

**A DEVELOPMENT PLAN
FOR
EMERGING ENTREPRENEURS
IN SOUTH AFRICA**

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ABSTRACT

Since the Apartheid era, the South African economy has been a mix of two separate and distinct economies. The first world economy consisting mostly of white owned and formal businesses on one hand and the third world economy consisting of mostly black owned and informal businesses.

Economic activities of emerging entrepreneurs have been restricted to mostly the black townships and rural areas, whereas, first world entrepreneurs have been actively involved in the mainstream economic activities.

The separation between the two economies has resulted in a situation whereby there is a wide gap in entrepreneurial and technical skills and knowledge between emerging and first world entrepreneurs. The result of this imbalance in skills and knowledge has been a situation in which a minority of the population has been in control of more than 80 % of the wealth of the country.

Upon gaining independence in 1994, the new South African Government embarked on the Reconstruction and Development Program (RDP) to redress the imbalances of the past. More recently the government has adopted the Growth Employment and Redistribution (GEAR) macro economic strategy to grow the economy, create employment and redistribute wealth.

To accelerate the implementation of the macro economic strategy, the government has passed a number of Acts namely: The National Small Business Promotion Act (102/1996), Skills Development Act (97/1998), Affirmative Procurement Act (5/2000), Mineral and Petroleum Resources Act (28/2002), in an effort to redress the imbalances of the past and most recently the Mining Charter (2003), Petroleum Charter (2003), Financial services Charter (2003), and the Information Communications Technology (ICT) Charter (2004), all efforts of the private sector to redress past imbalances

The small business has been seen as a vehicle to create employment, promote economic growth and redistribute wealth; as such the promotion of entrepreneurship has been identified as a critical aspect of GEAR. Irrespective of all the legislation and programs in place, the rating of South Africa in terms of entrepreneurship as evidenced by the findings of the Global Entrepreneurial Monitor reports (GEM, 2001; GEM, 2002) is below average.

The wide gap in skills and knowledge between emerging and first world entrepreneurs in South Africa is a contributing factor to the poor rating of the country in terms of entrepreneurship. The gap in skills and knowledge between emerging and first world entrepreneurs is expected to become even wider as the new knowledge economy unfolds, if corrective measures are not taken by the government or private sector.

In order to improve South Africa's rating in terms of entrepreneurship, the government and private sector need to put programs in place to minimize the skills and knowledge gap between emerging and first world entrepreneurs. The changes in the economic and political systems of South Africa from apartheid to free enterprise and most recently from industrial to knowledge economy have contributed to the widening gap in skills and knowledge of the two camps of entrepreneurs.

The objective of this study is to come up with a development plan to minimize the gap in skills between emerging and first world entrepreneurs. The study proposes the need for a holistic approach to solving the problem rather than a piece meal approach. The study proposes the need to clearly identify the factors responsible for the low level of skills and knowledge amongst emerging entrepreneurs, before any meaningful action can be taken to address the situation.

In terms of possible interventions the study proposes the application of Lewin's model of managing change, the principles of breakthrough thinking and the peak performance enhancement model of Coetsee (2002:140).

DEDICATIONS

To the memories of my late mother, Rhoda Kambikambi, father, Sydney Kunda, two brothers, Kelvin and Edwin, and two sisters, Eva and Flavia, may their souls rest in peace

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CHAPTER ONE

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

We are currently living in a world in which small businesses play a key role in the economic prosperity of various countries. A few years back large business was the key to economic growth, as companies used size as a strategy to gain economies of scale, but most recently due to advancement in technology, small businesses are able to attain the same level of economies of scale, without the size of big firms. As most small businesses are started and managed by entrepreneurs the Government aims to promote the establishment and operation of small businesses in the economy, by enhancing the skills and knowledge of entrepreneurs.

According to the Global Entrepreneurship Monitor (GEM, 2002:14), two camps of entrepreneurs can be distinctly identified in South Africa, namely: opportunity driven entrepreneurs (first world) and necessity driven entrepreneurs (emerging). The lack of education and training amongst emerging entrepreneurs has been stated as a major reason for the gap in skills between the two camps of entrepreneurs (GEM, 2001:14).

As the new knowledge economy unfolds, the gap in skills and knowledge between the rich and the poor is widening (Houghton & Sheehan, 2001:15). This observation also applies to entrepreneurs in the South African context, wherein entrepreneurship seems to be moving towards two peaks or nodes, one group (first world entrepreneurs), highly skilled and knowledgeable on one side, and township (emerging) entrepreneurs, with low skills and knowledge on the other side. This study is aimed at pin pointing the reasons for the gap in skills and knowledge between the two camps of entrepreneurs. Secondly the study is aimed at making recommendations to improve the skills and knowledge of

emerging entrepreneurs as a way of reducing the widening gap in skills and knowledge between the two camps of entrepreneurs.

1.2 PROBLEM STATEMENT

The widening gap in skills and knowledge between township and first world entrepreneurs, as the new knowledge economy unfolds, is a major problem that confronts policy makers at present. The widening gap in skills and knowledge will become a major problem or dilemma in future, if corrective measures are not taken to address the issue. The problem needs to be addressed by policy makers in South Africa for the country to become competitive and in order to ensure the equitable distribution of income on the other hand. The gap in skills and knowledge between emerging entrepreneurs and first world entrepreneurs is not a new phenomenon in South Africa. It emanates from the apartheid era (GEM, 2002: 25) and partly as a result of the changes in government policy from a command economy to free enterprise and lastly the current forces of change from an industrial economy to a knowledge economy. What makes the problem critical is the notion that the gap will widen as the knowledge economy unfolds. Not much has been written on this problem as it is still in the making. The challenge facing policy makers involves bringing the skills and knowledge levels of emerging entrepreneurs at par with first world entrepreneurs, and at the same time introducing the new rules of the knowledge economy to both emerging entrepreneurs and first world entrepreneurs.

1.3 GOALS AND OBJECTIVES OF THE STUDY

1.3.1 Main objective

Given the challenges faced by the South African government as stated above, the main objective of this study is to come up with a development plan to reduce the gap in entrepreneurial skills and knowledge between emerging and first world entrepreneurs in South Africa.

1.3.2 Sub-objectives

In order to achieve the objective stated above, the following sub-objectives will be pursued:

- establish whether there is a difference in skills and knowledge between the two camps of entrepreneurs;
- establish the factors contributing to the gap in skills and knowledge between the two camps of entrepreneurs;
- establish whether the gap in skills and knowledge is a problem that has a solution or polarity to manage;
- establish whether the gap is widening or static;
- establish the nature and components of the problem or polarity;
- establish the current government programs and interventions meant to minimize the gap and assess the effectiveness of such programs and interventions;
- analyse possible interventions to solve the problems or manage the polarity and challenges identified in the study;
- Lastly, make recommendations on how to develop the practice of entrepreneurship in the townships based on the literature review, empirical study, analysis of results and conclusions from the study.

1.4 SCOPE OF THE STUDY

1.4.1 Geographical

The study will be limited to the practice of entrepreneurship in the townships and rural areas of the Northwest Province. The empirical study will be based on responses obtained from start-up and existing entrepreneurs, who had submitted business plans or consulted the author over the past seven years. All the entrepreneurs involved in the study have businesses located in the townships and villages of the Northwest Province.

1.4.2 Field of study

The field of study evolves from the theory of entrepreneurship in general, but in particular focuses on the skills and knowledge required in the process of opportunity identification, evaluation and exploration. The study looks at the factors, which influence the entrepreneurial process. Lastly, the study also looks at the new rules of the knowledge economy and how these rules influence the entrepreneurial process.

1.5 RESEARCH METHODOLOGY

1.5.1 Literature Review

Given the main and sub-objectives of the study, a literature review on the entrepreneurial process and rules of the knowledge economy in general was conducted. The literature study was conducted on the process of opportunity identification, evaluation and exploration. The literature review also covered concepts, models and theories dealing with the determinants of entrepreneurship. Lastly a literature review was conducted on the various models of change management, performance enhancement and problem solving. The following methods were adopted during the literature study: Firstly, a search for the most recent articles on the entrepreneurial process, knowledge economy, performance enhancement and problem solving was conducted on the Internet. Secondly, a search for the most recent literature on the subjects was done from textbooks, dissertations and journals available in the library, at Potchefstroom University.

1.5.2 Empirical Research

1.5.2.1 Quantitative study

In order to conduct a quantitative investigation, a questionnaire was sent to a sample of entrepreneurs chosen from a group of entrepreneurs, who had submitted business plans to the author since 1996, for loan applications. The questionnaire (Addendum A) was designed on the basis of results obtained from the literature study. The purpose of the quantitative study was to establish the difference in skills and knowledge between emerging entrepreneurs and first world entrepreneurs, with a view of pinpointing factors contributing to the gap.

