

# Timbali Technology Incubator

SOUTH AFRICA CASE STUDY



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Mailing Address: MSN I9-900 1818 H St. NW, Washington D.C., 20433 USA  
Telephone: (+1) 202- 458-4070  
Website: [www.infoDev.org](http://www.infoDev.org)  
Email: [info@infodev.org](mailto:info@infodev.org)  
Twitter: @infoDev  
Facebook: /infoDevWBG

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# TIMBALI TECHNOLOGY INCUBATOR, SOUTH AFRICA CASE STUDY

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## **1. SUMMARY**

Timbali Technology Incubator in the Mpumalanga region of South Africa seeks to help rural farmers whose livelihood has been undercut by high-volume large farms. Supported by government financing and fee-based services, Timbali is largely based on a franchise model. Its clients supply cut flowers to Amablom, Timbali's commercial arm. Individual clients can begin generating revenue almost immediately. Timbali helps clients both onsite and off, training them in business methods and helping them find loans to get started. It is helping clients expand into other product lines and value-added food processing, and plans to export its model into other parts of South Africa.

## **2. BACKGROUND AND CONTEXT**

The Timbali Technology Incubator was founded in 2003 in an effort to positively affect rural farmers in the Mpumalanga region of South Africa. The word "timbali" means not only "flowers" but "to bloom" in siSwati, the language of the region. The incubator was founded with the concept of harnessing both definitions.

The incubator's first entrepreneurs began the incubation process in 2004. By 2005, Timbali had grown to include 30 entrepreneur clients. In 2007, the incubation model was restructured to accommodate both on and off-site agribusiness incubation.

In 1990, there were almost 79,000 active farmers in South Africa. Today, that number has decreased to around 33,000, mainly because of the rise of larger, high-volume farming operations. From sales volume to bulk material pricing to access to credit, smallholder farmers in Mpumalanga had little chance of competing successfully with high-volume farmers' greater sophistication. Today, 26.9 percent of Mpumalanga's population is unemployed, with 33.9 percent of those being women. In a culture where agribusiness is dominated by women and relatively simple input and training are needed to promote sustainable success, the potential benefit of Timbali's agribusiness incubator is obvious.

Timbali's core values are ingrained in the incubator and apply to every executive board member, staff employee, incubating client and pre-incubation hopeful. Those values are:

- a. Being part of something special.
- b. Hard work with a sense of pride, self-reliance and ownership.
- c. Being a pioneer and not following others.
- d. Science-based innovation.
- e. Honesty and integrity.
- f. Excellence in reputation.

Timbali's objectives are the promotion of the agricultural sector's macro-economic goals, promoting network linkages, ensuring effective and efficient management of investments, effective human resource management and effective marketing and communication.

Timbali uses key performance indicators (KPI) to measure the success or failure of its objectives. These indicators include the number of agribusinesses supported, how many are black-owned or woman-owned agribusinesses, the number of new (pre-incubation) projects initiated, the total number of clients supported, how many jobs have been created, how much growth has occurred in each sector, and how many clients are in pipeline development.

### **3. STRATEGIC VISION, MISSION, AND TARGETS**

***Vision: To be leaders in creating wealth for all in agriculture and related industries.***

***Mission: To establish and support an environment to promote predominately broad-based Black Economic Empowerment (BEE) agribusiness and related enterprises.***

Timbali focuses its efforts on the least represented population groups in the Mpumalanga region: Black and female clients. More than 97 percent of Timbali's clients are black and 97 percent of those are women. Without agribusiness opportunity, these groups have nothing. While its clients are the obvious beneficiaries of the incubator, others who benefit include agricultural material suppliers, financial institutions, off-site growers, packaging material suppliers and transportation companies.

To help its clientbase, Timbali staff has defined the following needs: Technology transfer, access to production loan financing, basic business skills, market access (competing with the quality produce of large commercial farmers), logistical coordination, standardized and coordinated production processes, financial training, administrative and bookkeeping support, training and mentorship, literacy education and market-driven production.

### **4. TIMBALI'S DISTINCTIVE FEATURES**

- The most distinctive feature of Timbali is its ability to create sustainable relationships for its clients.
- The Timbali incubator model at Timbali is largely based on the franchise model—allowing clients to easily and immediately start supplying a customer (Timbali's commercial arm). This is a tremendous benefit to the individual client, who can begin generating revenue almost immediately.
- Timbali boasts both on-site and off-site incubation models, a rarity in the incubation world, because of its cluster-driven approach to incubation.

## 5. BRAND AND MARKET POSITION

The name "Timbali" is almost synonymous with agribusiness incubation in its region; it dominates the incubator space.

