exit start- up companies	Help startup companies with their search for investors as well as help investors search for customers for their investments – the so called "exit". Help connect with strategic investors – potential customers. Help search for opportunities for micro-cap listing or alternative investment market.	- Support the organization of investment conferences and other events for investors. - Develop a portal for presenting startup companies to investors. - Support investment match- making services.
Support other financing forms	Support debt financing sources for bigger startup companies.	- Develop micro-credits, even for working capital. - Offer guarantee for debt financing sources for startup companies (SME and RDI market gaps).
RAISE THE LEVEL OF ENTREPRENEURIAL TALENT ACTIVATION AND IMPLEMENT COMPREHENSIVE SUPPORT PROGRAMMES THROUGH THE STARTUP INSTITUTE (THE EDUCATION ARM OF TSF)		
Promotional	Organise educational and motivational events all	Support the organisation of promotional workshops

Workshops	across South Africa with the purpose of promoting and especially preparing startup entrepreneurs for the launch of their company. In doing so, they get to learn about the entire and comprehensive offer of the startup ecosystem.	that promote state-of-the-art knowledge and joint offer of the services of support environment.
Startup weekends	Startup weekends are global entrepreneurial good practices. The Kauffman Foundation in America helped develop them in order to help entrepreneurs develop their idea. The basic concept behind these weekends is the actualization of a business idea over the weekend and the focus is mostly on creative and innovative ideas. The concept turned out to be very effective.	- Support the organisation of Startup Weekends.
Startup co-working spaces	Startup co-working workplaces are intended for ambitious, innovative and entrepreneurial talents with knowledge and are developing a new business venture for the global market. They are located within the support environment. Workspaces are available to everyone working on their prototype, minimum	- Support the development of Startup Coworking Spaces.as well as provide funds for co-financing the space infrastructure intended for the functioning of startup communities.

	viable product or business plan, searching for their first customers or even those who already started doing business, but do not yet need their own office.	
Business infrastructure within FETs, colleges, university as well as other houses of higher learning and regional centres	Established infrastructure that takes care of entrepreneurship development in local environments and knowledge centres (university, etc.). Implements fundamental business programmes, offers the basic infrastructure, accessible under more favourable conditions, and helps build local entrepreneurship communities.	- Co-finance the management and functioning of the basic infrastructure for startup companies and building startup communities.
Spread entrepreneurship culture into mature organisations	Put together, all medium and large companies are about a 100 times bigger than all startup companies, according to the number of employees as well as the created income. They have most of the necessary resources, such as technologies, infrastructure, partners, market access, trademarks and quite possibly also entrepreneurial individuals with good ideas and market	- Promote and accelerate the development of corporate entrepreneurship, connected with the startup ecosystem, in mature organisations. - Educational programmes for using the Lean Startup approach for internal projects in medium-sized and large companies, and for spin them out them into new companies.

	knowledge. However they do not have the knowledge and experience of the startup approach and most of all they have no suitable motivational environment that would allow them to innovate and bring new products and services to the market quicker, cheaper and with less risk.	
Actively attract foreign founders of startup companies to South Africa	Motivate entrepreneurs from abroad to relocate to South Africa and thus increase recognisability of South Africa as a regional hub for startup entrepreneurs. Actively make South Africa attractive for foreign entrepreneurs and create a single entrance point with all information about the advantages of South Africa for international startup entrepreneurs. International promotion of South Africa as a destination for launching a startup company.	- Advocate for the regulation of the visa policy for startup entrepreneurs and their families. - Upon founding a startup company in South Africa, they have an equal status to South African startup companies and have all the instruments and support activities at their disposal. - Overview of possibilities for non-profit apartments for them (and for South African startup entrepreneurs as well)
Supporting activities for entrepreneurial talent activation and motivation in schools	Supporting activities that activate entrepreneurship in schools (primary and secondary schools, university). Focus is on	- Support as many different entrepreneurship programmes in schools as possible:

	horizontal programmes that help the youth develop entrepreneurial drive and learn how to bring an idea into the application phase, namely through practical project work focused on discovering the possibilities for possible company creation. A single entrance point to the supporting startup ecosystem would be available to those who wanted it.	• Competitions • Groups • Conferences • Startup camps • Other events • Exchanges • Media and promotional activities
Educate teachers about new skills for teaching entrepreneurship	Teachers who already teach entrepreneurship topics have to be reminded of the fact that today, the market demands different people than it did decades ago. Therefore other work methods and the development of different skillsets are necessary if we wish to encourage entrepreneurial drive and entrepreneurship amongst youth.	- Every teacher should go to courses and trainings regarding modern methods of encouraging entrepreneurial drive and entrepreneurship amongst youth. - Financing is possible by reallocation inside the education system.
Selecting and promoting the best startup companies	The selection of the startup of the year, which is part of a bigger national campaign. The purpose of the competition is to motivate talents for launching a company, recognize the best business teams, business plans and startup	- Support the organisation of the national competition for startup companies that are promoted in the national and international environment.