1.5.2.2 Qualitative study

The main purpose of conducting a qualitative study was to investigate the process of opportunity identification, evaluation and exploration amongst emerging entrepreneurs. A case study was formulated on the basis of observations made by the author and information received from one of the emerging entrepreneurs involved in the study. The entrepreneur has been in contact with the author during all phases of the opportunity identification, evaluation and exploration process. The guidelines for the qualitative study were designed on the basis of the different stages in the entrepreneurial process. The qualitative research was conducted by retrospectively analysing the activities of the entrepreneur and the business plans received by the author whilst employed as a Management Consultant and Business Advisor by the Small Business Advisory Bureau (SBAB), Potchefstroom University, and as a Team Leader in charge of New Enterprise Banking in the Northwest and Northern Cape at Absa Bank.

1.6 LIMITATIONS OF THE STUDY

The following aspects have been identified as limitations of this study:

1.6.1 Overview of the study

A limiting factor of this study is the existence of a vast number of variables that influence the level of skills and knowledge of emerging entrepreneurs. As there are a numerous variables that influence the practice of entrepreneurship in the townships, it is difficult to pinpoint the major causes of the gap in skills and knowledge between the two camps of entrepreneurs just from one study. The number of possible interventions to address the problem or polarity is wide and it is not the objective of this study to look at all the possible interventions. For this reason, the study will only focus on the application of the new rules of the knowledge economy, change management principles, breakthrough thinking principles and problem solving models in order to manage or reduce the gap in skills and knowledge between the two camps of entrepreneurs.

1.6.2 Literature study

The study incorporates three separate subjects, namely the rules of the new knowledge economy, the entrepreneurial process and change management process and interventions. The study will not be confined to the definition of new concepts, but to the interpretation and application of the fundamental principles and concepts of the three subjects to the problem statement.

1.6.3 Quantitative research

1.6.3.1 Limited geographical scope of study

The study focused only on entrepreneurs in the townships and rural areas of the Northwest Province. This is a limitation in the sense that the findings of the study cannot be taken as a general representation of emerging entrepreneurs for the rest of South Africa.

1.6.3.2 Limited sample size of entrepreneurs to generalize

The study only focused and based conclusions on 100 entrepreneurs who had sent business plans to the author or interact with the author during the development of their businesses. This is a limitation in the sample size, as looking at a bigger group of entrepreneurs would have brought a different insight to the study.

1.6.3.3 Limited time to conduct quantitative survey

The lack of time and financial resources to conduct a more detailed and thorough quantitative empirical study can be stated as another limitation of this study. The lack of time is as a result of the author working full time, and studying on a part time basis is a contributing factor to this. The lack of a thorough and extensive quantitative research in this study is viewed as a limitation, because the quantitative research contributes differently to the understanding of the entrepreneurial process. Gartner and Birley

(2002:387) highlight the importance of combining both qualitative and quantitative research when they state that “ *it will be rewarding for the study of the entrepreneurial process to combine the qualitative and quantitative approach*”.

1.6.3.4 Lack of longitudinality

The study is limited in the sense that the author was only involved in the various businesses on certain aspects of the entrepreneurial process rather than in the longitudinal process of establishing the businesses studied. This is in line with the calls for more longitudinal studies made by Davidsson *et al.*, (as quoted by Klyver, 2002:9).

1.6.4 Qualitative research

1.6.4.1 Retrospective research methodology

According to Katz and Gartner (as quoted by Klyver, 2002:8) the problem with most research on businesses is that the researcher studies the business only after it has come into existence, although there are exceptions. On that basis many studies of the entrepreneurial process are retrospective in their approach – they investigate the entrepreneurs historical perception of what they did at the time they started their now existing business. Such an approach will be biased because the entrepreneur, first of all interprets the process and secondly because the entrepreneur has a selective memory. The results obtained from such a research will not be 100% accurate as a result. This limitation also applies to this study as the information analysed is based on the past activities of a number of entrepreneurs at the time of setting up their businesses, and submitting business plans for loan applications. There is no guarantee that the skills and knowledge profiles of entrepreneurs at the time have been interpreted accurately because of the time lapse.

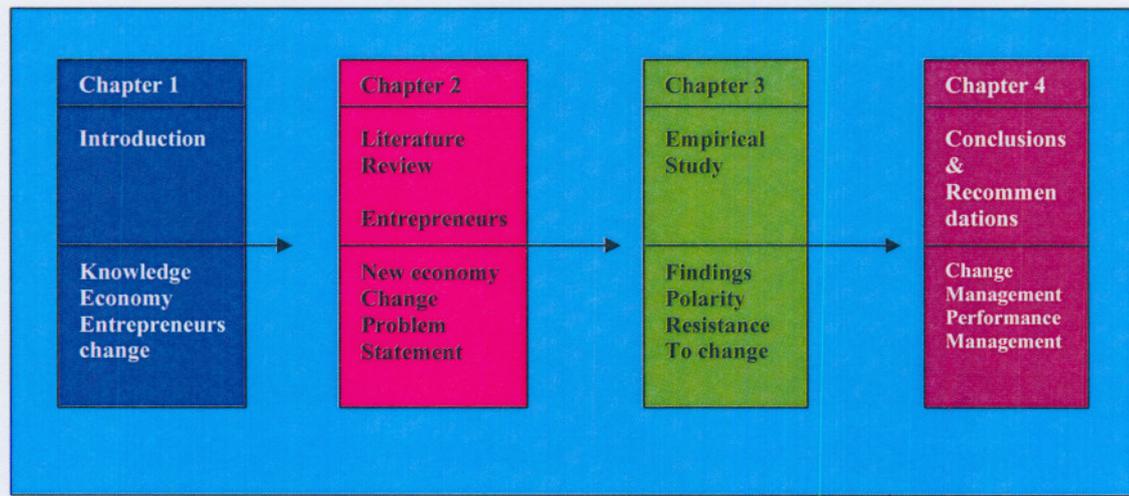
1.6.4.2 Biased selection of case studies

As the case studies selected for this study were chosen to highlight certain aspects of township entrepreneurship, the selection is biased, and this is a limitation in the sense that

valuable contributions from other case studies not selected may be lost. This limitation is also part of the issues raised by Klyver (2002:8) as part of the problems with research methodologies used in empirical research on entrepreneurship.

1.6 LAYOUT OF THE STUDY

Figure 1-1: Study Lay Out



Chapter Two is a literature review and covers definitions of the terms and concepts pertaining to the entrepreneurial process, the knowledge economy and problem solving models. The literature review includes the most recent definitions, models and concepts on the subject of opportunity identification, evaluation and exploration. The review also looks at the determinants of entrepreneurship, policy framework for the promotion of entrepreneurship, performance enhancement model and problem solving models.

Chapter Three is the empirical research, which contains the results and analysis of the qualitative and quantitative study. The quantitative investigation compares the skills and knowledge of the emerging entrepreneurs to the skills and knowledge of first world entrepreneurs. The main aim of the study is to pinpoint gaps in the knowledge and skills of the two camps of entrepreneurs. The qualitative study investigates the way different entrepreneurs identify, evaluate and explore business opportunities. The chapter includes a description of the research methodology, followed to conduct the empirical study, the design

of the questionnaire, the selection of the sample, an analysis of the results and discussion of research findings at the end of the chapter.

Chapter Four is a discussion of the conclusions and recommendations based on the results of the literature and empirical study. The chapter includes proposals for interventions to enhance the performance of emerging entrepreneurs and reduce the gap in skills and knowledge between the two camps of entrepreneurs. The proposals include the application of change management principles, breakthrough thinking and problem solving models as possible interventions. The chapter also discusses the successes, limitations and constraints encountered in the study and makes suggestions on future areas of interest.

CHAPTER TWO

LITERATURE REVIEW: ENTREPRENEURSHIP IN THE KNOWLEDGE ECONOMY

2.1 INTRODUCTION

The literature review covers a brief overview of the theory on the Knowledge Economy and the entrepreneurial process in terms of the Opportunity identification process. The literature review first looks at the definitions of key concepts pertaining to the knowledge economy, definitions of entrepreneurship concepts, different types of entrepreneurs, elements of the entrepreneurial process, skills, knowledge, networks, and resource requirements for opportunity identification, and the effect of the environment on the entrepreneurial process.

Secondly the literature review looks at the differences between a problem and a polarity, the problem solving models, principles of change management and models of performance enhancement.

The aims of the literature review are as follows: firstly: to identify key features of the knowledge economy and how they influence entrepreneurship, secondly: to review the components of the entrepreneurial process with a view of highlighting the skills and knowledge requirements for the opportunity identification, evaluation and exploration processes and lastly: to review problem solving models and the change management process with a view of applying the principles to manage the dilemma between emerging (township) and first world entrepreneurs.

2.2 DEFINITION OF TERMS

In order to minimize ambiguity, words and concepts used in the literature review, it is important that the words and concepts are defined correctly as words mean different things to different people.

2.2.1 Decision making

Kreitner and Kinicki (2001:340) define decision making as identifying and choosing solutions that lead to a desired end result. For one to choose a solution would imply that a choice exists and a problem must first exist, which has necessitated the need for the next definition. In order to gain an understanding of how government policies or decisions to promote entrepreneurship are made, it is important to gain an understanding of different models of decision-making.

2.2.2 Problem

A problem has been defined as a gap between an actual and desired situation (Kreitner & Kinicki, 2001:341). The definition implies that a problem exists when results attained deviate from the plans. The definition implies that for one to identify a problem, it is necessary to know the expected results. Without knowing the expected results it would be difficult to identify the problem.

