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Building Impactful Business Incubators: Reviewing Best Practise Incubator Models

Building Impactful Business Incubators: Reviewing Incubator Best Practice Models

Paper Presented by Fetola

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Abbreviations

SEDA: South African Enterprise Development Agency
NDP: National Development Plan
SMME: Small Medium Large Enterprise

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1 Abstract

Fostering inclusive entrepreneurial growth is no easy task. However, given South Africa's current economic climate, characterised by volatility, low growth and sluggish job creation, it is one of vital importance.

There is a political and academic consensus that small business is an effective job creator, employing more employees per unit of revenue produced compared to large and medium business (TIPS, 2017). It is thus concerning that in the current economic environment, South Africa's small businesses are struggling to grow, and in so doing, to generate employment opportunities (SEDA, 2018).

The key challenge that business support programs face is to create a conducive environment that allows entrepreneurs to growth their business sustainably and to create lifetime jobs. It is well documented in the literature that incubation and business support programmes play an important role in developing successful start-up and spin-off businesses (Stephens & Onofrei, 2012). The challenge lies in how these incubation programmes should be best structured and implemented to support business growth.

This is a field of constant change and learning. Given South Africa`s Enterprise Development Agency`s (SEDA) recent refocus towards long-period interactions, including incubation, determining the factors that make up a successful incubation will become increasingly important. Many components of the incubation process have yet to be assessed through an academic lens. Questions of incubator best practice and cost effectiveness have yet to be fully considered and will become increasingly important. This paper makes a starting contribution to this lack in literature. Moving forward, it is vital to look back on the lessons learnt, and thus create room for improvement.

The following is a high-level working paper of the key incubation components that empower and educate entrepreneurs, allowing them to grow their businesses and generate job creation. This review is based on Fetola's 13 years of experience within the incubation landscape. Businesses enrolled in Fetola programmes typically achieve an annual growth rate of 47.2% per business. Their long-term survival rate (tracked over ten years) is 87.4%, almost five times the national average. Sector expertise ranges from agriculture and mining to financial services and manufacturing. Sustainable business, including energy, waste and water are also strong focus areas.

Running a successful enterprise incubator requires a variety of skills, resources, tools and personnel. This is a fine balancing act, but one of critical importance. No two business are the same and their needs change as they grow, or as market conditions change. Despite this variability, successful incubation includes the following components:

- Selecting the right people, with reference to both mentors and incubates
- Tailoring the business development approach to a business's specific needs
- Providing business support services (including access to market, access to finance, media and PR, networking, and mentorship)
- Monitoring and evaluation

On the face of it, the incubator model is not complicated, and therein lies its true power. The difficulty comes in timing and finding the right balance. Built around core pillars, the overall offering is an incubation model that recognises that every business is different, every entrepreneur has strengths and weaknesses and that a holistic approach is the only way to build something truly sustainable and unique (Wijnberg, 2018).

So how does it work? It starts with selection – making sure that the right entrepreneurs are matched to the right opportunities, at the right time. There can be no dead wood or free rides in an incubator that is looking to make genuine and lasting impact.

Next, it seeks to develop a tailored approach, built around a tight gap analysis, growth plan and an understanding of the vision of the businesses being incubated.

Thirdly, it offers practical, outcomes-based skills development – both physical and online/e-learning based training – that empowers those being trained to immediately implement what they have learned.

Fourth in place is to design and manage a robust mentorship programme. We do not have the time to teach people the theory of business while our unemployment queues keep growing. This is underpinned by a dynamic, responsive mentorship programme that builds capacity in the business, not dependency.

The fifth element is access to markets and building of incubatee profiles through clever and impactful use of media and PR, supplier development networks and opportunity creation.

The sixth pillar is appropriate access to the right finance – grant, equity, loan – at the right time to maximise growth potential. The entire model is underpinned by a rigorous monitoring and evaluation process that tracks performance on a monthly basis, with a focus on the key metrics that represent growth – namely sales and job numbers.

This paper sets out in more detail the different elements laid out in the Fetola Incubator Model described above. This is not a theoretical growth model - it has been tested, refined, improved and successfully implemented for clients such as SAB, Old Mutual, J.P.Morgan and the European Union for over a decade. It works because it is focused on one thing and one thing only – growing the economy and creating real jobs, by building businesses that last.