	companies in the South African environment and promote them to the general national and international public.	
Organising conferences	At the conferences, esteemed national and international guests can use a series of roundtables, lectures and workshops to present state-of-the-art knowledge on building new startup companies from the practical as well as academic point of view.	- Support the organisation of entrepreneurship conferences and other events in the startup ecosystem. _ Organise startup debates to bring together important stakeholders in the startup ecosystem to engage on how to move our country forward using entrepreneurial minds and talent.
Media and public support to startup entrepreneurship	National promotional campaign for promoting the creation of startup companies in South Africa and for presenting the support ecosystem.	- Support as many different promotional programmes as possible.
ENSURE CONSISTENT, COMPREHENSIVE AND STRATEGIC GOVERNANCE OF THE STARTUP SUPPORT ENVIRONMENT		
Efficient and transparent governance of the startup ecosystem	Measures for an efficient and transparent leadership and use of public funds, based on auditing, monitoring and evaluations of programmes and measures. The focus is on market gaps and public interventions, but the	- Establish a standard set of key performance indicators (KPI) and their continuous monitoring. A public announcement of all indicators and their current as well as past values. - Implement an annual evaluation of all public

	private part of the ecosystem is also analysed and its efficiency evaluated.	measures supporting the startup ecosystem. It will be done in collaboration between South African and foreign evaluators with experience in evaluating entrepreneurship ecosystems. - Continuously monitor the development of the South African startup ecosystem, compared to the most important ecosystems in the world (benchmarking) with the purpose of helping South Africa become one of the most attractive startup environments. - Establish an information platform for mapping the startup ecosystem, in which all ecosystem actors will be registered.
Create an active support ecosystem for startup companies	Activities for supporting the performance of the support environment to those institutions that are active, as well as connecting their services into comprehensive joint programmes. Prepare a map of the supporting ecosystem and a single entrance point for new startup companies with information on all institutions and activities in the support environment.	- Promote discussion about the necessary activities and efficiency of implemented activities. - Support policy makers when evaluating and developing new instruments (e.g. with an annual public policy conference for policy makers).

6. INTRODUCING THE STARTUP MZANSI FOUNDATION

"Youth unemployment will create serious problems around the world unless we do something about it." – Kofi Annan

Founded by Sandile Shabangu in 2012, The Startup Mzansi Foundation is a Non Profit Company supporting innovative youth entrepreneurship in South Africa. The Foundation is organized under the laws of the Republic of South Africa and governed by a Board of Directors made up of Leadership and Entrepreneurship Specialists.

Our goal is to lay the foundation by bringing together essential elements to create a viable ecosystem, from which startups and innovative entrepreneurs can accelerate their growth. We do this through lobbying, mentoring, networking, strategic alliances, developing and recognising excellence in youth and promoting a vibrant entrepreneurial culture.

As a national organisation with regional communities, we also provide local and national forums where members can exchange ideas, be informed about topical issues and create business opportunities. We are truly passionate about promoting entrepreneurship and we will do this by highlighting the myriad of support that is available to those who wish to start or grow a business, galvanizing support where we see a demand and by acting as a voice for startup businesses to Government.

Through strategic partnerships with sponsors, other non-profit organisations, leading companies and business schools, we provide on-going events and opportunities to advance the interests and needs of youth in business.

OUR VISION

"Young people have the best opportunity to experience and become startup creators; they are now collaborating to make South Africa a leader in entrepreneurship and innovation in Africa and throughout the BRICS countries."

WHAT DO WE DO?

The activities of the foundation are focused on four core areas:

- **Advocacy**: promoting entrepreneurship in the media and with government,

- **Research and campaigns**: especially initiatives that improve the public perception of entrepreneurs as well as encouraging more people to become entrepreneurs,

- **Thought-leadership**: generating white papers, pamphlets, events and articles aimed at the defence and promotion of entrepreneurs,

- **Resources**: providing guidance and support for entrepreneurs.

