

Empowering entrepreneurs towards investment-readiness

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There is no shortage of investors with a strong desire to invest in innovative products and services - the challenge is finding and partnering with businesses that are investor ready.



CEO of Structured Finance Solutions at FNB and Edge Growth-managed Vurrela Fund trustee Mke Sage, and Murendeni Mafurro, founder of Kusini Water



Startup strategist and founder of Solve4x, Arrina Patterson

According to the University of the Western Cape, South Africa has a small business start-up failure rate of between 70 and 80%. A report by the International Finance Corporation (IFC) estimates that micro, small and medium enterprises (MSMEs) constitute more than 90% of all formal business in the country, employ 50-60% of the workforce and contribute 34% of GDP.

Considering the enormous impact that small businesses have on the South African economy and on alleviating unemployment, identifying how to better support and empower entrepreneurs is vital.

For small businesses, securing funding is an essential milestone towards establishing a solid foundation for long-term growth and sustainability. And while more and more funding is being made accessible to early-stage businesses, an important conversation to unpack is the investment-readiness of many of these early-stage businesses, or lack thereof.

No matter how much funding investors make available for entrepreneurs, a shortage of investable businesses will continue to add to the numbers of small businesses that don't succeed.

According to small business development specialist, Edge Growth, the deficiency of investment-ready businesses indicates a gap in the capacity of small businesses to understand and meet the specific needs and expectations of investors. This trend highlights the need for initiatives that can progress early-stage businesses to the point of investment-readiness, and support that goes beyond funding.

CEO of Structured Finance Solutions at FNB and Edge Growth-managed Vumela Fund trustee Mike Sage says that the best investment success stories lie in the product offering. “When considering the investment potential of early-stage businesses, investors should assess the uniqueness and value of the product or service on offer and look for businesses that solve a significant problem or provide a compelling solution that differentiates them from competitors,” he says.

Startup strategist and founder of Solve4x, Amina Patterson, says that when assessing the investment potential of an early-stage business, the business should be able to prove that the product or service has market demand. “There are so many entrepreneurs that have sunk millions into building a product that no one wants, and no one is going to use,” she says.

The founder of Kusini Water, a cleantech enterprise which secured funding from the Vumela ESD Fund, established by FNB Business and Edge Growth, says that the best way to grow a business is to build a good product.

Murendeni Mafumo says that key to Kusini Water’s investment success was his determination to use any initial funding to develop market-ready products. “When you take that product to the market, the market reacts. People will buy the product if it’s good enough.” Murendeni explains that when people start purchasing a product, it is easier to attract investment because it demonstrates the desirability of the product in the market.

Market research, customer surveys, testimonials, or successful pilot programmes are all initiatives that can help entrepreneurs test the validity and desirability of their product or service and become more investment ready.

On the contrary, a shortage of comprehensive and credible market information, a lack of a unique selling point, unrealistic assumptions and flawed financial projections are all factors that contribute to entrepreneurs failing to understand and meet the specific needs and expectations of investors.

A business plan that demonstrates the viability of the business, sound financial management, and a compelling growth strategy is key to captivating the interest of investors. The power of people can also not to be underestimated when assessing the investment potential of early-stage businesses, with investment ready entrepreneurs often more likely to be those who surround themselves with a capable and experienced team.

Patterson believes that a key characteristic of entrepreneurs is “their ability to articulate their product in a way that other people can understand simply” and who can “sell their vision to investors”.

What is crucial is bringing all the moving parts of the plan together in such a way that it presents a concise, compelling, and captivating story to investors. “If you have the story concisely put together then I think you’ve got a good chance of attracting the forms of capital that you need,” says Sage.

Edge Growth partners with corporates, mentors and industry experts to co-create innovative, end-to-end programme solutions to provide SMEs with the skills and support they need to accelerate their growth trajectories. The organisation currently manages the [Vumela ESD Fund](#), the [ASISA ESD Fund](#), the [Edge Action ESD Fund](#), the [SAB Thrive Fund](#), and the [Abadali EEIP Fund](#), all of which have been established to support the growth and development of high potential SMEs in South Africa.

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