2 Economic Context

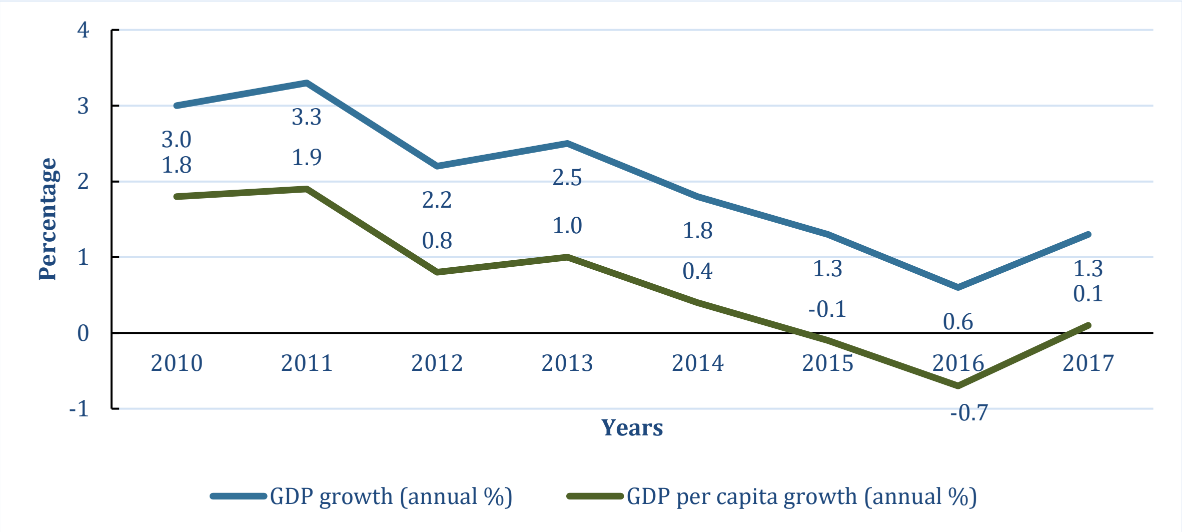
2.1 South African Growth and Job Creation

Business, and especially small business, is influenced by the broader economic environment in which they function. If an incubator is to create a conducive environment to growth, an assessment of the current environment itself is necessary.

In the last three years, South Africa's economy has been defined by volatility and stagnant GDP growth. South Africa has experienced a general decline in its annual GDP growth between 2010 and 2017 (Graph 1). The last three years in particular have seen little GDP growth, reaching a low of 0.6% in 2016 with a small upturn in 2017. However, this was followed by two consecutive quarters of negative growth in 2018, and South Africa officially entering a recession.

Furthermore, the working age population has continued to grow. GDP growth per capita growth was negative between 2015 and 2016, and close to zero in 2017.

Figure 1: Annual GDP and GDP per capita growth (2010-2017)



(World Bank data, 2018)

While the consequences of South Africa slipping into recession are unknown, one thing is sure, such an environment leaves very little room for poverty reduction or job creation so desperately needed in South Africa.

Employment plays an essential role in combating poverty, promoting social inclusion and preserving human dignity. Thus, job creation is not only a necessary for poverty allevation, but also speaks to themes of class, power and status.[1]

[1] Necessary in South Africa which is highly unequal, with a Gini index of 0.63 (World Bank data, 2018)

At the time of writing, the most recent statistics calculated unemployment at 26.7% and expanded unemployment at 36.7% (Stats SA, 2018b).[2] Youth are particularly vulnerable and carry the primary burden of unemployment in South Africa, more than one in every three young persons (aged 15-34) in the labor force, and actively searching for employment, do not have a job (38.2%) (Stats SA, 2018a).

Moving forward, rapid job creation is needed. Despite the need for jobs, job creation has been sluggish, unsurprisingly in a contracting economy. Between 2015 and 2018 the percent change in the number of employees oscillated around zero. (Stats SA, 2018b). Consequently, the high number of individuals currently unemployed, specifically the youth, will struggle to find employment opportunities and uplift themselves from the margins of society.

Table 1: Estimation of the percentage change in number of employees (2015-2018)

Year	Quarter	Quarterly	Annual
		% Change in number of employees	% Change in number of employees
2015	Jun	-	-
	Sep	1.3	-
	Dec	2.0	-
2016	Mar	1.1	-
	Jun	-0.7	3.7
	Sep	1.0	3.4
	Dec	0.5	1.9
2017	Mar	-0.2	0.6
	Jun	-0.3	1.0
	Sep	-0.2	-0.1
	Dec	0.7	0.0
2018	Mar*	0.4	0.5
	Jun	-0.7	0.1

*revised estimates (Stats SA, 2018b)

[2] The expanded definition of unemployment includes discoursed workers, individuals that want to work but are currently taking no active steps to find employment.