Coetsee (2003:239) defines problems as circumstances or situations, which an individual or a group feel should be changed and most of them have solutions.

2.2.3 Polarity

A polarity is defined as sets of opposites, which cannot function well independently because they are interdependent (Johnson, 1996:xvii). Johnson's definition is in line with the definition of a polarity as an unsolvable difficulty and is a set of opposites, which are interdependent because they are part of a greater whole (Coetsee, 2003:239). Coetsee goes further to state that polarities should be managed and not solved.

From the definitions of a problem and a polarity above, the differences are that a problem has a solution whereas a polarity has no solution; secondly a polarity exists when there are sets of opposites, which are interdependent.

2.2.4 Change

Lewins (as quoted by Cummings & Worley, 2001:22) defines change as a modification or alteration of forces keeping the behaviour of a system stable. A system in this case can be an organization or a person.

Smit and Cronje (1997:260) define change as a process in which an organization or a person takes on new ideas to become different. The necessity to change may be brought by factors in the external environment of the organization or person, or within the organization or person.

2.2.5 Information

Information is defined as data (raw facts or observations about physical phenomenon or business transactions) that has been converted into a meaningful and useful context for specific end users (O'Brien, 1999:46).

2.2.6 Knowledge Economy

The term knowledge economy as a concept and will be referred to extensively in the literature review, as such it is important that the meaning of the term is defined correctly.

The Department of Trade and Industry (United Kingdom, 1998:4) defines the knowledge economy as one in which the generation and exploitation of knowledge plays a predominant part in the creation of wealth. This definition implies that entrepreneurship in the knowledge economy is centered on the generation and exploitation of knowledge. The definition also highlights the difference between the knowledge economy and the industrial economy where wealth creation was not necessarily created through the generation and exploitation of knowledge, but through the exploitation of resources such as land, minerals and manpower. An entrepreneur in the knowledge economy can be defined as one who creates wealth through the exploitation and utilization of knowledge.

2.2.7 Entrepreneurial Skills

To avoid mixing up Entrepreneurial skills with Management skills, it is important to differentiate between the two. Nieman (1993:1) defines entrepreneurial skills as the

skills, which enhance entrepreneurial performance. He further goes on to state that a skill is simply knowledge demonstrated by action. Entrepreneurial skills can be associated with the identification of opportunities whereas management skills can be associated with the exploration and management of the opportunity.

Smit *et al.*, (1997:19) classify skills as conceptual, interpersonal and technical. Conceptual skills refer to mental ability to review the operations of an organization and its parts holistically. Interpersonal skills refer to the ability to work with people. Technical skills refer to the ability to use knowledge or techniques of a specified discipline to attain objectives. In other words skills can be defined as the ability, aptitude, experience, expertise or talent to carry out a specific task or activity successfully.

In the old industrial economy skills such as reading and writing were important, whereas in the new knowledge economy typing on a keyboard and surfing on the Internet may be much more valuable than writing. Entrepreneurial skills in a knowledge economy are the ones that will enable entrepreneurs to identify, evaluate and explore opportunities.

As most of the information, facts and data can be found on the Internet, surfing the net is one of the critical skills for entrepreneurs in the new economy. Secondly, knowing where to find information on the Internet and lastly, how to apply the information to a given situation are key skills in order to turn ideas into opportunities. Net works will also play a major role for business sourcing in the knowledge economy as such interpersonal skills will play an important role in entrepreneurship.

2.2.8 Knowledge

In the knowledge economy, knowledge is a major commodity and entrepreneurship revolves around knowledge. As such the definition of knowledge is important in order for one to understand entrepreneurship in the new economy. The Ministry of Information (New Zealand, 1999:5) defines knowledge as information, facts and data together with the skills and aptitude to utilize the information, facts and data. The Ministry of Information further states that different kinds of knowledge can be distinguished, namely: know-what, or knowledge about facts, which is nowadays diminishing in relevance, know-why, knowledge about the natural world (science), society and human mind

(psychology), know-who refers to the world of social relations (sociology and networks) and is knowledge of who knows what and who can do what. Knowing who the key people are in the knowledge economy could be more important than knowing scientific principles. Know-where and know-when are becoming increasingly important in a flexible and dynamic economy. Know-how refers to skills, the ability to do things on a practical level. The above definitions could be used as a guide to generate a list of skills and knowledge that entrepreneurs need in order to survive in the knowledge economy.

2.2.9 Tacit knowledge and skills

This is defined as unstated, unspoken or implicit knowledge. Houghton and Sheehan (2000:11) compare tacit skills to conceptual, interpersonal and communication skills. They further observe the difference between tacit knowledge and formal knowledge by stating that tacit knowledge is gained from experience, whereas formal knowledge is instilled by formal education and training.

The Ministry of Information (New Zealand, 1999:3) state that in the knowledge economy, tacit knowledge is as important as formal, codified, structured and explicit knowledge. This means that training of entrepreneurs in the new economy should not only focus on formal skills and knowledge, but tacit skills and knowledge should be emphasized as well. Learning from experience should form an integral part of the training programs of emerging entrepreneurs. Houghton and Sheehan (2000:11) state that whereas machines replaced labour in the industrial era, information technology will be the locus of codified knowledge in the knowledge economy, and work in the knowledge economy will increasingly demand uniquely human (tacit) skills –such as conceptual and interpersonal management and communication skills. In the knowledge economy technology and tacit skills work hand in hand, and an investment in technology should be complemented by an investment in skills in order for the technology to be utilized efficiently.

2.2.10 Formal knowledge

Formal knowledge refers to planned or structured knowledge obtained through formal schooling as opposed to learning from experience. This type of knowledge is diminishing

in value in the knowledge economy, because it is becoming a common commodity as a result of information technology changes and advances taking place. The Ministry of Information (New Zealand, 1999:5) suggest that in a knowledge economy formal education needs to become less about passing on information and focus more on teaching entrepreneurs how to learn on their own.

2.2.11 Explicit knowledge

Explicit knowledge is defined as knowledge, which is unconcealed, obvious, plain or unambiguous. This type of knowledge is becoming increasingly common in the knowledge economy and less valuable in terms of entrepreneurship and value creation in the knowledge economy.

2.2.12 Life long learning

Life long learning is defined as a process through which organisations and individuals acquire tacit knowledge and experience through a continuous cycle of discovery, dissemination and the emergence of shared understandings. Such learning cannot take place through the formal schooling and training systems. It can only take place on an individual or organisational level. Furthermore, in the knowledge economy, successful entrepreneurs will be the ones who will give priority to life long learning (New Zealand, 1999:5).

2.2.13 Technology

Burgelman *et al.*, (2001:4) defines technology as the theoretical and practical knowledge, skills and artifacts that can be used to develop products and services as well as their production and delivery system.

Technology and knowledge are important in the knowledge economy, as they are the key factors of production (New Zealand, 1999:4). Technology can be embodied in people, materials, cognitive and physical processes, plant, equipment and tools.

2.2.14 Technological Entrepreneurship

This is defined as activities that create new resource combinations to make innovation possible, bringing together technical and commercial worlds in a profitable way (Burgelman *et al.*, 2001:4).

This type of entrepreneurship is lacking amongst township (emerging) entrepreneurs given the poor educational background. According to the Global Entrepreneurial Monitor report on South Africa (GEM, 2002:36), very few township (emerging) entrepreneurs use technology in their businesses compared to first world entrepreneurs. This could be largely due to the lack of computer skills and knowledge amongst most township (emerging) entrepreneurs.

2.2.15 Innovation

Innovation is defined as a specific instrument of entrepreneurship or the act that endows resources with a new capacity to create wealth (Drucker, 1996:27). Drucker goes further to state that innovation indeed creates a resource. There is no such thing as a resource until man finds a use for something in nature and thus endows it with economic value. Until then, every plant is a weed and every mineral just another rock.

From the above definition it is clear that technology plays a major role in the knowledge economy and determines the success or failure of entrepreneurs.

2.2.16 Intellectual Capital

Intellectual capital for a firm is defined as an employee's knowledge, brainpower, know-how and processes as well as the employee's ability to continuously improve those processes (Houghton & Sheehan, 2000:3).

In a knowledge economy intellectual capital is a source of competitive advantage and is much more valued than the physical assets of the firm. Entrepreneurs need to utilize intellectual capital in order to gain competitive advantage over competitors in the new economy.

2.2.17 Entrepreneurship

Before various definitions of entrepreneurship can be given, it is important to understand why it is necessary to look at a number of definitions.

As the study is aimed at identifying the shortfall in entrepreneurial skills and knowledge between first world and township entrepreneurs, it is important firstly to define what the term entrepreneurship means in order to identify the skills and knowledge required for one to carry out the process successfully.

Secondly, it is important to define the term so that the study can only focus on activities defined as entrepreneurial. This is necessary because not every new business is entrepreneurial, as stated by Drucker (1996: 20).