"Startups and entrepreneurs lead the way in creating innovative products that improve our lives and drive significant economic and social impact. A robust community of entrepreneurs – paired with resources, mentorship and technology – can be a rising tide that lifts all boats."

JOIN THE MOVEMENT

The Startup Foundation has grandiose plans for 2015 and BEYOND.

OUR GOALS ARE TO:

- Facilitate a strong national network of startup communities;
- Connect entrepreneurs into these communities to accelerate their growth;
- Celebrate South African entrepreneurs to promote a strong entrepreneurial culture, and;
- Provide a strong, independent national voice for South African entrepreneurs.

To achieve that we are rolling out a number of programs in 2016 to accelerate the success of entrepreneurs and startup ecosystems across South Africa.

The Startup Mzansi Foundation is a grassroots organisation and we want to grow with you – with your input, feedback, expertise, creativity and support. Let's grow together!

BENEFITS OF MEMBERSHIP:

1. *EXCLUSIVE ACCESS* to networking opportunities with senior-level decision makers in the public, private, academic and no-profit sectors. Members receive priority invitations and get discounted prices on our events, including round tables, conferences, seminars, lectures and private VIP events.
2. *SIGNIFICANT INPUT* over our programs and research. We work closely with our members to develop new initiatives that align with the interests, priorities and needs of our network.
3. *PRIVILEGED OPPORTUNITIES* to participate in dialogues that help develop and improve policies that are important to South African entrepreneurs.

4. ***ACCESS TO A NEUTRAL, INDEPENDENT PLATFORM*** for open dialogue on South African entrepreneurship and innovation that makes collective decision making possible. Startup Mzansi provides an unbiased and non-partisan venue where entrepreneurial leaders from all sectors can discuss issues and learn from one another.

MEMBERS ALSO RECEIVE:

- The President's Letter, distributed twice annually to members;
- Quarterly Startup Report Publication;
- The annual Startup Vision Book

The Startup Foundation depends on membership to support its programming and research. Join The Startup Mzansi Movement to shape the future of South Africa's entrepreneurship ecosystem.

Contact our Membership Manager Lucky Nkumbi at ***hello@startupmzansi.org.za*** for more information.

To learn more about the work we do at Startup Foundation, please visit our website at www.startupmzansi.org

Two roads diverged in my life. One was leading to a confined environment, filled with all the wits, comfort and all the conventional stuff. The other one was leading to a challenging expedition to explore a completely diverse world of People, Education, Technology and Entrepreneurship. As you may have guessed, I took the latter. Not only because it was less travelled but also because of its endless possibilities and freedom of knowing that I will be what I want to become.
- Sandile Shabangu

THE PROS AND CONS OF ENTREPRENEURSHIP

I have finally made it to my goal of writing The Startup Recipe with this being my last chapter for the guide for startup creators. But, instead of a deliberate lesson as my idle song, I thought I would speak more from the heart on the emotional pros and cons of entrepreneurship, and long term implications of starting your own business.

THE PROS

BEING YOUR OWN BOSS. Once you get the taste of being your own boss, it is very difficult to ever go back to being a "part in the wheel" within a big corporate environment. Nowhere else can you get the thrill of making senior level decisions across a wide range of business topics (e.g., strategy, finance, marketing, technology, operations). The buck stops with you (literally!), and the success or failure of your business falls squarely on your shoulders, based on the decisions made by you and your team. That may sound a little daunting, at first. But, trust me, it is very exciting.

THE SPEED OF DOING BUSINESS. Startups move at "light speed" compared to the procedural, political and bureaucratic morass of big

corporations. If you want to do something as a startup executive, you make a quick decision within the snap of a finger, without multiple layers of approvals and procedures. This can make for a really exciting environment, watching the twists, turns and outcomes from your actions in "real time".

THE FEELING OF TRIUMPH. Launching and building a successful startup is the equivalent of having and raising a baby. And, when your startup achieves its desired outcome and long term success (just like seeing your baby grow into a well-mannered and respected university graduate), it truly creates a real feeling of triumph, looking back and saying "hey, I did that!" Nobody really appreciates how hard it is to turn a "piece of paper idea" into a thriving business, unless you actually have done it yourself. So, don't be afraid to pat yourself on the back, for taking the hard road and a job very well done.

