Learning from failure

Failure could be used as one of the biggest learning experiences in an entrepreneur's life, yet ir South Africa it is harshly punished, says David Murray of Cape Venture Partners. According to Murrary, 95% of entrepreneurs putting a new idea out there will fail, but that many of those 95% will go on to eventually launch a successful product.

By Vivian Warby 23 Nov 2007

"Unfortunately in South Africa failure is treated harshly. You get blacklisted and it is hard to start up again. I America, however, if you fail you can take the lessons learnt and keep on trying."

Murray, who was speaking at PublishOnline conference in Cape Town on Wednesday, 21 November 2007 said a person learns more from their failures than from their successes.

"Here we frown on failure. In the US they are more positive and proactive. If you fail, you get up and start again, and you start the next one from what you learnt from the last one."

Poster child

Vinny Lingham, one of the panelists at the conference and described by Murray as the poster child of wha South African technology entrepreneurs can achieve, said he himself had had a number of failures and los lot of money since he started out. Lingham, who has received global acclaim for founding a number of businesses under the umbrella of incuBeta.com, has just raised US$ 5 million in series A investment from Swiss-based Richmont for his new venture Synthasite.

"Daily we see entrepreneurs making basic mistakes; there needs to be training of people in South Africa c these basics," said Murray.

One of the problems with technology entrepreneurs, said Murray, was that they focused 99% on the technology and only 1% on the business plan.

"You need to look at the competition, the trends, what customers require, how the product would sell, amongst other things. A business plan is essential," he said, adding that this should never be written by a third person, that it should never be too long and that the executive summary should not be too technical a should give enough about the business for the investor to want to know more.

"Have a venture capitalist chase you rather than you chase them. Send an email with a few tidbits and then they are interested send an executive summary."

Looking for capital

There are a number of people you can look to for venture capital.

First port of call is to borrow the money from friends and family. The failure rate among those trying to laur a product in this stage is high. About only 30% get through to the next stage, where you would look to an "angel" investor, usually a wealthy person wanting to invest. Only about 10% get to go to the next stage, which is to get funded by a venture capitalist.

“About 5% get through the filter process. We don't know what is going to stick.”

Murray said that as a rule of thumb it is best to delay approaching an investor for as long as you can. “Use your own resources, bootstrap, get as far down the line before you approach an investor,” he said.

He felt that South African need to innovate more. “We hear too often, ‘We have the SA version of XYZ'. W don't innovate enough.”

• Cape Venture Partners is an association of qualified and experienced business professionals, covering broad spectrum of business skills relevant to the entrepreneur. It helps entrepreneurs jumpstart their businesses to the next dimension, turning their ideas into viable and therefore fundable businesses. It also specialises in marketing intellectual property.

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