CULTURAL ENTREPRENEURSHIP HUBS PROJECT

PURPOSE

▸ to have an informed view and understanding the creative entrepreneurship ecosystem in Durban with the view to inform a cultural and creative entrepreneurship hub to be established at the Goethe-Institut in Johannesburg

▸ to gain an informed understanding of the relationship between entrepreneurs and hubs (needs/ wants VS supply)

PROCESS

▸ A mapping exercise of all hubs and (30 selected) emerging creative entrepreneurs/ start-ups

▸ Periodical feedback sessions with team members, Strascheg Center for Entrepreneurship & Goethe-Institut via Skype and email

▸ Interviews (10 physical interviews and 20 surveys emailed) with entrepreneurs/ start-ups and enablers to gain their impression of the eco-system

TOOLS

▸ Digital questionnaire/ survey and semi-structured interviews

OUTCOMES

▸ an informed understanding of the major needs of creative and cultural entrepreneurs in Durban (both general needs and specific to hubs)

▸ a deeper understanding of the hub offering in Durban along with their challenges and opportunities.

▸ an research backed set of recommendations that the Goethe Institut hub should offer to maintain an edge
Research Methodology and Scope

- The research was driven by two (tools) questionnaires developed collectively by the South Africa team;
  - a questionnaire was emailed for written responses: 20 people
  - and another questionnaire developed to guide (yet not restrict) the physical meetings/discussion: 10 people
- Sample set: 30 people (11 males + 29 females) across the race spectrum across various creative professions
Would you consider yourself a pure artist or entrepreneur?

- Entrepreneurs: 59%
- Creatives/Freelancers: 29%
- Uncertain: 12%

Where do you work from?
- Home: 19
- Office: 16

Age demographic:

- 20-25: 6
- 26-30: 12
- 31-35: 6
- 36-40: 0

Spectrum of industries represented:
- Architects
- Web Developers
- Photographers
- Digital Industry
- Graphic Design
- Film Producers
- Fashion Designers
- Media
EXECUTIVE SUMMARY

Amongst the three cardinal cities of South Africa, Durban remains the laggard in the country’s creative economy, this factor is important to mention as it adds context to the findings of the report and some points above and to follow.

The research approach was based on my extensive knowledge of the local ecosystem and some assumptions were helpful to commence the process. The research was conducted over a 10 week period and under which were some brief engagements with the two particular start-ups. The sample set was spread across race, gender and artistic backgrounds, the imbalances that may arise from this indicates the challenges of the sector. The sample set consisted of hub operators, artists, entrepreneurs and a small percentage of practitioners who are not precisely decided whether they're freelancers, entrepreneurs or creatives - most feel that they are a bit of each.

There has been a moderate invigoration in the local creative community, primarily attributed to the leaps and resilience that Cape Town and Johannesburg has demonstrated over the years, places like Woodstock, Braamfontein, City Bowl and Maboneng to cite a few. This has strengthened the confidence within Durban entrepreneurs and the investment into co-working spaces, hubs and property is testament to this. Various kinds of co-working spaces and similar movement have created market bases and access to a handful of progressive entrepreneurs in Durban. This move towards a growing market is further aggregated by a number of short and mid-term (sector specific) incubators, accelerators and entrepreneurship programmes such as the SAB Kickstart programme, Innovate Durban, Redbull Amaphiko Academy and the Berta Centre Do-Ference to cite a few.

The most dynamic hubs are either a CSI initiative or associated with a successful private company that pours own business insight into these hubs or entrepreneurship programmes and by virtue of their physical location being in Johannesburg or Cape Town, the refreshed business thinking and competitiveness that is associated with a thriving start-up scene does not make it to Durban. It is worth raising at this point that the only hubs operating in Durban are driven by companies or individuals with profit margins and under this pressure, they have to (against their will) operate in a rather brutal manner which doesn't allow small-scale or start-up businesses the patience or room to prototype until a working model is found. in fact, it is accurate to say that neither of the hubs in Durban are concerned in developing businesses within their community. This is unlike, once again, hubs in Johannesburg or Cape Town which are either financed or developed by private multi-nationals.
Hub operators are also under various restrictions in terms of zoning, market pressures from other hubs and infrastructure maintenance which push them to make decisions that limit small scale businesses. In conclusion, hub operators in Durban are more like property developers than businesses growth enablers. However, this is not to say the situation is hopeless, on the contrary, Durban has been a strong exporter of talent to the bigger South African cities with a few of its creatives resettling internationally. The challenge has been the lack of a local market to consume their goods, unfortunately, creatives and entrepreneurs haven’t strategised towards an international market.