THE CONS

LIVING BROKE. Let's face it, it is not easy ploughing all your hard-earned savings into a risky startup, not getting paid in the early months of getting the business off the ground and not being sure where your next paycheck is coming from. Unfortunately, unless you are wealthy from other means, launching a startup with hopes of a long term payback, often comes with the strings of living very sparingly until the business has "legs". If you need the comfort and security of bi-weekly salaries to cover your bills or lifestyle, don't get involved in the early stages of a startup.

HIGH STRESS LEVEL. Obviously, with weak cash flow and other business constraints, comes constant worry and stress. Launching a startup is a big gamble:

- you quit your comfortable job;
- you put all your savings (and those of your friends and family) at risk; and

- you will end up with nothing but life lessons learned and a "black eye" with your investors if the business fails.

That is a big burden to carry around each day. So, if you are not good when dealing with stressful situations, a startup is not right for you.

BEING AN ENTREPRENEUR IS NOT RIGHT FOR EVERYONE. Make sure you have a real enthusiasm for the risks at hand, a real passion for your product and a rampant confidence in your ability of building a great startup, before jumping in. But, once you do make the leap, hang on for one of the wildest rides of your life!! As starting and growing your own business really is one of the most-rewarding life experiences you can have.

I hope you have enjoyed this journey. Make sure to keep The Startup Recipe handy to help you build the next STARTUP THING. And, be sure to share it with your entrepreneurial friends who may also find it useful for building their own startups.

It has been a real pleasure having you share this editorial adventure with me.

Sandile Shabangu

"The Startup Guy"
Founder, The Startup Mzansi Foundation NPC
Founder & CEO, Simple Brands (Pty) Ltd

GLOSSARY OF KEY CONCEPTS

Before launching into the world of entrepreneurship, you're going to need to add a few terms to your verbal arsenal. Think of these words as more than just vocabulary or jargon – think of them as new ways of conceptualization, planning, and design. It's important to know what these terms mean not just so you can understand what your colleagues say, but so you can understand their creative process.

AGILE DEVELOPMENT is an iterative and incremental approach to project management. Tasks are broken down into smaller tasks, which can be created or changed without breaking the entire system. This lets developers respond quickly to changing requirements and leads to more frequent releases without additional cost. Rather than completely specifying all details up front, this naturally leaves definition of detail to the last possible moment. The processes associated with agile development allow teams to move rapidly to new territory, and to make fewer mistakes on the way.

An **ANGEL INVESTOR,** also known as a business angel or informal investor, is an affluent individual who provides capital for a business startup, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

In startups, **BOOTSTRAPPING** means starting a business without external help or capital. Such startups fund the development of their company through internal cash flow and are cautious with their expenses. Generally at the start of a venture, a small amount of money will be set aside for the bootstrap process. Startups can grow by reinvesting profits in their own growth if bootstrapping costs are low and return on investment is high.

BRAINSTORMING is a group or individual creativity technique by which efforts are made to find a conclusion for a specific

problem by gathering a list of ideas spontaneously contributed by its member(s). Though not originally intended at its creation, the term is currently used as a catch-all for group ideation sessions.

BUILD-MEASURE-LEARN is a feedback loop that visualizes the process entrepreneurs use to continually improve their product. The diagram shows how startups turn ideas into products, measure how customers respond, learn whether to pivot or persevere, and then repeat the process. All successful startup processes should be geared to accelerate that feedback loop.

BURN RATE is the rate at which a new company uses its venture capital to finance overhead before generating positive cash flow from operations. It can also be thought of as negative cash flow. Burn rate is usually quoted in terms of cash spent per month. When the burn rate begins to exceed forecasts, or revenue fails to meet expectations, the usual recourse is to reduce the burn rate. In many companies, reducing the burn rate means reducing staff.

A **BUSINESS MODEL** is the plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs. For example, a restaurant's business model is to make money by cooking and serving food. A website's business model might not be so clear, as there are many ways in which online companies can generate revenue. Some might make money by providing a free service and then selling advertising to other companies, while others may sell a product or service directly to online customers.

A **BUSINESS PLAN** is a written document that describes in detail how a new business is going to achieve its goals from a marketing, financial and operational viewpoint. The purpose of a business plan is to enable owners to have a defined picture of potential costs and drawbacks to business decisions and to help them modify accordingly before implementing

these ideas. Typically, a business plan also includes a description of a company or small business, its services and/or products, the overall budget, current and projected financing, a market analysis and its marketing strategy approach. In a business plan, a business owner also projects revenues and expenses for a certain period of time and describes operational activity and costs related to the business.