2.2 *Small Business as Job Creators*

While many questions remain, the importance of small business as effective job creators has been extensively studied (World Bank, 2015). The local and international literature strongly suggests that SMEs are effective job creators, employing more employees per unit of revenue produced compared to large and medium business. Conducting an extensive review of the literature, Aga et al. (2015) find a general consensus that SMEs (and older establishments) provide more to employment share than larger business in developing countries. Similarly, surveying 18 countries, Criscuolo et al. (2014) finds that SMEs have a higher net jobs growth rate than larger firms. Ayyagari et al. (2014) find that SMEs are the main contributor to net job creation in 104 countries. Thus, small business has an important role to play in creating jobs.

The academic theory is reflected in South Africa's empirical statistics. Between 2008 and 2015 small business made up 55% of South Africa's formal employment, compared to large and medium business which contributed 40% (TIPS, 2017).[3] In absolute numbers this translated to the 7100 small business owners employing 4,3 million people, compared to 3.6 million employees among medium to larger business. Comparing revenue generation to employment, small business accounts for a fifth of employment in the manufacturing industry, while only accounting for a tenth of total manufacturing revenue (TIPS, 2017).

Given the need for job creation in South Africa, small business development provides an important opportunity. The South African government's understanding of small business largely reflects this academic paradigm.[4] The National Development Plan (NDP) argues that small business can create a more inclusive economy through job creation (NPC, 2011). In achieving its goal of creating 11 million jobs by 2030, the NDP expects small business to contribute 90% of these jobs (SEDA, 2017). Along with job creation, SMMEs are identified as accelerating national priorities of rural and township development, skills strengthening and economic growth (SEDA, 2017).

2.3 *Environmental Challenges to Small Business*

While holding great potential to generate employment and combat poverty, there are also significant challenges. If South Africa is to successfully capture the benefits small business can bring, the environmental factors which exacerbate the hardships of small businesses must be considered. Two challenges to small business job creation are briefly considered below.

Firstly, while small business accounts for a large proportion of South Africa's job creation, many of these employment opportunities are transitory and provide less job security when compared to larger business. Small business has a 37% chance of surviving four years, and a 9% chance of surviving ten years. The Department of Trade and Industry (DTI, 2008) found that SMMEs survive an average of 3.5 years.

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[3] The remaining 5% was due to survey participants not knowing if their employer was a small, medium or large business.

[4] The Department of Small Business Development has a mandate to generate growth among SMEs. In short, this is achieved through the provision of non-financial and financial support, market access, advancing public and private procurement, and improved competitiveness (SEDA, 2017).

Given their nature, SMEs will always have a higher failure rate than larger, established firms. A minority of businesses will develop from the start-up phase to maturity. However, this failure rate can be exacerbated by conditions such as the current economic climate. On the macro level, the global economy is fragile, with export income generation being negatively affected (SEDA, 2017). This consequently has impacts on domestic demand. Given the concentration of SMEs within the trade sector, they are particularly vulnerable to these fluctuations. Internally, South Africa has seen a sharp decline in consumer confidence, inflation, political disruption, and a tighter national budget (SEDA, 2017). These factors have changed the SME landscape.

Looking at South Africa between 2005 to 2011, Arrow et al. (2014) find that the job destruction rate among small firms was higher than the job creation rate. In other words, net job creation was lower among small firms than larger firms given the high failure rate among small business. In the quest to create sustainable long-term jobs assisting small business to improve survival rates may bring with it developmental benefits in net job creation.

However, it is worth noting that this is not inherently problematic. Within South Africa's current economic climate short term jobs are still of benefit through the income they provide. Furthermore, a recently employed worker is more likely to have success in finding future employment opportunities. The longer the period of inactivity, the more difficulty job searchers experience. Thus, the many short-term employment opportunities provided by small business are still of value.

Secondly, and closely linked to the first point, the small business sector has seen relatively slow growth since the 2008 global recession.

In the aftermath of the 2008 global recession, small business has struggled to recover. Between 2008 and 2010, the number of formal small businesses fell by 11% (80,000). While some improvements have been seen between 2010 and 2016 (with 60,000 new firms emerging), a full recovery has yet to be made (TIPS, 2017).

This worrying trend continues when considering the most recent data periods (2017Q1 - 2018Q1). The number of SMMEs in operation declined by 1.4% in the year up to the first quarter of 2018. The majority of this decline came from formal sector SMMEs (-9.2%) (SEDA, 2018a).[5] Linked to this, SMME profitability is under pressure. Normal turnovers increased by 1% between 2017Q1 and 2018Q, significantly below inflation (4.1%) and the turnover growth of large business (5%) (SEDA, 2018).