The definition of entrepreneurship has been debated among scholars, educators, researchers and policy makers since the concept was first established in the early 1700s when Say first coined the concept of Entrepreneur. The term "entrepreneurship" comes from the French verb "entreprendre" and the German word "unternehmen" both which mean to "undertake." (Drucker, 1996:22).

The modern definition of entrepreneurship was introduced by Joseph Schumpeter in 1934. According to Schumpeter, entrepreneurship can be defined as the carrying out of new combinations of products, processes, organisations, and markets (Van der Veen & Wakkee, 2002:2). Schumpeter called the new combinations 'enterprises' and the individuals whose function it is to carry the combinations out 'entrepreneurs'. This type of entrepreneurship can be seen in a lot of electronic products such as DVD, i.e a combination of the audio and video cassette. This type of entrepreneurship requires one to have technical knowledge of the two elements to be combined. The lack of a sound educational background in terms of most township (emerging) entrepreneurs would exclude them from such entrepreneurship.

Based on Say's concept of entrepreneur, entrepreneurship can be defined as a process in which resources from a state of low yield are transformed into a state of high yield (Van

der Veen & Wakke, 2001:2). An example of this type of entrepreneurship could be the discovery of penicillin mould by Dr Alexander Flemings. Before penicillin was discovered as medicine it was just a mould growing in the wilderness (Drucker, 1996:27). This kind of entrepreneurship could also happen by applying management principles to a hit or miss operation like in the well-known case of McDonalds fast food. The yield of a traditional restaurant operation was improved by applying basic management principles in terms of product range, quality, price, service, time, cleanliness, training and other standards.

An early definition by Weber (1889) reads: entrepreneurship means the taking over and organisation of some part of an economy, in which people's needs are satisfied through exchange, for the sake of making a profit and at one's own economic risk (Swedberg, 2000:23).

This definition implies that entrepreneurship involves risks in terms of uncertainty and rewards in terms of profit. In order for one to succeed there is a need to balance between the risk and reward. This is contrary to the notion that entrepreneurship is just about taking risks.

A most popular definition of entrepreneurship states that, "entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled" (Sahlman and Stevenson, 1991:1).

Audretsch (2002:4) argues that entrepreneurship is about change, and hence entrepreneurs are agents of change. In terms of this definition it is important to highlight the fact that in a knowledge economy, change is brought about mainly by the new knowledge and technology, hence it is difficult for one without new knowledge or technology to be a change agent or an entrepreneur in the current environment.

Timmons (1999:50) observes that, "entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced. In line with

this definition necessity driven entrepreneurship would not be considered entrepreneurial, because it is not centered on the exploration of opportunities, but on the need to survive.

The above definitions will not satisfy everyone, but they serve to highlighting skills and knowledge required by an entrepreneur. Also from the above definitions it is clear that there is no generally accepted definition of entrepreneurship. This statement is supported by the World Bank report (OECD, 1998:17).

Furthermore, the definitions given above do not differentiate between the different types of entrepreneurs, but they focus on what entrepreneurs do, how they do it and what results from the actions of entrepreneurs.

Even though the above definitions are not the same, they offer a good insight as to what skills and knowledge one requires as an entrepreneur. The failure of a single definition of entrepreneurship to emerge undoubtedly reflects the fact that it is a multidimensional concept (Van der Veen & Wakkee, 2002:2). The actual definition used to study or classify entrepreneurial activities reflects a particular perspective or emphasis. The majority of definitions of entrepreneurship tend to focus on the pursuit of opportunity (Shane & Venkataraman, 2000:1).

The failure to find a universally acceptable definition of entrepreneurship is a major contributor to the failure of most of the interventions and government programs to enhance entrepreneurship. Entrepreneurship is a broad concept and means different things to different people, as shown in the definitions above. One thing in common though is the observation that most of the definitions point to conclusion that the process is centered on the identification of opportunities. Lastly, entrepreneurship is a purposeful activity and must end in value creation and not destruction.

From the definitions one can conclude that entrepreneurship requires one to have a broad range of skills. Entrepreneurs need analytical skills in order to identify opportunities from ideas, as well as creative skills to generate a lot of ideas. They need divergent, as well as, convergent skills. Entrepreneurs also need team building skills as well as leadership skills. Entrepreneurs must have conceptual skills in order to see the big picture as well as

the parts. Entrepreneurs need to have technical as well as management skills. In terms of the knowledge, entrepreneurs need technical knowledge, marketing, production, and financial management and accounting. In short, an entrepreneur must be able to think in all dimensions. He/she must be free to explore all avenues of a problem.

2.2.18 Entrepreneur

The term “entrepreneur” has its origins in 17th century France, where an entrepreneur was an individual commissioned to undertake a particular commercial project. An entrepreneur therefore is commonly understood to be someone who undertakes certain projects, and we recognize them, first and foremost, by what they actually do (Timmons, 1999:27)

J.B.Say, a french economist, first coined the term entrepreneur around 1700, and defined an entrepreneur as “one who shifts economic resources out of an area of lower productivity into an area of higher productivity and greater yield” (Drucker, 1996:19). This definition does not say who this entrepreneur is and this has contributed to the lack of a universal agreement by scholars on who an entrepreneur is. This is evidenced by the various definitions as shown below:

Drucker (1996:22) states that, in United States of America, the entrepreneur is often defined as one who starts his own, new and small business, but he goes further to state that not every new small business is entrepreneurial or represents entrepreneurship. This has important implications for township (emerging) entrepreneurs, most of whom consider themselves as entrepreneurs, because they have started a new business.

Other researchers define an entrepreneur as one who takes risk, and the Germans define an entrepreneur as one who both owns and manages a business (Owner manager). Risk taking in terms of entrepreneurship does not mean gambling, but means calculated risks. Therefore, it means that the entrepreneur must possess skills to calculate different types of risks associated with different types of business opportunities. Knowledge of risks inherent in different businesses and industries is necessary in order to bridge the gap between theory and practice in this respect.

In line with opportunity recognition literature, an entrepreneur is defined as someone “who perceives an opportunity and creates an organization to pursue it” (Bygrave and Hofer, 1991: 14).

Sahlman and Stevenson (1991:1) state that, “An entrepreneur is someone who identifies opportunities, assembles required resources, implements a practical action plan, and harvests the reward in a timely, flexible way.”

Audrestsch (1995:1) defines entrepreneurs as agents of change. “Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas”. This statement implies that entrepreneurs flourish on changes taking place in the external environment; as such they exploit change rather than become disadvantaged by change.

Other authors define entrepreneurs as risk takers and this definition is in line with a statement contained in the World Bank report (OECD, 1998:11) which states that entrepreneurs not only seek out and identify potentially profitable economic opportunities but they also take risks to see if their hunches are right”.

The various definitions of entrepreneur given above provide a basis for developing a list of skills and knowledge required by entrepreneurs. Audrestsch’s definition of entrepreneur would be closer to the ideal entrepreneur in the knowledge economy. In terms of the knowledge economy an entrepreneur can be defined as an agent of change who creates value through the accumulation and utilization of knowledge and technology.

2.2.19 Entrepreneurship Research

Stevenson and Jarillo (1990:18) distinguish three categories of entrepreneurship studies namely: what happens when entrepreneurs act (i.e this is looking at the results of entrepreneurship), why they act (i.e the environmental sociological and psychological influences) and how they act (the process and management perspective).

Similarly Shane and Venkataraman (2000:218) define entrepreneurship research as the study of how (process), by whom (entrepreneur) and with what effect opportunities to create future goods and services are discovered, evaluated and exploited.

These two definitions both describe the activities, which take place during the process of identifying an opportunity. Namely an event prompts the entrepreneur to have an idea, the idea is then evaluated to identify an opportunity and lastly the opportunity is explored to create a viable business. A model can be developed on the basis of the above definitions of entrepreneurship research. Such a model could be used as a guide to review the process of entrepreneurship.

2.2.20 Entrepreneurial Opportunity

It is important to define an entrepreneurial opportunity because of the fact that entrepreneurship centers on the act of identifying opportunities. Bygrave and Hofer (1991:14) define an entrepreneurial opportunity as a situation where a product or service can be created and sold for a higher price than it costs to produce. They go further to state that the situation can emerge because people have different perceptions of the value of resources, products, and services. Lastly, they state that entrepreneurial opportunities exist on behalf of different perceptions and on behalf of asymmetric information on the market.

Timmons (1999:80) suggests that for an opportunity to be entrepreneurial it must have the qualities of being attractive, durable, and timely, and is anchored in a product or service that creates or adds value for its buyer or end user. For an opportunity to have these qualities, there must be a 'window of opportunity', which is opening and remains open long enough. Furthermore, the entry into a market with the right characteristics must be feasible and the management team must be able to achieve it. The venture must be able to achieve a competitive advantage and the economics of the venture must be rewarding and forgiving and allow significant profit and growth potential. The Oxford English dictionary defines opportunity as "A time, juncture, or condition of things favourable to an end or purpose, or admitting of something being done or effected (Sarasvathy, 2002:1).

The above definitions imply that not all opportunities are entrepreneurial. For an opportunity to be entrepreneurial it must be attractive, durable, timely, add value, feasible and achievable. Actions of how to achieve it must be stated and it must not just be an idea.