CREATIVE INTELLIGENCE, according to Bruce Nussbaum, is "the ability to frame problems in new ways and to make original solutions. It's about more than thinking; it is about learning by doing and learning how to do the new in an uncertain, ambiguous, complex space--our lives today."

CROWDFUNDING is the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowdfunding has the potential to increase entrepreneurship by expanding the pool of investors from whom funds can be raised beyond the traditional circle of owners, relatives and venture capitalists. This style of funding makes use of the easy accessibility of vast networks of friends, family and colleagues through social media websites like Facebook, Twitter and LinkedIn to get the word out about a new business and attract investors.

DESIGN THINKING is a creative problem-solving methodology and a collection of behaviors at the heart of creativity. Some of the behaviors of design thinking include being attuned to the people and culture you are immersed in and having the experience, wisdom, and knowledge to frame the real problem and the ability to create and enact solutions.

An **ELEVATOR PITCH** is a brief speech that outlines an idea for a product, service or project by explaining the features, benefits and cost savings, with the goal of convincing the listener the idea is worth investment. The name comes from the notion that the speech should be delivered in the time period of an elevator ride, usually 20-60 seconds. In the financial world, an elevator pitch refers to an entrepreneur or project manager's attempt to convince a venture capitalist that a business idea is

worth investment, but it is also used by salespeople and jobseekers to market themselves or their ideas.

In finance, **EQUITY** is ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity because he or she can readily sell the item for cash. Stocks are equity because they represent ownership in a company. However, the specific definition of "equity" varies contextually. Here are three definitions:

1. A stock or any other security representing an ownership interest.
2. On a company's balance sheet, the amount of funds contributed by the owners (the stockholders) plus the retained earnings (or losses).
3. In terms of investment strategies, equity (stocks) is one of the principal asset classes.

The other two are fixed-income (bonds) and cash/cash equivalents. These are used in asset allocation planning to structure a desired risk and return profile for an investor's portfolio.

FAILING FORWARD is about leveraging mistakes. Rather than allowing a failure to be a completely negative experience, learning to fail forward means making a realistic assessment of risks and developing the ability to build achievements from mistakes and experiment with new approaches.

GROUPTHINK is a phenomenon marked by the consensus of opinion without critical reasoning or evaluation of consequences or alternatives. In a business setting, groupthink can cause employees and their bosses to overlook potential problems in the pursuit of consensus thinking. When individual critical thinking is deemphasized or frowned upon, employees may self-censor themselves and not bring up alternatives or risks for fear of upsetting the status quo.

IDEATION is the creative process of generating, developing, and communicating new ideas. Ideation is all stages of a thought cycle, from innovation, to development, to actualization.

An **INCUBATOR OR ACCELERATOR** is a program designed to support the successful development of entrepreneurial companies through an array of business support resources and services offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a startup company will stay in business for the long term: older studies found 87% of incubator graduates stayed in business, in contrast to 44% of all firms.

INTEGRATIVE THINKING is a decision-making process in which an individual balances tensions between opposing variables. In general, integrative thinking follows a four-step process. 1. Salience seeks to define the relevant aspects of a problem. 2. Causality determines the relationships between parts of the problem. 3. Architecture involves the creation of a model that outlines the relationships defined in the previous two steps. 4. Resolution outlines the decision and how it was reached. The process is similar to a feedback loop in which each step links forward to the next step as well as backwards to the previous step.

An **INTRAPRENEUR** is an inside entrepreneur, or an entrepreneur within a large firm, who uses entrepreneurial skills without incurring the risks associated with those activities. Intrapreneurs are usually employees within a company who are assigned a special idea or project, and are instructed to develop the project like an entrepreneur would. Intrapreneurs usually have the resources and capabilities of the firm at their disposal. The intrapreneur's main job is to turn the special idea or project into a profitable venture for the company.

To **ITERATE** in a project context means to develop and deliver incremental components of business functionality, product

development or process design. Iterative development is most often associated with agile development. A single iteration results in one or more small but complete packages of project work that can perform some tangible business function. Multiple iterations recourse to create a fully integrated product.