[5] Informal small business fared better with a 3.4% year on year growth between 2017 and 2018. However, informal small business typically generated limited income and fewer employment opportunities.

Table 2: Number SMMEs and jobs provided

Key Performance Indicators	2017 Q1	2018 Q1	Year on year % change
Number of SMMEs	2,478,877	2,433,163	-1.4%
Number of formal SMMEs	725,698	658,719	-9.2%
Number of informal SMMEs	1,658,522	1,714,233	3.4%
Number of jobs provided	10,568,701	8,886,015	-15.9%
Jobs in the formal sector	6,092,354	4,972,307	-18.4%
Jobs in the informal sector	1,200,400	1,053,129	-12.3%

(SEDA, 2018b)

Employment among formal small business fell by 14% from 2008 to 2010, and accounted for close to all the private sector employment positions loss during this period (TIPS, 2017). Since 2010 small business has seen relatively slow employment growth compared to large business, 7% and 15% respectively (TIPS, 2017). With a working age population growth of 8% during this same period, small business is not creating employment opportunities that match demographic changes.

In the most recent data period, employment among SMME deteriorated by 15.9% (and 18% within the SMME formal sector) between 2017Q1 and 2018Q1. In absolute numbers, the SMME sector experienced a loss of over 1.68million jobs (SEDA, 2018a).

As a consequence of slowing employment growth among small business relative to larger enterprise, the contribution of small businesses to formal sector employment fell from 64% in 2008, to 55% in 2015 (TIPS, 2017).

Given the importance of small business in job creation, this trend is worrisome. Determining the cause of this trend is complex and beyond the scope of this paper. However, a likely explanation is that the climate created since the 2008 recession is specifically hostile and challenging to small business growth and development. Some factors contributing to this environment have been noted above.[6]

2.4 *The Role of Incubation in South Africa*

In summary three key points can be extracted from the above discussion:

- Firstly, the South African economic climate is failing to create sufficient job opportunities desperately needed for poverty reduction.

[6] In line with this hypothesis, SEDA (2017) finds that there has been a recent shift in SMMEs from the formal to the informal sector.

- Secondly, small business has the potential to accelerate job creation.
- Thirdly, small business may be especially vulnerable to the current environmental conditions in the South African economy.

This leaves policy makers, industry stakeholders and academics with a key question; how can a conducive environment be created that allows small business to grow and develop, to achieve the objective of job creation and ultimately poverty reduction.

A notable stakeholder within the South African incubation landscape trying to address this exact question is SEDA. Between the financial years of 2014/15 and 2016/17, SEDA assisted close to 33,932 SMME clients (SEDA, 2017). Of these, 2,983 saw improvements in profit, 3,349 improvements in turnover, and 2,169 increased their number of employees.

While impressive in its scope, given the size of the SME sector, SEDA itself recognises insufficient material impact has been made (SEDA, 2017). This, along with current economic conditions, have prompted SEDA to shift focus and rather work with small enterprise over a longer period. The importance of incubators in developing small business has been extensively researched (Stephens & Onofrei, 2012). Research has shown this model to have a higher correlation with increasing turnover and employment than once-off interactions. Moving forward, SEDA will focus on assisting small and medium sized enterprise through SEDA supported incubation centres and SEDA enterprise development centres (SEDA, 2017). Thus, incubation will likely become increasingly important within the South African developmental landscape.

Many components of the incubation process have yet to be assessed through an academic lens. While incubation has been shown to be an important means of developing small business, at the time of writing, the specifics of what makes a successful incubation in South Africa is lacking. Specifically, incubation cost effectiveness and ensuring high returns on investment. Accordingly, questions of incubator best practice and cost effectiveness will become increasingly important.

3 Key Ingredients to a Robust Incubator Model

The market and a business's needs are constantly changing, consequently the best business incubators respond to these factors.