2.2.21 Opportunity Recognition

Sarasvathy (2002:2) states that opportunity recognition is the first process in the creation of a new venture, but may also occur throughout the life of an enterprise or life of an entrepreneur. According to Van der Veen and Wakkee (2001:7) the opportunity recognition process starts when a motivated individual has an initial idea. This implies that the opportunity recognition process starts from an idea. Entrepreneurs need to be creative in order to recognize opportunities from ideas.

2.2.22 Idea

Hills and Lumpkin (1999:1) define an idea as a stepping-stone that leads to an opportunity. It is important to differentiate between an idea and a business opportunity because an idea for an entrepreneurial business does not necessarily equate to an opportunity. This is so because other factors must exist to support the new idea for it to become an opportunity, such as the existence of potential customers who need the product or service and have the ability to pay. An idea can be a thought or a plan about something whereas an opportunity is much more than a thought as it has some actions planned.

2.2.23 Creativity

Creativity is defined as the process of using imagination and skill to develop new or a unique product, object, process or thought (Kreitner & Kinicki, 2001:364). The researchers go further to state that the definition highlights three broad types of creativity namely that: one can create something new (creation), or combine or synthesize things (synthesis), or improve or change things (modification).

Creativity can also be classified as high or ordinary as follows:

High creativity: Some influential descriptions of high creativity, i.e the sort of publicly acclaimed creativity, which changes knowledge and/or our perspective on the world, include the following:

According to Feldman *et al.*, (1994:1) creativity is defined as the achievement of something remarkable and new, something, which transforms and changes a field of endeavor in a significant way. This definition refers to the kinds of things that people do that change the world. Such as the Internet and its effects on business activities.

Ryhammer and Brodin (1999:261) define creativity as ‘exceptional human capacity for thought and creation’. This definition indicates that creativity is a thought process or a way of thinking. Dacey and Lennon (2000:1) define creativity as ‘the ability to produce new knowledge’. This definition is suitable for this study as it has much to do with a one of the key success factors in a knowledge economy. The ability to produce new knowledge can only be exercised if one has the grasp of the existing knowledge. Knowledge can only be built on the basis of existing theories and practices and not from without. The ability to generate new knowledge (creativity) must be combined with (innovation) the ability to exploit or apply the new knowledge in order to succeed as an entrepreneur in the new knowledge economy.

Ordinary creativity: Perhaps more relevant to township entrepreneurs or survivalists is the notion of ordinary, or ‘democratic’ creativity. The phrase ‘democratic’ creativity is used to mean creativity of the ordinary person, recognizing, that every person can be creative. All of the following definitions take as a fundamental assumption that creativity is something, which every person is capable of. The National Advisory Committee on Creative and Culture Education (UK,1999:29) define creativity as ‘imaginative activity fashioned so as to yield an outcome that is of value as well as original’.

Craft (2001:14) defines creativity according to three overlapping categories as follows:

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- free expression ('self-expression', 'improvisation', 'exploring unknown outcomes'). This type of creativity is not well developed amongst emerging entrepreneurs, as it was suppressed during the Apartheid era.
 - imaginative / associative thinking ('flexibility', 'a holistic approach', 'problem solving. This type of creativity is destroyed by the schooling system, which puts more emphasis on remembering facts instead of learning through discovery.
 - critical thinking ('making conceptual decisions', 'making things happen', 'eclecticism'). This is a product of the above two types of thinking.

These definitions are compatible with the definition of creativity by (Seltzer & Bentley, 1993:10) as the application of knowledge and skills in new ways to achieve a valued goal. Seltzer and Bentley go further on to state that in order for a person to be creative, he or she must have four key qualities, namely: - the ability to identify new problems, rather than depending on others to define them - the ability to transfer knowledge gained in one context to another in order to solve a problem - a belief in learning as an incremental process, in which repeated attempts will eventually lead to success - the capacity to focus attention in the pursuit of a goal, or set of goals.'

To sum it up, an unknown author describes creativity as "looking at the same object as others but seeing something different from everyone else". A worrying phenomenon in terms of this aspect of entrepreneurship in South Africa is the fact that one finds the same types of business in most of the townships. These are mainly tuck-shops, taxis, taverns and telephone containers, to the extent that the four types of businesses have earned a reputation as the 4T's of black business. The lack of creativity amongst emerging entrepreneurs is a major contributing factor to this situation.

2.2.24 Opportunity Evaluation

Sarasvathy *et al.* (2002:17) defines the evaluation process as the phase in the venture creation process when insights or ideas are analysed for their viability. This process requires entrepreneurs to apply analytical skills to assess the identified opportunity. The lack of analytical skills amongst emerging entrepreneurs is responsible for the poor

evaluation of business opportunities by township entrepreneurs, as evidenced by the poor quality of business plans submitted to the banks for loan applications. Timmons (1999:119) has suggested a detailed screening process to follow in order to evaluate a business opportunity. The process includes evaluating the size of the opportunity, the current trends, the growth rate and the potential for growth. Other aspects of evaluating the opportunity include the profitability and risks associated to the opportunity. In this phase of the entrepreneurial process, analytical skills rather than creative skills play a major role, as the aim is to eliminate possibilities to come up with a best option.

2.2.25 Opportunity Exploitation or Elaboration

Sarasvathy *et al.* (2002: 18) define this phase as the stage in which creative insight is actualized and in which creative insight is put into a form that is ready for final presentation. Csikszentmihalyi (1996) argues that the elaboration process is generally the most difficult and time-consuming part of the venture creation process. Kao (1989:17) uses the term “exploitation” rather than elaboration to express the importance of capturing value from the creative act. This phase of the entrepreneurial process requires a different set of skills and most of the township (emerging) entrepreneurs fail during this stage, because of the lack of management skills.

2.3 ENTREPRENEURSHIP IN THE KNOWLEDGE ECONOMY

The increasing number of articles available on the Internet on the knowledge economy is evidence that, the subject is gaining momentum as the new knowledge economy unfolds. Houghton and Sheehan (2000:1) observe that there has been an increase in the literature body on the new knowledge economy, lately. Literature on the subject has focused on defining the new rules of the knowledge economy and how they influence the practice of entrepreneurship.

2.3.1 Importance of Knowledge in the new economy

Houghton and Sheehan (2000:1) observe that in the agricultural economy land was the key issue, and in the industrial economy natural resources such as gold, copper, diamonds

and labour played a key role, and conclude that in the knowledge economy natural resources and Mother Nature play a minimal role, but instead knowledge is the key resource. Furthermore, in a knowledge economy the generation and exploitation of knowledge plays a dominant role in the creation of wealth. This implies that knowledge also plays a key role in entrepreneurship, as entrepreneurship can be defined as the creation of value (wealth) through the discovery, evaluation and exploration of opportunities (Low & MacMillan, 1998:4).

Whereas the generation of knowledge plays an important role in the knowledge economy, the exploitation of knowledge plays a much greater role in the promotion of entrepreneurship. This sentiment is echoed by the Department of Trade and Industry (UK, 1998:5), who state that the key to success in the knowledge economy is not simply about pushing the frontiers of knowledge back, but it is about the more effective use and exploitation of knowledge in all manner of economic activity. The need to convert available knowledge into opportunities as a competitive advantage in the new economy is echoed by Houghton and Sheehan (2000:2) by their statement that “as we advance into the knowledge economy, the degree of incorporation of knowledge and information into the economic activity has become so great that it is inducing profound structural and qualitative changes and transformation in the operations of the economy and transforming the basis of competitive advantage “.

2.3.2 Increasing knowledge intensity of the knowledge economy

Houghton and Sheehan (2000:2) have suggested that one of the factors, which have resulted in increasing the value of knowledge, is the rising knowledge intensity of the world economy and the increasing ability to distribute that knowledge. The increasing knowledge intensity has resulted in a sharp fall in the cost of computing and communications per unit of performance. This has also been accompanied by the rapid development of applications relevant to the needs of users. Digitalisation, open systems standards, and the development software and supporting technology for the application of new computing and communications systems-including scanning and imaging technologies, memory and storage technologies have all contributed to increasing

knowledge intensity of the world economy. The gap in skills and knowledge between township and first world entrepreneurs will widen as the knowledge intensity increases if no action is taken to minimize the gap.

2.3.3 Globalisation

Globalisation has been stated as the other main driver of the emerging knowledge economy (Houghton & Sheehan, 2000:4). The researchers state that while there have been other periods of relative openness in the world economy, the pace and extent of the current globalisation is without precedent (Sheehan and Tagart, 1998:2). Houghton and Sheehan further state that the changes that have lead to rapid globalisation include the following:

- the reduction of tariff and non tariff barriers on trade in both goods and services,
- the floating of currencies and deregulation of financial markets more generally, and
- the deregulation of product markets in many countries, particularly in terms of the reduction in the power of national monopolies in such areas as telecommunications, air transport, and finance, and insurance industries.