Timbali owns several commercial brands. "Amablom," meaning "my flowers" in the local language, is the commercial face of Timbali's efforts, and is used in marketing initiatives locally, regionally, and for limited exports to Europe. Amablom customers say the brand has a solid reputation for quality, reliability and competitiveness.

The other brands owned by Timbali are "Amafruit," "Amaveg" and "Amabrands," all planned for future use as Timbali pushes forward into more advanced crop diversification and value-added food processing. Amabrands is intended to be the umbrella brand of the other three. Amafruit will focus on fresh fruit produce, as well as value-added juice, jam and dried fruit production. Amaveg will focus on fresh vegetables, as well as value-added, shelf stable vegetables and other byproducts. All of the brands are registered as for-profit organizations.

## 6. APPROACH TO INCUBATION

Timbali introduced its on-site and off-site incubation programs in 2007. Its goal was to offer a mentor-based, franchise incubation model to accommodate clients within and outside the incubator.

Potential clients complete a Personal Strengths and Weaknesses Worksheet, evaluating their experience and ability in critical areas including sales, marketing, financial planning and customer service. They evaluate themselves on a scale from one to five (five being the highest).

The following criteria must also be met for entry into the Timbali Technology Incubator program:

- Access to land.
- Ability to service infrastructure costs.
- Full-time involvement and commitment to business.
- Product and market accessibility.
- Sound track record and growth potential of the client and enterprise.
- Ability to pay for services in future through levies.
- Entrepreneurial inclination.

Once accepted into the one-year pre-incubation program, clients are walked through a series of assessments, including needs analysis, land analysis (on their land, in the case of off-site clients), water and irrigation. They also receive basic training in production. Finally, they are assisted in applying for an initial loan from the Mpumalanga Economic Growth Agency (MEGA) for plants/seedlings, land improvement, etc. The value of this initial loan varies based on the individual's needs but averages around R50,000. Clients in the pre-incubation program meet with Timbali technical leaders and mentors once per month, and are evaluated on their technical expertise, professionalism and commitment to the program and to entrepreneurship. Advancement to the full incubation program is based on interest and readiness for the intensive program, and on receipt of MEGA funding.

MEGA funds are transferred into Timbali's trust account and managed on behalf of the client. For this service and for rent, utilities, etc, Timbali clients pay a monthly levy of 12 percent of sales to Timbali. Within the first year of incubation, clients typically generate between R8,000 and R60,000 in sales per month.

The incubation program thrusts clients into a full-time, three-year intensive program. The acceptance rate from pre-incubation to incubation is over 98 percent, due in large part to Timbali's extensive screening process. Incubation clients interact daily with Timbali staff and receive a monthly stipend of R2,000 per month. Their training includes mentoring, production planning, business planning, area-specific planning, processes, bulk purchasing, spraying, fertilizer selection and uses, financial analysis and branding. They are assigned sites in Timbali or, if off-site, are assisted in planning their own farming sites. During incubation, clients provide product to the Timbali brand Amablom and also pursue direct customer relationships with private business entities—a service enabled by Timbali's sales and marketing staff.

To graduate, incubatees must exhibit top-notch technical skills, exceptional business acumen, a strong desire to graduate and a solid business plan for post-graduation activities.

Timbali has also created a Science Research Park, giving smallholder farmers the opportunity to expand their businesses within the Timbali facility, where they have access to clusters and technology. New practices are researched at the park, ensuring that best practices prevail in fertilizer programs, updated IT systems, spraying programs, techniques for pre/post-handling, product selection and testing cultivars for possible

## **7. INSTITUTIONAL SET-UP**

Timbali Technology Incubator is a Section 21 company (not-for-profit) in South Africa created by CEO and co-founder Louise de Klerk.

Timbali is overseen by a board of directors made up primarily of representatives from contributing organizations. The current board consists of:

- Mr. Bheki Mamphaga (MEGA)
- Ms. Anita Severn-Ellis (Agricultural Development Advisory Group)
- Mr. Peter Hughes (Capespan)
- Mr. Andre Scholtz (Industry specialist)
- Mr. Tervern Jaftha (SEDA)

## **8. BUSINESS MODEL**

Timbali is funded by the South African Department of Trade and Industry's Small Enterprise Development Agency (SEDA). Two grants totaling R20,000,000 have been dispersed since Timbali's

inception. Additional direct support comes from the Agricultural Research Council, which donated the land for Timbali's main office and on-site incubation program, and from MEGA.