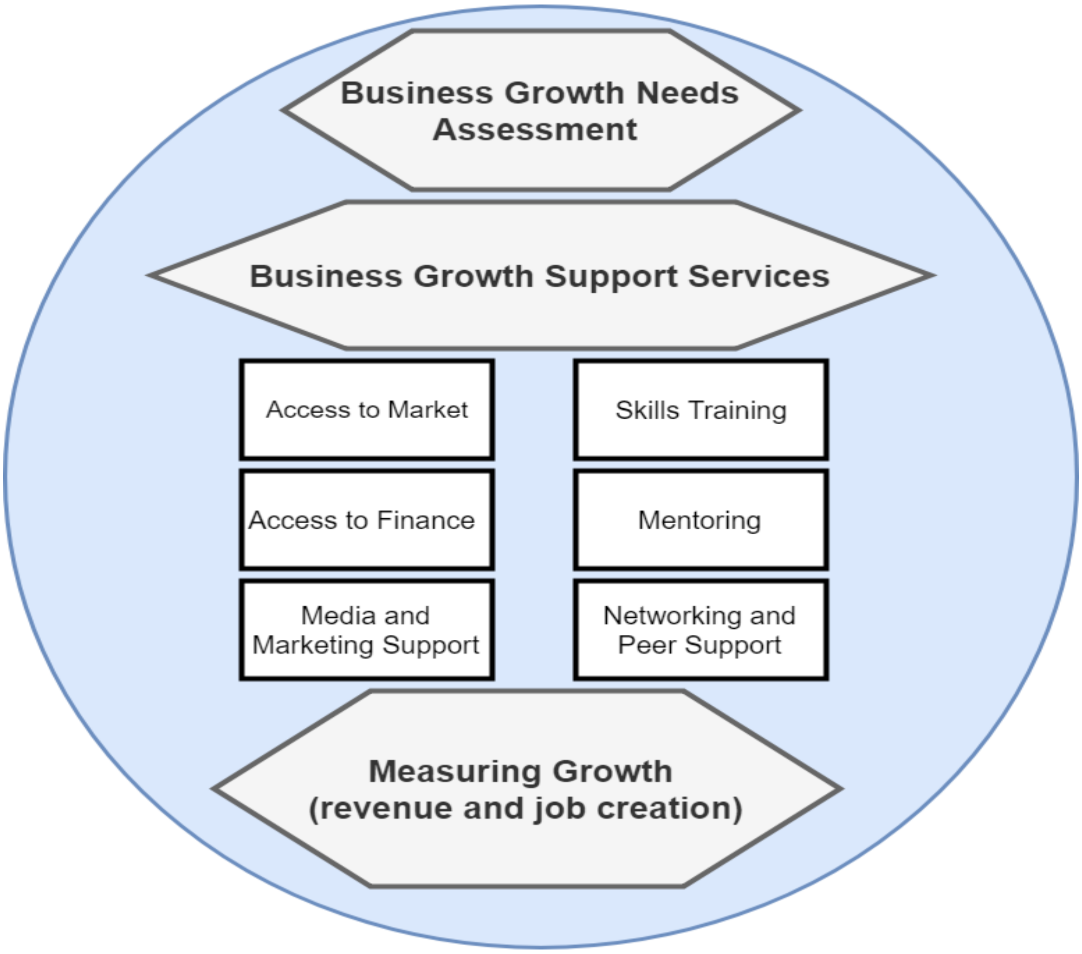
First and foremost, the right candidates must be selected. Once selected, facilitating and supporting sustainable growth among SMEs involves a variety of tools so that the different dimensions of business are supported simultaneously.

For simplicity this can be conceptualised into three pillars of activity, namely (Graph 2):
a) Business growth needs assessment
b) Business support services

- Development training
- Creating access to market
- Providing access to finance
- A robust mentoring programme

c) Assessing growth and impact (job and revenue) created during the incubation period

Figure 2: Pillars of a robust incubator model



In the discussion that follows each of these pillars is briefly unpacked. While discussed separately, these essential pillars should be considered as interlinked and as working together. When the pillars are working together the environment that allows entrepreneurs to thrive is best created.

3.1 Selecting the Right Candidates

Successful business incubation and enterprise development is first dependent on the quality and commitment of the entrepreneurs themselves. Successful results are, more often than not, only achievable if participants are appropriately matched to the incubation programme itself.