2.3.4 Characteristics of the knowledge Economy

The emergence of the knowledge economy can be characterized in terms of the increasing role of knowledge as a factor of production and its impact on skills, learning and organization and innovation (Houghton & Sheehan, 2000:8). Some of the characteristics of the Global Economy, which entrepreneurs need to be aware of are as follows:

- the increasing codification of knowledge, which leads to increasing modification,
- the increasing codification of knowledge which is leading to a shift in the balance of the stock of knowledge – leading to a relative shortage of tacit knowledge,
- the increasing codification which is promoting a shift in the organisation and structure of production,

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- the increasing diffusion of information over reinvention, which reduces investment required for a given quantum of knowledge.
 - Increasing convergence of knowledge, which is bridging different areas of competence, reducing knowledge dispersion and increasing the speed of turnover of the stock of knowledge,
 - the increasing rate of codification and collection of information, which is leading to a shift in the focus towards tacit (handling) skills,
 - the increasing importance of learning for both people and organizations,
 - the increasing importance of innovativeness, creativity, problem solving and openness to entrepreneurs, and
 - the increasing importance of learning by doing, learning by using and learning by interacting in the education of entrepreneurs.

2.3.5 Flexible Organisations

Flexible organisations are a feature of the global economy. In order to benefit from the new challenges presented in the knowledge economy, firms need to be flexible. In order to succeed organisations need to reduce waste and increase productivity of the labour and capital by integrating “thinking and doing” at all levels of their operations.

2.3.6 Knowledge, skills and learning

As access to information becomes easier and less expensive, the skills and competencies relating to the selection and efficient use of information become more crucial, and tacit knowledge in the form of the skills needed to handle codified knowledge becomes more important than ever (Houghton and Sheehan, 2000:11). Learning through experience has become an important requirement for the survival of emerging entrepreneurs in the knowledge economy.

2.3.7 Innovation and knowledge networks

The knowledge economy increasingly relies on the diffusion and use of knowledge as well as its creation. Hence the success of enterprises and national economies as a whole

will become more reliant upon the effectiveness in gathering, absorbing and utilizing knowledge as well as in its creation.

For countries in the vanguard of the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor determining the standard of living – more than land, than tools, than labour. Today's most technologically advanced economies are truly knowledge based (World Development Report, 1999).

In the 21st century, comparative advantage will become much less a function of natural resource endowments and capital-labour ratios and much more a function of technology and skills. Mother Nature and history will play a much smaller role, while human ingenuity will play a much bigger role.

2.3.8 Clusters in the Knowledge Economy

Network and geographical clusters of firms are particularly important features of the knowledge economy. Firms find it increasingly necessary to work with other firms and institutions in technology based alliances, because of the rising cost, complexity and widening scope. Industrial clusters and incubators for emerging entrepreneurs will play a major role in promoting entrepreneurship in the townships and rural areas.

2.3.9 Convergence and divergence

Houghton and Sheehan (2000: 15) state that one of the disturbing features of the knowledge economy is increasing evidence that the nations of the world are polarizing, rather than converging in economic terms. Countries appear to be moving towards two peaks or nodes, one at high income and the other at relatively low incomes. This polarization of countries into different strata of economic activity and of living standards is becoming both pronounced and persistent. (Sheehan and Tegart, 1998:6). The divergence in entrepreneurial skills and knowledge between township and first world entrepreneurs is part of the worrying polarization described above, and it is the objective of this study to come up with a development plan to minimise the widening gap.

2.3.10 New rules and skills requirements

From the above discussion it is clear that the rules for value creation or entrepreneurship in the knowledge economy are different from the industrial economy. Knowledge will play a key role in entrepreneurship and the creation of wealth. Mother Nature and history will play a minimal role. Networks will also play a major role in the success or failure of enterprises in the knowledge economy. Formal education and training will play a minor role and tacit knowledge and life long learning will determine the difference between success or failure.

Small businesses rather than large businesses are going to play a major role in the creation of value in the knowledge economy. The use of technology by small businesses to conduct business and make decisions will be a major source of competitive advantage in the knowledge economy.

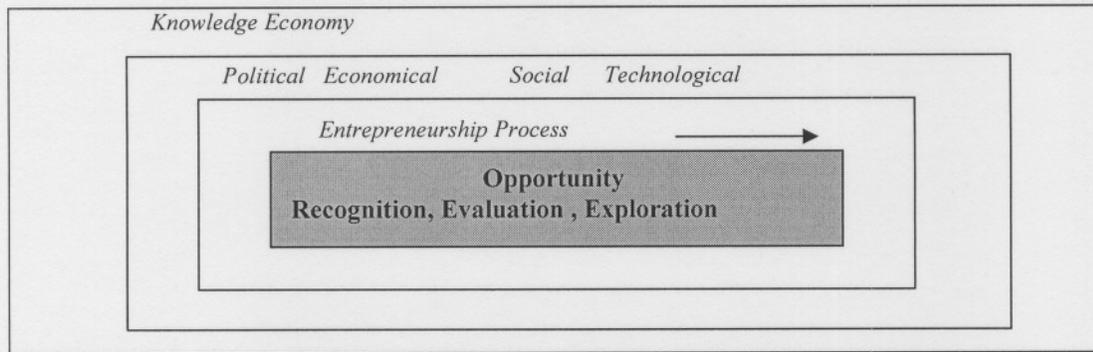
Emerging entrepreneurs will have to take the new rules into account in order to survive in the knowledge economy. Interventions intended to minimize the gap in skills between emerging entrepreneurs and first world entrepreneurs will need to take the new rules into account.

2.4 THE ENTREPRENEURSHIP PROCESS

2.4.1 Conceptual Model

A conceptual model for entrepreneurship (figure 2.1) has been developed by taking into account all the internal and external factors that influence entrepreneurship and from the definitions of entrepreneurship the previous sections of this chapter. The elements of the conceptual model will be used as a guide on topics to be reviewed for the purpose of this study.

Figure 2-1: Conceptual Model for the Opportunity Identification Process



Source: Kambikambi

From figure 2-1, the opportunity identification process can be captured and explained as follows: Initially, the process starts from the creative ideas the entrepreneur generates by analyzing the Political, Economical, Social and Technological changes taking place in the external environment. The ideas are critically analysed to identify a few opportunities to explore. Finally the opportunities are converted into a viable business proposition through a process of innovation.

The process starts from a prompt based on changes in the external environment on one end and concludes with a viable business proposition on the other end, but the process does not happen in one event or logical manner. It is a series of processes involving both divergent thinking as well as convergent thinking. In order for the entrepreneur to discover opportunities she/he needs creativity skills whereas recognizing opportunities from ideas needs analytical skills, and lastly in order to explore opportunities further the entrepreneur will need management skills.

2.4.2 Influence of the External Environment on Entrepreneurship

The external environment plays a major influence on the entrepreneurial process (Thompson & Strickland, 2003:73). This statement is substantiated by the discussion below:

2.4.2.1 Political environment and entrepreneurship

The dilemma currently facing the South African government in terms of the gap in skills and knowledge between the two camps of entrepreneurs has its roots in the political past of the country. Under the apartheid system blacks were only allowed to participate in certain types of businesses restricted to townships namely: taxis, tuck shops, taverns and general dealership, butcheries, hair salon, backyard garages, small scale farming and township medical practices. This meant that the experience and knowledge of township entrepreneurs was limited to only a few types of businesses. Township entrepreneurs have only been allowed to take part in the mainstream economic activities in the new South Africa.

2.4.2.2 Education and entrepreneurship

In terms of education, South African blacks have been receiving an inferior quality of education compared to their white counterparts. This meant that politics determined the type of entrepreneurship taking place in black communities and also the type of skills and knowledge possessed by township entrepreneurs.

We are now living in the new South Africa, and apartheid is a thing of the past, the Government has come up with a number of interventions to correct the past situation namely: the small business promotion act, the affirmative procurement policy, the BEE policy, privatization policy, Land redistribution act, mineral rights bill, the skills training bill. Irrespective of all these interventions, not so much has been achieved, as evidenced by the poor rating of South Africa by the Global Entrepreneurial Monitor report (GEM, 2002:15).

2.4.2.3 Technology and Entrepreneurship

Technology plays a major role in the knowledge economy and will determine the way entrepreneurship is conducted (Burgelman *et. al.*, 2001:4). A worrying phenomenon is the lack of application of technology in businesses mostly owned by township entrepreneurs, whereas the first world entrepreneurs use technology to procure raw materials, market their services, manufacture their products and manage their businesses, most township entrepreneurs do not use technology in their businesses (GEM, 2002:6). A

similar observation is made by Naude and Havenga (2002:15) on the lack of capacity and capability by emerging entrepreneurs to embrace technology in running their businesses.

2.4.2.4 Sociological and psychological influence on entrepreneurship

Traditionally the explanation for entrepreneurial behaviour was sought in stable psychological traits. Swedberg (2000:27) divides the psychological studies in two groups: one where the main goal is to isolate the entrepreneurial personality; and another, which is more socio-psychological in nature and where the personality of the entrepreneur is seen as decisively shaped by something from the outside. The last mentioned studies are also labeled socio-cultural.

Despite significant attention to social and psychological attributes in the last three decades the results have at best been inconclusive (Krueger *et al.*, 2000). More recently, the explanation for entrepreneurial behaviour is increasingly sought in knowledge and information differences, cognitive differences and behavioural differences (Venkataraman, 1997: 124).

