

## **Corporate entrepreneurship and innovation - twin forces for growth and prosperity in difficult times**

With South African business facing the challenges posed by energy shortages, dwindling levels of consumer spending and reducing margins, there has never been more demand for 'corporate entrepreneurs' - particularly in businesses that have annual turnovers of between R300 million and R1.2 billion, which are the backbone of South Africa's economy.

"Although it may seem to be a contradiction in terms, for most people who associate entrepreneurship with the cut and thrust of the IT industry and burgeoning small businesses, the demand for entrepreneurship in large established companies across sectors is something that cannot be ignored", says Karl Gotte, Head: Customer Financial Solutions at Standard Bank's Commercial Banking division.

Moreover, larger businesses that fail to keep pace with changes within their respective industries face the risk of getting left behind. When considering that only a quarter of the top 100 companies from 1920 are still in existence, it becomes clear that the need for larger businesses to return to their entrepreneurial roots has never been greater.

Mr Gotte adds that it is often larger businesses - those who operate locally and even internationally who have to re-invent themselves if they are to grow and prosper.

To many corporate managers and entrepreneurs, the solution for problems at home has been to enter new markets. This has caused many to look north into other African countries. With predictions that the continent will be home to seven of the world's 10 fastest growing global economies by 2020, many South African entrepreneurs have leapfrogged their local competitors to take advantage of key markets.

First adopter companies who were less risk averse than

competitors, MTN and Shoprite, have carved significant new territories for themselves. The new reality for Shoprite is that it is considering opening more stores across the African continent, where it already has a footprint of 131 stores in 16 countries, than here at home.

According to the IDC, SA's exports into Africa were measured at 25.7% of total exports in 2010 and rose steadily to 30% by the middle of 2014. This has encouraged South African companies to expand into the rest of Africa, particularly in the broader service sector.

The moves have been based on several factors:

[if !supportLists]· [endif]Their ability to attract international investors to use South Africa as a launching pad into the rest of Africa by building mutually beneficial relationships using international funding and local know-how.

[if !supportLists]· [endif]The growing middle class in major African centres that is being fed by increasing urbanisation and employment opportunities.

Supporting this is research by the World Bank and the African Development Bank that presently puts the African middle class at about 350 million people out of a total continental population of about 875 million. Countries with the largest middle class, outside South Africa, are those in Kenya, Ghana and Angola.

If the McKinsey Global Institute's definition of middle class is applied, it means that millions of Africans are now earning salaries in excess of US \$ 20 000 per annum.

[if !supportLists]· [endif]The age profile of Africans places the majority under the age of 16, meaning that there is vast future potential for developing, prosperous markets across the continent.

[if !supportLists]· [endif]Growing investment in infrastructure, admittedly often from a low base, that the African Union expects to be about US \$360 billion by 2040.

[if !supportLists]· [endif]Regional developments of rail and ports will further open the continent for business.

“The risk for larger businesses is that the entrepreneurial spirit that they were initially built upon may be dissipated. In many cases, this drive to succeed has been replaced by policies and guidelines and a feeling that every day is business as usual. Innovation has taken a back seat,” says Mr Gotte.

Returning to an inventive and solutions-driven culture to kick start increased production requires identifying what the company needs to do to remain relevant. In the case of banks, this has meant examining the roots of the business and its future direction.

“The emphasis at Standard Bank, for instance, has turned 180 degrees. Instead of developing products for the market, the market now dictates what is required and the bank responds. This has required innovative internal programmes to drive change. Added to this has been the creation of informal environments where people are encouraged to spend time developing solutions.”

The result has been banking that has moved from branch networks into people’s pockets. Mobile banking and apps have flourished and payment systems have been transformed. More of the same is now expected of corporate and business bankers.

“Embracing innovation has therefore become inseparable from entrepreneurship. The emphasis is now on being quicker to bring services and solutions to market. This is necessary to counter the move by tech and communications companies into the financial services arena,” says Mr Gotte.

The international and local markets abound with examples. They include:

[if !supportLists]· [endif]Facebook applying for a banking license in Ireland, a move that could give it the ability to process payments and money transfers across Europe. Backing their move is the belief

that their global base of about 1.4 billion users will give it critical mass and a massive, receptive customer base.

[if !supportLists]· [endif]Alibaba launched its Yu'e Bao money market fund in 2013, attracting more than US \$87 billion in deposits in its first nine months of existence.

[if !supportLists]· [endif]IT and tech companies providing digital wallets to their customers to facilitate payment.

Locally, this change has been evidenced within Standard Bank Commercial Banking by the bank providing assistance to a client in the construction industry who is embracing digital channels and payment solutions, including the InstantMoney solution to assist with funds transfer, to gain a competitive advantage.

The mining industry, one of the traditional mainstays of the South African economy, is one of the areas that have been identified as an activity requiring an entrepreneurial approach.

At the recent Mining Indaba, Deloitte observed that mining needs to embrace innovation if it is to survive a climate in which commodity prices are under pressure and global demand is stagnating.

In its publication on the future of mining, Deloitte made the point that a new mind-set was required in mining. This would require a move away from accepted practises into a world where leading companies will examine cutting edge technologies, including nanomaterials, 3D printing, modular design, and robotics, bioengineering and alternative haulage—in an effort to further improve operational performance. It is business as usual.

To improve long-range planning and forecasting, companies must explore emerging information technologies, such as cloud computing, embedded logic, sensors, GPS systems, cyber security, big data, and simulation modelling and 3D visualisations. These are all good alternatives which can be as relevant in other commercial sectors.

The most important change to be planned for will be a new approach to securing suppliers. Internal business changes will require that new strategies are developed to meet the challenges involved.

“The encouragement of corporate entrepreneurship should also be viewed as a means of promoting corporate renewal. As well as a drive towards innovation, there must be equal emphasis on breaking the conventional approach to business in favour of exploration and risk-taking. Working together these approaches have the potential to work across an entire company and the entire spectrum of activities from IT to product development and administration.

“By re-evaluating their competitiveness in the markets they serve, they can use the forces of entrepreneurship and innovation to redefine their businesses, customer bases and the way they deliver services.”

“In South Africa, corporate entrepreneurship must now be seen as an essential tool driving survival and future success.”

“Companies must encourage, foster and incentivise entrepreneurs who will question and design new business processes; people who will look beyond existing technologies and identify new processes and have the courage and corporate support to experiment.

Finally, they must be encouraged to take their findings and develop commercial processes to complete the development cycle,” concludes Mr Gotte.