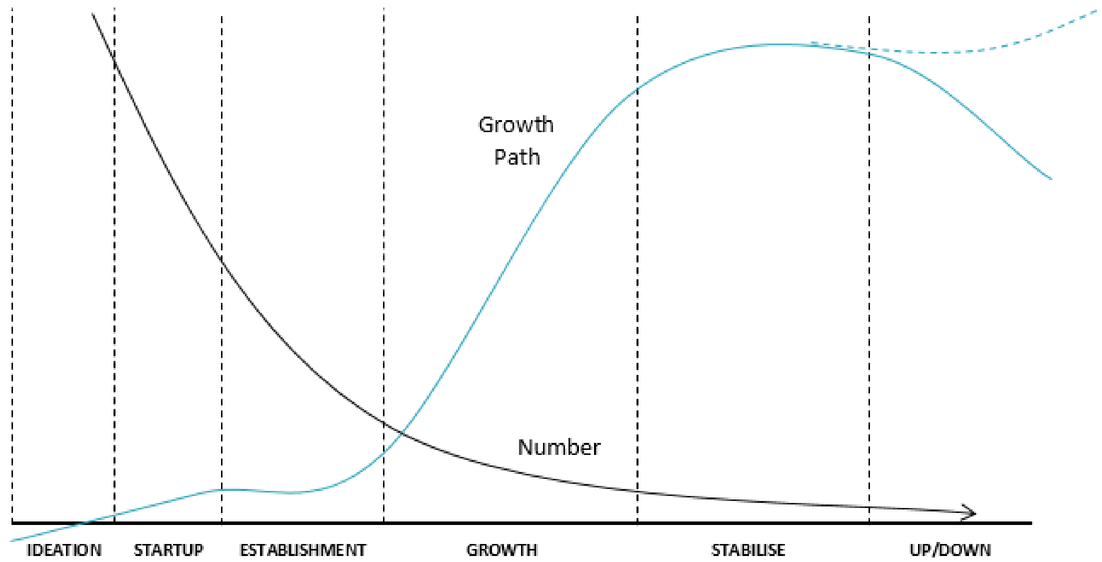
Finding quality candidates is no easy task, but it is one with serious consequence and one that many business support programmes struggle to do correctly. The process of participant selection can be time-consuming and resource draining. Thus, an efficient structured selection process is critical.

Two points should be considered before participant selection takes place. Firstly, incubators and other support programmes must define what a “successful” programme will look like. This will differ between incubators, however common success indicators include the number and size of the businesses that pass through the incubator, and the rate of business growth (turnover and job creation).

As a business develops it will pass through several phases, namely: ideation phase (conceptualising) the start-up phase, establishment phase, growth phase, stabilisation phase and the regrowth phase (Graph 1). Before meaningful discussion or selection can take place, business support programmes must consider if their programme is an ideation or a growth initiative. Both are valuable in creating entrepreneurial opportunities in the market.

Failing to do so will set in place unrealistic expectations. For example, a highly successful ideation programme will likely be viewed as a failure if incorrectly considered as a growth initiative. Depending where on the growth wheel a program falls, it will include different types of entrepreneurs and businesses, and consequently produce different outcomes. Business support programmes may fail simply because they have yet to define what they are, and what they aim to achieve.

Figure 3: The business growth curve



(Wijnberg, 2018)

Secondly, incubators should consider enterprise demographics and social status criteria. If an incubator is in partnership with a donor, the donor's agenda must also be considered. For example, donors may require B-BBEE scorecard points, changing the demographic structure of the participants.

These two points form the basis for which all other selection choices are made. They should be kept in mind at all stages of the selection process.

After these broad strokes are defined, incubators can start to consider the participants "fit" within the incubator itself. Key criteria in identifying a successful fit include the barriers to participation which may limit the performance of a participant entering the programme, moral and legal obligations that may preclude participants from entering the incubation programme (for example, gambling services or the selling of alcohol), and finally the alignment of the incubator's expectations and the commitment level of the participants.

An effective selection process is a prerequisite to cost effectiveness and achieving results. Steps must be taken during all stages of the selection process to ensure that only the most suitable candidates are selected.

3.2 Tools in Generating SME Growth

3.2.1 Business Growth Needs Assessment

To develop a tailored business development approach for each individual incubatee that is built around a tight gap analysis, growth plan and an understanding of the vision of the businesses being incubated. This is a foundation to inform relevant training and business growth support services that would be required during the incubation period.

3.2.2 Business Growth Support Services

Access to resources and training is a beneficial acceleration tool to unlock solutions that would otherwise be unavailable to most SMEs. Consequently, support services can make a significant difference in a SME's success.

Business Training

Training is an integral component of any successful business incubator.

Training should follow three steadfast rules. It must be simple to understand, practical and relevant to the businesses, and easily implemented. For example, jargon may unnecessarily overcomplicate concepts and confuse participants. The best training material or teachings are practical and leave business owners on a better footing in successfully running and growing their businesses.

Training content will vary between incubators who each have their own priorities. However, commonalities are evident. Key models, based on what entrepreneurs typically struggle with, include strategic planning, costing and pricing, sales and marketing, finance for business leaders, human resources, and labour law.

Two training formats are considered here, firstly, classroom and workshop modules, and secondly e-learning. Each have their own strengths and weaknesses that a successful business support programme should be aware of and account for.