Timbali has recently been approved to receive an additional R20,000,000 in funding from SEDA to support its latest initiative of increasing off-site incubation of various agricultural activities and product diversification. Continued funding remains a concern, as sporadic payments and fluctuating government budgets make financial planning an uncertain challenge.

On average, Timbali spends approximately R80,000 on each client over the four-year incubation process. While the price of cut flowers (the industry of most Timbali clients) fluctuates, the typical Timbali graduate produces approximately 8,000 stems per month. At an average price of R2 per stem, the average Timbali client generates R16,000 of income per month, thus recouping Timbali's investment of R80,000 in less than one year.

## 9. STAFFING

The Timbali Technology incubator employs nine full-time staff members in three categories: operations, technical and sales.

Timbali has an extensive network of public and private sector partnerships serving various internal needs. Mr. Lombaard, the senior technical officer, says that "without those partnerships and that network, we would not be able to meet the needs of our clients."

One of Timbali's most useful relationships is with MEGA. Since inception, MEGA has provided Timbali clients with micro-loans to develop and expand their business models. This allows clients to not only receive much needed financial assistance, but also to establish a credit history, which helps them both personally and professionally.

## 10. OUTCOMES AND CONCLUSIONS

Some key accomplishments include:

**Product Diversification:** More than 69 percent of Timbali's currently incubatees produce crops other than cut flowers. These crops include foliage, citrus, pomegranates, a variety of vegetables, peppers, tomatoes and grapes.

**Off-site Incubation:** Off-site incubatees now represent over 72 percent of Timbali's total number of clients. They are only way Timbali can broaden if impact, as on-site space is at capacity.

**Business Systems Development and Technology Transfer:** The program includes intensive interaction aimed at addressing specific business needs through workshops, one-on-one and group sessions, and clustering activities with Timbali personnel and field specialists.

**Strategic Alliance Development and Incubator Sustainability:** These play an important role in business development for Timbali. One such alliance is the Amafruit initiative, which was developed in collaboration with a multinational consortium.

## 11. CRITICAL SUCCESS FACTORS

- **Development of a business model for** a region where such services are desperately needed.
- **Using clustering to advantage.** Clients benefit from a cluster of experts in sound management, communication, administration (i.e. bulk buying, shared services and market access) and the business development process (weekly operations meetings and internal audits).
- **Development of the cluster operations manual.** Skills development and training are recorded and documented as they happen.
- **Internal auditing** ensures fair, accountable and transparent bookkeeping. This has enabled the habit of using quantified results and data-driven decisions to manage conflicts within the cluster.

## 12. LESSONS LEARNED AND IMPLICATIONS FOR AGRIBUSINESS INCUBATORS

1. Access to production loans is one of the most critical elements of Timbali’s model.
2. The franchise model seriously hinders one of business incubation’s most basic principles: encouraging innovation. While franchising should be applauded and implemented in a best-practices incubation model, it should be just one element of an agribusiness incubator’s operation, rather than its central function. Entrepreneurial innovation and creativity must be cultivated in the agribusiness incubator model, led by experienced incubator managers who know how to channel creativity into competitive, marketable agribusiness products and services.

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Strong network to promote sustainable growth for clients	Franchise model limits entrepreneur innovation	Off-site business incubation to expand client list	Constant competition for government funding from one source
Franchise model guarantees income for clients focused on cut-flowers	No financial investment from clients raises concerns over seriousness of applicants	Expansion of incubator-owned brands’ direct accounts in local and international markets	Unable to control growth and effectiveness of off-site incubation initiatives
	Board of directors lacks industry experience to develop network and funding options	Duplicate franchise model for off-site incubation focused on crop diversification	
		Promote “green” growing practices	

**Timbali’s SWOT Analysis**

## **13. FUTURE GOALS**

Timbali continues to expand and develop in an effort to meet its mission. It believes that its incubation model has been successfully proven, and is ready to introduce the concept into other regions and other product initiatives. To do so, Timbali seeks to develop a portfolio of “Timbali Agro-Parks™” that will accommodate existing and graduated incubatees.

The staff at Timbali are working closely with South Africa’s Department of Trade and Industry’s SEDA program to explore options of expanding its incubator concept into other regions of South Africa. They are approved to begin operations in the Limpopo region.

Timbali also seeks to expand the off-site incubation program to other agricultural products.

## **14. CONTACTS**

Website: [www.timbalicrafts.org](http://www.timbalicrafts.org)

Louise de Klerk  
CEO of Timbali Technology Incubator  
Tel: +27(013) 753 71 48, [office@timbali.co.za](mailto:office@timbali.co.za)

## **15. REFERENCES**

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