The local government has initiated a few programs to turn the tide however, leadership remains a challenge in this case, most of these initiatives are well but could be better run. The opportunity exists to augment these well funded initiatives with dynamic programmes some of these incubators have been cited in Nthato Malope’s report. More closely to this project, the opportunity could be to create a funnel of graduates to participate in the Goethe-Institut hub.

Other issues that plague the local entrepreneurship activity are issues of race, for example, a white owned start-up will generally engage the services of a white owned service provider, the same is true with a black owned business however at times, they would leap outside of their circle should the skill not be found within their “friend-zone”. There is also an apparent lack of best practice, capital investment and product innovation/ development.

My recommendations respond to the issues mentioned in the summary as well as the answers provided by the research participants. To this effect, much of the Durban’s participation in this project is prototype towards a proof of concept that would mediate the challenges with the knowledge that the hub will be in Johannesburg so somehow, it is to establish a way for Durban based entrepreneurs to benefit from the Goethe-Institut hub.
Question 1 - What is the big picture that the hub vision finally addresses, what is the key interest that is pursued?

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<tr>
<th>CHALLENGES</th>
<th>OPPORTUNITY</th>
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<tr>
<td>South Africa is a <strong>small market for local cultural goods</strong></td>
<td>provide market access opportunities to export ready entrepreneurs - internationalisation.</td>
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<td>Most hubs are offer a <strong>standard package</strong></td>
<td>we should enable business to engage with other opportunities and players through active search for opportunities that could be aligned with the community of entrepreneurs occupying the hub at that given time</td>
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<td><strong>most hubs are insular</strong>, promoting only what they do</td>
<td>this hub should be positioned in such a way that it is the entry point to access other similar structures or training opportunities. The would mean we ought to focus on constantly engaging the wider environment like incubators, accelerators, financiers, funders, rebate structures for entrepreneurs. We need to regularly link our hub with developments in Europe in this conversation of hubs.</td>
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<td><strong>Massive business opportunities in Africa</strong> but they’re overlooked by Africans and eagerly targeted by Europe and Asia</td>
<td>This hub should have identify with Pan-African approach which is to connect local markets at cardinal points like Nairobi and Lagos as a start. As well as the diaspora as a consuming market. The Goethe-Institute is already a player in Nairobi. This becomes particularly attractive in the need to connect intra-Africa trade as opposed to “north-south” focus. And hubs don’t inherently do/ promote such connections.</td>
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<td><strong>local blindspots</strong> meaning not enough latitude and perspective to position oneself with opportunities and trends. Sometimes too sentimental to cultural norms which make local blindspots</td>
<td>though the SCE and the other offices (Jkt &amp; Thk) we can offer a global perspective and insight on best practice and emerging trends. The strength of the network will be derived from the connectedness of the community, not only in South Africa but across Nairobi and Lagos. Such a network brings a wealth of perspectives, different approaches; all of which make for a dynamic and resilient entrepreneur receiving layered business intelligence.</td>
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Question 2 - What is this CEHs final user/customer segment?

The end user is;

- businesses or entrepreneur with minimum 3 years operating

- he/she should have what can be defined as an “interesting problem” which could be the readiness to scale or a case where supply has been overtaken by demand for their product/service

- someone with proof of concept and ready to implement their concept

- someone ready to internationalize (or go continental) their business (depending on service or product), motivated equally by profit and people (people who are providing an alternative offering to the “business as usual” model).

- other end users could also be “pure” artists looking to employ an entrepreneurial approach to their practice such as small scale distributors, music managers, film producers etc (a fitting example is the rap group mentioned by one of the facilitators working in schools around various cities in Germany to generate income from their craft). Again, to add this segment of users adds to the diversity of our community.
Question 3. What is its solution, which services solve the problems of the local entrepreneurs?

- mentorship base (like SCE’s model) or business consultants
- access to wider markets - through the connected network that the hub would establish across cities etc
- connection to venture capitalists, financiers or equity purchasers
- business insights and exposure to business best practice
- product or service innovation
Question 4. How can you visualize this CEH easily (arrows/ maps/ pictures)?