Classroom learning provides an excellent opportunity for engaged learning, teaches difficult concepts, illustrates ideas, and brings insight. Classroom training is an ideal medium for technical, or difficult to grasp subjects (such as accounting or cost and pricing), as well as new concepts. Furthermore, the classroom provides participants with the opportunity to network (discussed below), build camaraderie, and learn from other participants who may face, or have faced the same challenges.

However, in-person training should always be designed keeping in mind that entrepreneurs and business owners are more often than not short on both time and money. Accordingly, if a course is too time-intensive, or the content is not viewed as valuable, entrepreneurs will choose not to attend. For example, classroom training should be timed to suit the business owners, and online learning can extend the training experience without eating into productive work hours. Training material designed with these constraints in mind will have more impact.

One the other hand, e-learning is time and cost effective. It is best used in extending the learning opportunities beyond the classroom. It is an ideal vehicle to help participants build the practical components they need in their business by customising assignments as action-learning tasks. The challenge with e-learning is that the direct interaction with the facilitator and peers is lost. Theory may come off as dry, and thus participants are less likely to engage.

Classroom and e-learning are most effective when used in conjunction, complementing the respective strengths and weaknesses.

Creating Market Access

A highly effective tool in accelerating SMEs is to provide business opportunities through greater market access. This may be a formal component of the incubator's design, or a natural benefit of the mentor and peer relationships.

When done successfully, market access introductions must take into consideration the readiness and capacity of the SME in question. This links to the importance of tailoring incubation to the business, discussed above. If the small suppliers tried to satisfy the needs of a complex market too early in their growth cycle they may come unstuck. Consequently, the market opportunity and the readiness of the SME must align.

Factors to consider include, firstly, whether the SME can realistically meet the partners' expectation with respect to quality, timing and quantity. Secondly, whether the SME can meet the needs of the market partners in size, experience and the overall complexity of the offer. Thirdly, if the market is geared to the cash flow constraints of the SME. Finally, does the SME have the ability to deliver at the price demanded by the market.

While the incubator can facilitate these relationships though network introductions, off-take agreements with local business, and active marketing, it is more often than not inappropriate for the incubator to act as the middle-man between the buyer and supplier. Doing so sets in place an ongoing expectation from both the buyer and the supplier, and the relationship becomes dependant on the incubator's involvement within the business. Furthermore, this prevents the entrepreneurs from learning how to foster these relationships themselves and negatively affects the entrepreneur's confidence. Therefore, these relationships must be fostered by the entrepreneur.

Media and PR

Media and PR are critical components of successful incubation in that they open new opportunities and spread awareness to customers and donors. Thus, media and PR have the potential to contribute an SME's long-term growth and success.

The starting point is to make participants aware of the value of media as a business tool. Training modules should be included so that on exiting the programme, entrepreneurs are capable of independently capturing these benefits.

Furthermore, media and PR are necessary within the business support programme itself. Media and PR can shine a positive light on supporters and funders so that these relationships are maintained. It can also be used to garner greater brand awareness among entrepreneurs and their respective business.

Providing Access to Finance

Most SMEs struggle to access finance reporting that access to finance is their primary barrier to the market and their greatest stumbling block (SEDA, 2016). Inadequate access to finance can be thought of as the "Achilles heel" to many SMEs.

This can in part be corrected through a grant allocation while participants are within the support programme. For those entrepreneurs struggling with cash flow, grant income can act as the springboard they need.

While critical, finance alone is seldom the only requirement for growth. Rather, access to finance works in tandem to the other factors discussed. Thus, if a candidate is only interested in accessing grant funding, they may not be a good match.

If long-term growth is to be achieved, grants should be allocated in tandem with educating participants about how to access financial markets themselves. Accordingly, a successful finance portfolio should improve the awareness and success rate of accessing finance among entrepreneurs. Entrepreneurs are often unaware of the processes involved in applying for funding.

Correcting for limited access to finance among SMEs can involve three steps. Firstly, participants must conduct a self-assessment to understand the current financial health of their business. A self-assessment, rather than an assessment done by an external party, ensures that the entrepreneur understands the outcomes of the assessment and are in agreement with the findings. Secondly, as noted above, many entrepreneurs lack financial literacy. Financial education is thus an important component of any incubator's finance portfolio. As with other training, discussed above, financial training is best kept practical and designed based on the entrepreneurs' needs. Classroom-based training (discussed above) is best suited to teaching this subject matter, while e-learning can later cement these concepts. Thirdly, the entrepreneur's financial investment readiness should be assessed. If entrepreneurs are not finance-ready, the areas in which they are lacking should be identified.

