

## **Successful entrepreneurs will limit the downside now to maximise profits in the future**

*The year ahead will be tough, but commercial businesses that can process increased complexity and drive an entrepreneurial agenda are likely to outperform, says Standard Bank.*

Commercial businesses, which earn revenues of between R300 million and R1.2 billion, are seen as a fast growing market segment despite the economic headwinds due to their ability to adapt quickly to changing circumstances.

Head of Business and Commercial Banking at Standard Bank, Craig Polkinghorne, says while conditions will be tough, businesses that thrive will be able to limit the downside and thereby maximise their long-term futures.

“Growing entrepreneurship is a priority for us. It is time for Africa to scale up growth, but businesses still need to bring the right ideas to the table so they can be guided on their journey. Education is becoming increasingly important in this regard, as is the ability to make sure short-term challenges do not scupper a good business opportunity,” says Mr Polkinghorne.

He says an entrepreneur is a person who “relentlessly pursues opportunities regardless of the resource constraints that get in the way”. So entrepreneurship does not simply relate to small start-ups.

“A successful business ready to take the next step is equally important and we look to support and partner them,” he says.

Growth and economic activity globally is likely to come from this mid-tier and entrepreneurial business segment.

“It is an area which is likely to see outperformance, as big firms face margin pressure and look to shed jobs. Mid-tier businesses have an opportunity to move quickly and get to market more effectively,” he says.

According to Mr Polkinghorne, one of the risks entrepreneurs face is using short-term funding to fund long-term assets.

“It is important that we understand and advise on appropriate funding levels – this is where we can get it right and we are already having those conversations.”

However, due to the complex nature of the global market and regional value chains, education is becoming increasingly important to ensure businesses are ready to take the next step to thrive.

In this regard, Standard Bank has set up two incubators in Johannesburg. The Business Incubator based in Rosebank, that provides mentoring, coaching, and access to training in enterprise development and the Technical Incubator at the University of Johannesburg.

A Virtual Incubator, meanwhile, will provide entrepreneurship co-working space at Workshop 17 in the Watershed, Cape Town, and offer access to development opportunities. Additionally, three satellite incubators run by Standard Bank's partner LifeCo, will support social entrepreneurs operating in the Free State, Limpopo, and KwaZulu-Natal.

Once an innovator has completed a programme at one of the incubators, the Standard Bank Incubation team will monitor his or her business for the next twelve months, measuring the growth and viability of the business.

Mr Polkinghorne says about half of commercial businesses are looking to expand into Africa, but increasingly need a solutions driven, bespoke response.

"The ability to process complexity and receive on the ground sector expertise and assistance to help drive growth is crucial. We see Africa as our home and will continue to drive her growth by helping businesses maximise the opportunities on offer," he says.

Mr Polkinghorne believes Africa should look to solve its own problems. "We have the capacity to support business growth and development, for example. But there are a host of potential investors who can assist in driving the African growth story."

A major focus area needs to be an improved understanding of the impact of macro-economic factors on value chains.

"All businesses have a value chain, but managing this is becoming more complex as more goods cross borders and regulatory burdens increase. In the short-term, businesses need to manage their working capital and be aware of every facet of their business at all times with trading partners," he says.

Mr Polkinghorne says a "relentless pursuit of opportunity" gives a

commercial business every chance of being successful over the medium term.

“There are big trends that will sweep well prepared businesses along. Long-term forecasts in population growth, mobile penetration and the use of technology that leap frogs legacy infrastructure is not going to change, and those businesses well positioned to benefit from the upside will thrive,” he says.