A **MIND MAP** is a diagram used to visually outline information. A mind map is often created around a single central word or text to which associated ideas, words and concepts are added. Major categories radiate from a central node, and lesser categories are sub-branches of larger branches. Categories can represent words, ideas, tasks, or other items related to a central key word or idea. Other terms for this diagramming style are: "spider diagrams," "spidergrams," "spidergraphs," "webs", "mind webs", or "webbing", and "idea sun bursting."

A **MINIMUM VIABLE PRODUCT (MVP)** is the version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort. The goal of an MVP is to test fundamental business hypotheses as quickly as possible. Example: Zappos founder Nick Swinmurn wanted to test the hypothesis that customers would buy shoes online. Rather than build a website and a large database of footwear, Swinmurn approached local shoe stores, took pictures of their inventory, posted the pictures online, bought the shoes from the stores at full price, and sold them to customers through his website. Through this process, Swinmurn deduced that customer demand was present, and concluded that he had a viable business idea.

When a software program is **OPEN SOURCE**, it means the program's source code is freely available to the public. Unlike commercial software, open source programs can be modified and distributed by anyone and are often developed as a community rather than by a single organization.

According to Eric Ries, a **PIVOT** is a "structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth." When Groupon first

started, it was an online activism platform called The Point. After receiving almost no traction, the founders opened a WordPress blog and launched their first coupon promotion for a pizzeria located in their building lobby. Although they only received 20 redemptions, the founders realized their idea was significant, and successfully empowered people to pursue a new business plan. As a result of acting on this pivot, three years later, Groupon grew into a billion dollar business.

A **PROTOTYPE** is an early sample or model built to test a concept or process or to act as a thing to be replicated or learned from. A prototype is designed to test and trial a new design to enhance precision by system analysts and users. Prototyping serves to provide specifications for a real, working system rather than a theoretical one.

SCALABILITY is the idea that a solution can be extended beyond a small, local group to serve a large, broad group. Typically, scale implies spread across geographic boundaries, often into new countries. Implicit in a push for scale is the idea that a solution can be generalized; the goal is often breadth of impact, but also streamlined production, distribution, and a minimization of costs.

A **STARTUP** is a company or organization in the first stage of its operations designed to search for a repeatable and scalable business model. These companies are often initially supported by outside investors through venture capital as they attempt to capitalize on developing a product or service for which they believe there is a demand.

SYNTHESIS is combining separate elements or components in order to form a coherent whole.

VANITY METRICS are just what they sound like -- pieces of data that make you feel good, such as new users gained per day or number of downloads. As opposed to actionable metrics, vanity metrics give "the rosiest picture possible," but do not accurately reflect the key drivers of a business. It's important to remember to never act on vanity metrics alone. For example, while a high number of users gained per day seems

beneficial to any company, if the cost of acquiring each user through expensive advertising campaigns is significantly higher than the revenue gained per user, then gaining more users could quickly lead to bankruptcy.

VENTURE CAPITAL is money provided by investors to startups and small businesses with perceived long- term growth potential. This is a very important source of funding for startups that do not have access to capital markets. Venture capital can also include managerial and technical expertise. Most venture capital comes from a group of wealthy investors, investment banks and other financial institutions that pool investments or partnerships. The downside for entrepreneurs is that venture capitalists usually get a say in company decisions, in addition to a portion of the equity.

ABOUT THE AUTHOR

Sandile Shabangu is the Founder & President of The Startup Mzansi Foundation and CEO of Simple Brands. Sandile's interests lies in how people use technology, believing that technology is only useful if people use it. He has made it his mission to explore how people, education, technology and entrepreneurship can be merged together to better the lives of ordinary citizens in Africa.

An international speaker, Sandile has an entertaining, unique, personal and engaging presentation style. He has worked with some of the world's most prestigious organisations.

Dubbed as one of South Africa's Brightest Young Minds in 2013 and a Top Young Entrepreneur in 2011. Sandile has won the respect of business by his determined approach to helping business navigate a diverse and complicated world of People, Education, Technology and Entrepreneurship (what he calls PETE).

Sandile is often called on by business magazines and websites to comment on technology, entrepreneurship, social media and Generation Y.

He blogs at www.sandileshabangu.com and can be found on your favourite social media network.

As a Startup Creator, Sandile has built *Simple Brands* into one of South Africa's premier digital marketing agencies and he founded The Startup Foundation, an entrepreneurial development organization supporting innovative youth entrepreneurship

www.startupmzansi.org.za