Gartner (as quoted by Davidsson *et al.*, 2001:10) notes that the psychological tradition is mainly interested in how entrepreneurs are different in personality structure from non-entrepreneurs or how different types of entrepreneurs are different in their personality structure. But looking at the results from the research within this tradition, it can be concluded that the tradition has failed. It has failed either because there is no necessary methodologies to measure the differences or because there actually is no differences between entrepreneurs and non-entrepreneurs or within different types of entrepreneurs.

2.4.3 Different types of Entrepreneurs

Gartner (as quoted by Davidsson *et al.*, 2001:10) notes that whereas, there is no difference between entrepreneurs and non-entrepreneurs or within different types, entrepreneurs can be classified according to different levels of experience. This is necessary because different types of entrepreneurs face different types of opportunities, hence the need for different types of skills and knowledge. Richard Dellabarca (2002:14) classifies entrepreneurs as follows:

Novice • individuals with no prior business ownership experience as a business founder, an inheritor, or a purchaser of a business.

Nascent • individuals considering the establishment of a new business.

Habitual • individuals with prior business ownership experience.

Serial • individuals who have closed/sold their original business but at a later date have inherited, established, or purchased another business.

Using this type of classification may not be helpful in terms of the objectives of the study, because the different categories can be found in both camps of entrepreneurs.

In South Africa entrepreneurs can be defined in terms of the communities they operate in, namely entrepreneurs operating in the first world communities and those operating in the disadvantaged or township communities (mostly survivalists). The latter can be referred to as township entrepreneurs, whereas the former can be referred to as first world entrepreneurs. This classification is necessary because the challenges faced by the two types of entrepreneurs are different (GEM, 2002:10).

Another classification of entrepreneurs that might be relevant in terms of the purpose of this study could be the classification of entrepreneurs either as opportunity driven entrepreneurs or necessity driven entrepreneurs. Opportunity driven entrepreneurs focus on identifying opportunities and make the choice voluntary, whereas necessity driven entrepreneurs are forced into the situation and they have no option (GEM, 2002:14).

A large number of entrepreneurs in the townships are necessity entrepreneurs or survivalists (Ntsika, 2001:42) and may not have the potential to be developed. This observation is supported by the conclusions of a study conducted by Bewayo (as quoted by Naude & Havenga, 2002:7), that African entrepreneurs tend to emphasise “economical survival” “making a living” and “providing for family” as reasons for going into business. This presents a major problem in terms of the practice of entrepreneurship in the townships. Similar sentiments are echoed by Kesper (as quoted by Naude and Havenga, 2002:7) when he notes that the survivalist nature of township entrepreneurship is a major weakness of the practice of township entrepreneurship. In a number of cases, training institutions have spent a lot of time and energy trying to develop entrepreneurs

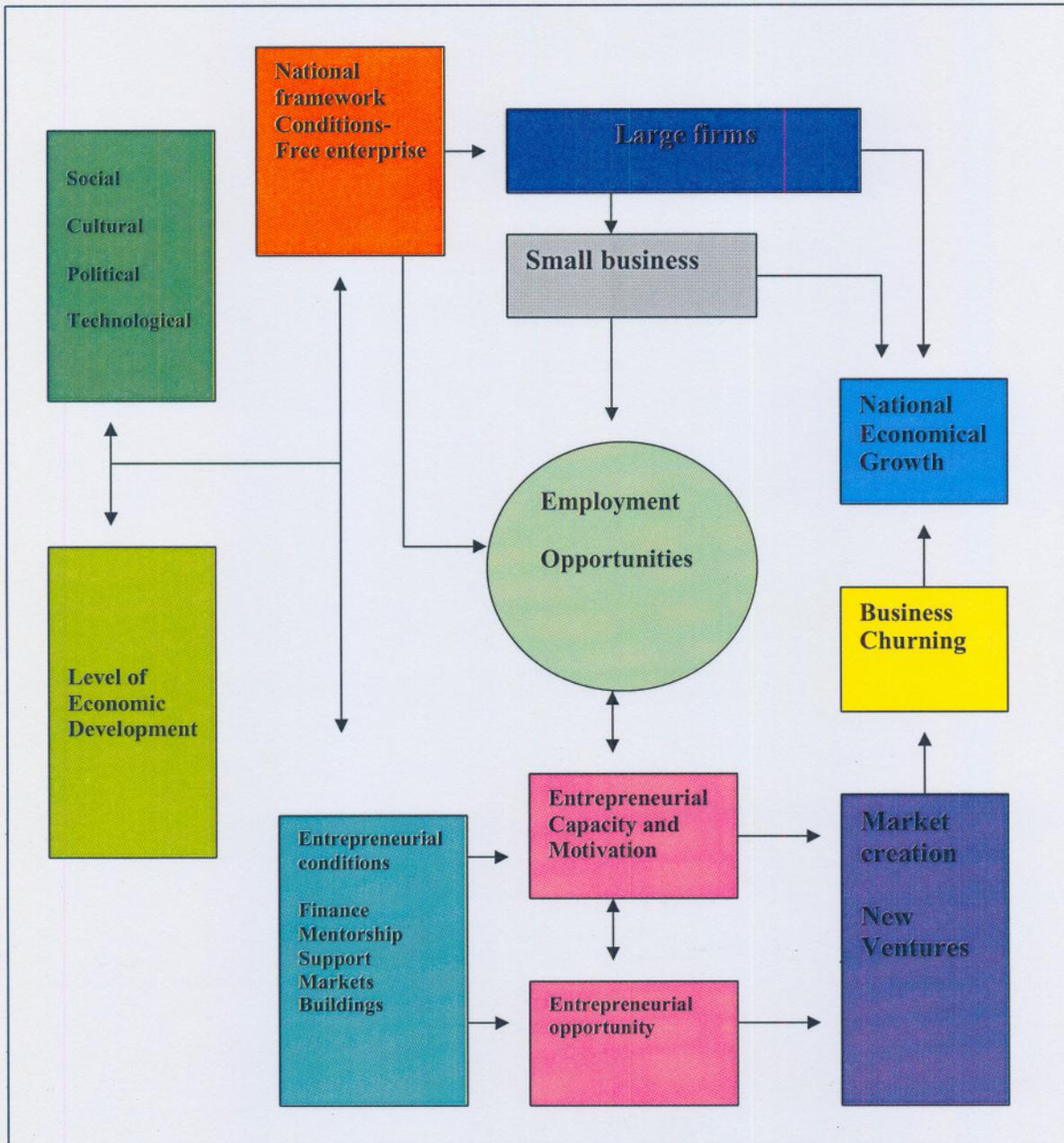
without establishing if there is potential to be developed and nurtured. This happens because of the tendency by most training institutions to lump all entrepreneurs in one basket (GEM, 2002:10).

In a society with two different types of economies, entrepreneurs can be defined differently because the type of opportunities and decisions made are different. Treating all entrepreneurs the same in South Africa would not help to minimize the gap in skills between the two camps of entrepreneurs.

2.4.4 Determinants of entrepreneurship

A number of models can be used to review factors, which influence entrepreneurship in any given economy. The factors are many as shown in figure 2-2, and this is part of the challenges facing policy makers trying to figure out which factors to alter in order to get positive results.

Figure 2-2: GEM conceptual model



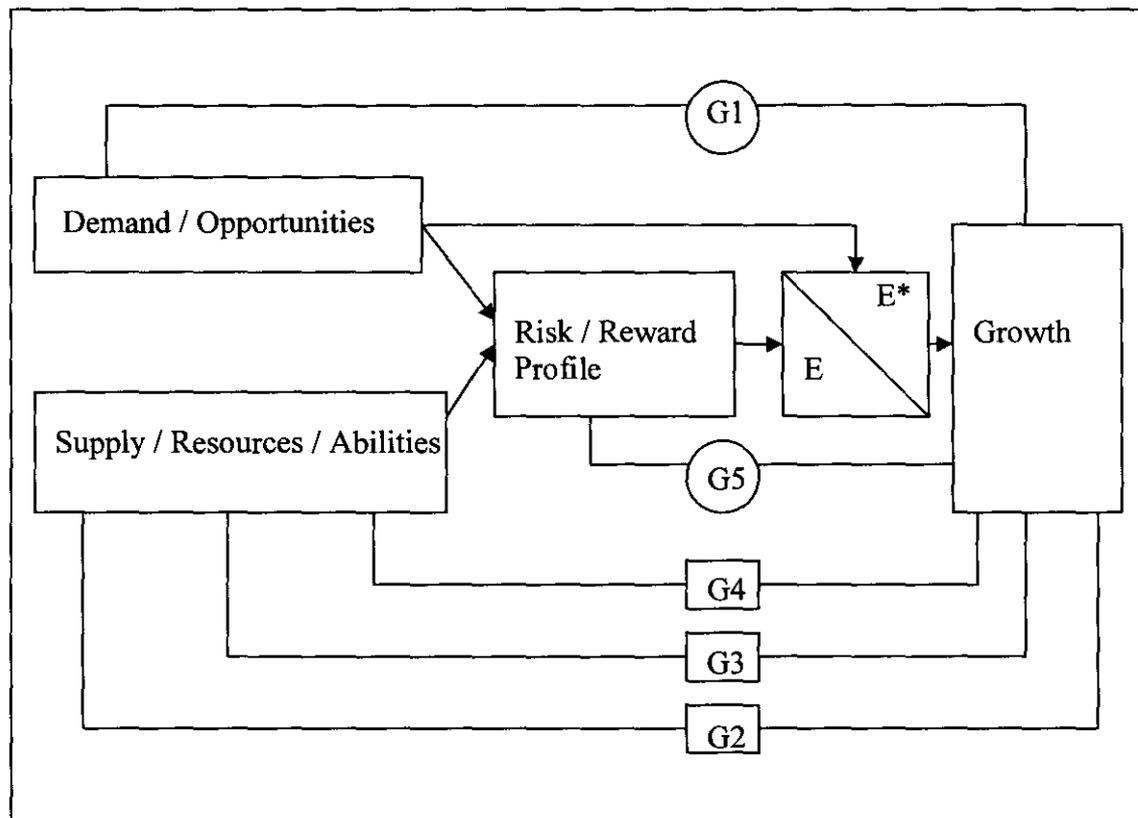
Source: South African Executive Report (GEM, 2002:11)