THE MAP:

- **CEH**
- **Business Consultants Giving Talks and Running Special Programmes**
- **Digital Tools on Entrepreneurship**
- **Access to Other Incubators & Accelerators**
- **Access to a Matrix of Entrepreneurs Working in Related Fields Within the Global CEH Network**
- **Connection to Markets**
- **International**
- **Continental**
- **National**
- **Intelligence on Rebate Structures, Export Opportunities & Financing Platforms**
Question 5. How do you want to position the HUB and who are your partners, competitors?

- **Positioning**: A co-working/ hub space that offers a complex and extensive network of business advancement opportunities and platforms for start-ups. These include business modeling tools, mentorship base from SCE, international market access leads (that entrepreneurs would need to nurture and develop) and other government soft funding/financing opportunities.

  It would have a birds eye view of the multiple ecosystems at a local, national, continental and international level with a specific focus on;
  - government funding/financing/rebating schemes (DTI, IDC etc)
  - other hubs on the continent and Europe
  - incubators, accelerators and similar structured platforms in South Africa

- **Partners**: other hubs outside South Africa; SCE; HEVA Fund; British Council (Hub Project)

- **Competition**: I would like to convert competition to partners. Our competition could be hubs offering entrepreneurs international connection. More thought needs to get into this question.
Question 6. What is the underlying business model for such a Cultural Entrepreneurship Hubs solution?

It would offer the following:
- business research/ insight rich + latest creative economy development
- physical space to work
- online portal endowed with business tools (SCE has a set of these) and opportunities
- strategic alignment with Cultural/ Creative Hubs Europe and see if something of the sort exists in Africa. This may need budget to execute.

The Goethe needs to think about their resources and programmatic approach the evolution of this project. Much of what we raise will require annual budget and staffing as well as strategic direction of the institute.
Question 7. What is the most relevant assumption /hypothesis of your CEH, and how can it be verified within the „safe“ period of its first year?

There is a need for local business to leap into international markets however creatives don’t have the business know-how to internationalise. Hubs don’t inherently offer this and GI is well poised to offer this advantage. The most important USP is the network and business insight that gives access to wider markets. Much time has to be spent on developing a network.

The research findings support/ verify these assumptions/ hypothesis of what the CEH should offer.
Question 8. What will be the next concrete steps? What do you expect from the Goethe-Institut/Strascheg Center for Entrepreneurship and what can you offer in order to get the hub running?

Next steps: to adopt two businesses to test the viability, relevancy and strength of the model we wish to establish. And to develop the content for the online portal that I look to develop and maintain.

Concrete steps for me is to pilot and research the ease/feasibility of internationalisation of small competitive businesses. Using the example of the two new businesses to be adopted.

More relevant to Durban and myself,
- I need to establish a smaller scale/lean method of how I could offer the softer items discussed above without a physical hub.
- Along with a virtual portal that I will spend the next few months developing. I would include business tools from SCE and alignment to other European based hub programs through the GI and look to establish the same alignment with Africa based hubs.

I can happily offer my time and knowledge to develop the programme that the hub will follow. I can also spend a month in Jhb should there be a need.

What would I need? I would need more time which is linked to budget - GI would have to approve the additional time to be spent. I would need resources and further engagement with some of the consultants and practitioners we met during the time in Munich, I see SCE playing a stronger role in this regard.
SOME POINTS WORTH MENTIONING/ CONSIDERING

- the hub will include gaming and tech activities so am curious to know how will the cultural entrepreneurship portfolio be manned/ staffed? I ask because we need to ensure that our ambitions and proposals for the hub are realistic for the operating model of the entire hub. For example, will there be someone who can action our proposed points?
- we will list this and then need the SCE to view our propositions and use their experience with their programme and model to strengthen our proposal to GI headquarters.
- linked to question six, we need to think about the length of stay for each at the hub? How many businesses/ entrepreneurs can we realistically take in at any given time?
- connected to question 8, how would the GI answer this question considering the rapid launch of the hub?
- is it not time to reconvene with the BC & BASA to get a sense of what ground and intelligence they've generated since their meeting in March?
- Separate to this, I will work on a business model to sell this intelligence to the local market, what is the potential for a relationship with the SCE after this project? For me, I think a five year relationship (two more years after this project has closed) would most beneficial and would give extended value to me work - for impact sake.
80% have Tertiary Qualification

90% only employ part time workers during high season otherwise they work by themselves

Driven by a higher purpose than bottom line profits

What kind of support do you need to successfully launch your business?

- Mentoring/Coaching/ Business Consulting
- Financial support
- Collaborations

Bucking the trend of business as its traditionally been done

The critical obstacles:
1. Access to market
2. Business support & development
3. Difficulty to scale