Networking and Peer Support

The importance of networking has already been mentioned in passing with reference to accessing the market. Networking can be thought of as the true "heart" of the incubator.

Communication between participants should be encouraged and facilitated by the incubator. This includes monitoring activity and comments, encouraging discussion, introducing topics and inviting discussion. The incubator acts as a relationship manager so that these relationships are fostered. Furthermore, communication tools (such as apps and online platforms) should be easily accessible and suitable for all participants.

Fostering discussion has the potential to generate a trusting, peer-group network. Trust can be built through open, honest and caring facilitation and by ensuring that all members abide by an inclusive code of conduct.

Mentorship

Mentorship is an integral component of any incubation programme; however, it is also generally the most expensive. Thus, the relationships between mentor and participant needs to be managed correctly to ensure cost-effectiveness. When done correctly, it can be a highly beneficial process in providing participants with a soundboard for challenges faced; decision-making; aid in personal growth; provide guidance through the growth stages of the business; embed training and e-learning; and provide ongoing feedback.

A mentor's role is not to force change but provide support while an entrepreneur completes tasks under guidance. A successful mentor is able to exit the relationship, leaving behind a stronger, more confident business leader. Accordingly, the mentor-participant relationship is different to that of a consultant, who is employed to complete a specific job within the business, or to implement a new system.

Mentorship can take on a variety of forms including one-on-one mentorship, one mentor to multiple mentees, or remote mentorship. Each has their own advantages and disadvantages.

Practical experience is preferential to theoretical or academic training, as the mentor needs to have "walked the walk" themselves. Beyond the business experience, successful mentors must be able to form strong, supportive relationships with their mentees.

Regardless of the practical knowledge and know-how, without interpersonal skills (such as communication, EQ and team-building skills), mentors are less effective at supporting their mentees. This is a partnership, and respect is needed between all individuals involved. The incubator must act as a relationship manager to ensure this working relationship can develop.

As was also the case among participants, selecting the right mentors is key. Once mentors are within the programme, mentors must be managed. Standard tools include timesheets, reporting forms and periodic report sessions. Within any monitoring process, balance is importance. The same is true of mentor management, where a balance must be found between too little formality in management and too much.

3.2.3 Monitoring and Evaluation

Monitoring and evaluation should take place with all the components discussed above, as well as within the incubator itself. It is a critical component if the programme is to optimise results. In short, this process first involves recording performance (data collection) followed by analysis that allows for the processes to be refined and improved.

A structured monitoring and evaluation process should be implemented at inception. This also assists in aligning expectations between stakeholders and can be used as an early exit mechanism for participants not complying with the "rules of engagement".

In today's data-filled economy, it is important to identify the key performance indicators (KPIs) that best record success. Business support programmes should avoid the costly mistake (financially and timewise) of recording everything. The best KPIs are easy to measure, easy to verify, objective, quantitative, consistent across all environments being monitored, and provide valuable insight into the success of businesses.

The KPIs selected will vary between business support programmes depending on their goals and objectives. Some common, critical indicators are income turnover, number of employees, family members supported per employee, employees supported among service providers and sub-contractors, subjective social impact (success stories are helpful in attracting media attention and sponsors), and longevity.

In reference to this final KPI of longevity, a longer-term monitoring and evaluation process is strongly recommended to track graduates ongoing entrepreneurial journey. This will ensure "value for money" and a good return on investment.

Finally, from the incubator's perspective, performance should also be measured. Two key indicators here include participation and satisfaction rates.

4 Conclusion

An effective business incubator is one that can address multiple fields and different dimensions of business support simultaneously in a cost-effective manner. One needs to find a balance between an offering of pre-packaged components, such as the standard training curriculum, and flexible or customised support, for example one-on-one mentoring. The key to any successful incubator lies in the delicate balancing act of cost versus benefit in the successful outcomes that can be achieved through the participants.

The Fetola Incubator Model is not a theoretical growth model – it has been tested, refined, improved and successfully implemented for clients such as SAB, Old Mutual, J.P.Morgan and the European Union for over a decade. It works because it is focused on one thing and one thing only – growing the economy and creating real jobs, by building businesses that last.

Businesses enrolled in Fetola Incubator programmes typically achieve an annual growth rate of 47.2% per business. Their long-term survival rate (tracked over ten years) is 87.4%, almost five times the national average. This track record is the result of the design and implementation of a robust incubator model that can stand the test of time.

Shared learning should be encouraged in the South African incubator landscape so that best practise can be developed to ensure that high standards are achieved. The key to building a robust and impactful incubator model is captured in the 'Business Incubator Blueprint for South Africa' that Fetola published in 2018.

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