Figure 2.2 is the conceptual model developed by GEM in order to study the factors that determine entrepreneurship. The factors include the social and political factors, the entrepreneurial conditions, the general national framework conditions, the capacity, skills and motivation of entrepreneurs, and the opportunities in the market created for small

businesses. The end result of the interaction between these forces is growth in national economy and creation of jobs. If any of the factors on the left hand side are not in place, then the results on the right hand side may not be achieved.

The GEM conceptual model can be used to pinpoint the reasons for the poor performance of emerging entrepreneurs compared to first world entrepreneurs in South Africa. Secondly, figure 2.3, is a model, showing the policy framework representing the different types of interventions, which government can employ to enhance entrepreneurship.

Figure 2-3: Framework for the Determinants of Entrepreneurship



Source: Audretsch *et al.* (2002:3)

To understand how public policy can be implemented to promote entrepreneurship, Audretsch *et al.* (2002:3) introduced a framework for analyzing the determinants of entrepreneurship (Figure 2-3). The framework is useful for not only establishing why the degree of entrepreneurship varies across regions and countries, but also in identifying the

different ways that public policy can be implemented to increase the amount of entrepreneurial activity.

From figure 2-3, the supply of entrepreneurship is shaped by characteristics of the population, including the demographic composition, educational attainment, incomes levels and degree of unemployment, and cultural norms. In particular, the resources and capabilities of individuals along with their attitudes towards entrepreneurship are key factors in influencing the supply of entrepreneurship. Both cultural and institutional factors help shape the supply side. Institutional factors include access to finance, administrative burdens, and the degree of taxation.

The framework depicted in Figure 2-3 shows that the interaction of the supply and demand factors for entrepreneurship help to shape the risk-reward profile of individuals. The framework emphasizes that while entrepreneurship is embedded into a broad range of social, economic, political and cultural factors, ultimately it is individuals who make a choice whether or not to engage in entrepreneurial activities. Given all of the factors from both the supply and demand sides, individuals weigh the perceived risks and rewards from engaging in entrepreneurship. As a result, they may choose to enter into entrepreneurship or not to, or even to exit from entrepreneurship.

Lastly, figure 2-3 depicts five particular types of entrepreneurship policy. The first type, G1, promotes entrepreneurship by altering the factors shaping opportunity for entrepreneurship. Such policies include the deregulation of entry into markets, the privatization of many services, access to government procurement programs, promoting firm linkages and clusters, and access to global value chains. G2, G3 and G4 promote entrepreneurship by altering the factors shaping the supply side. Such policies focus on promoting the capabilities of individuals and firms and facilitating access to resources. In particular, this involves increasing the supply of potential entrepreneurs through immigration and diversity policies, which facilitate the participation and access by previously excluded minorities (G2). A different type of policy involves enhancing the skills and capabilities of individuals, through education and training, or by provision micro-credit or other types of finance (G3). Policies designed to improve the view

towards entrepreneurial activity, including promotional campaigns using the media and the educational system, are represented by (G4). Entrepreneurship policy can also change the risk-reward profile directly. Examples of such policies include taxes, subsidies, labor market rules and bankruptcy regulation (G5). While the demand side focuses on the opportunities for enterprises and individuals in a developing country to invest in, develop, pursue and ultimately implement entrepreneurial strategies, the supply side focuses on the capabilities and capacity for such entrepreneurial strategies to be developed and implemented. Some of these capabilities and capacities are based on characteristics of the underlying population, some of these emanate from the skill and technological capabilities; and some are based the ability of firms and individuals to access ancillary resources, such as finance, inputs and external markets.

Elements of both demand side policies and supply side policies are evident in the various programs employed by the department of trade and industry to promote entrepreneurship in the townships. Government affirmative procurement policy would serve as an example of a program representing the demand side strategy by government to promote entrepreneurship. But a strategy like this would only be effective where the playing field is leveled. If the playing field is not leveled the policy may result in established companies using emerging entrepreneurs as fronts to get access to government tenders.

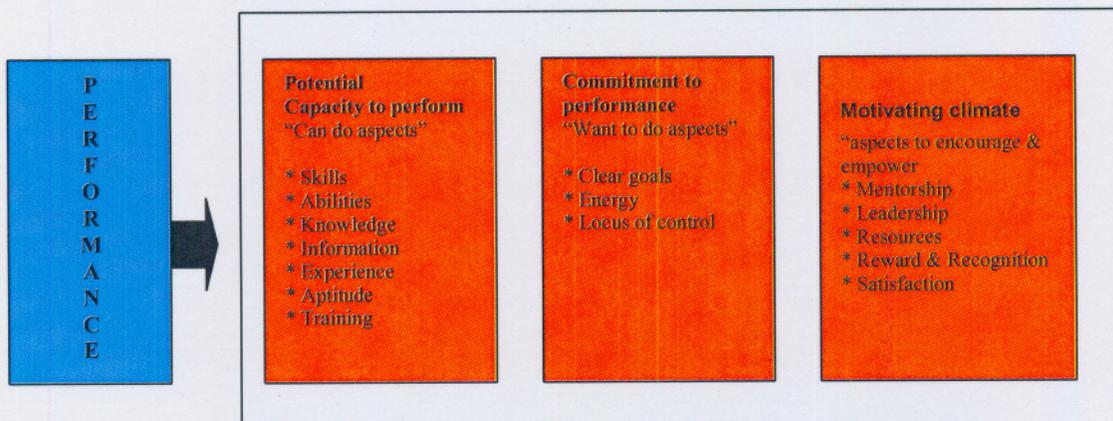
Most of the programs currently conducted by the various sector education and training authorities (SETA) are examples of supply side interventions aimed at promoting the supply of entrepreneurs in the economy. The success of such interventions depends on the resources and abilities of emerging entrepreneurs. As indicated in the Annual Review on Small Business in South Africa (Ntsika, 2001) both Ntsika and Khula have delivered a number of training programs and provided mentorship and credit guarantees to emerging entrepreneurs with minimal impact on township entrepreneurship, mainly because of the inability of most entrepreneurs to implement what they have learnt, the lack management skills, lack of access to markets and the lack of resources to pledge as security for bank loans. As can be deduced from the above statement a number of factors influence entrepreneurship at any given moment. Dealing with these factors in isolation will not result in a lasting solution to the problem but a holistic approach to the problem can yield

better results. Instead of embarking on costly experiments such as mentioned above, the government could produce better results if the reasons for the gap in skills and knowledge between emerging and first world entrepreneurs was analysed from the political, social, historical and current perspectives.

2.4.5 Peak performance model

A search for a model on the enhancement of the performance of entrepreneurs on the Internet, journals, textbooks and articles yielded very minimal results. The closest model was the peak performance model shown in figure 2.4. The peak performance model was developed by Coetsee (2002:140) and can be used to explain how one can improve the performance of emerging entrepreneurs as follows:

Figure 2-4: Performance model to enhance entrepreneurship



Source: Coetsee (2002:140)

Figure 2-4 shows that performance depends on a number of factors shown on the right hand side of the model. If one of the factors on the right hand side is missing, then the performance will be under par. The model shows that commitment, knowledge, resources and a motivating climate are necessary ingredients in order to attain optimal performance.

This model of performance can be used to pinpoint the factors leading to the under par performance of South Africa in opportunity entrepreneurship as reported by the Global Entrepreneurial Monitor report (GEM, 2002:13). Each of the factors on the right hand side will be analysed in order to recommend possible interventions to enhance the practice of entrepreneurship in the townships and villages of the Northwest Province. The influence of each of the factors on performance is explained in the sections below:

2.4.5.1 Commitment

Commitment is the first factor, which needs to be satisfied for optimal performance to take place. Commitment in this case means an obligation towards the promotion of entrepreneurship on the part of emerging entrepreneurs, the Government as well as the private sector. If any of these players are not committed to the promotion of entrepreneurship in the townships, the level of entrepreneurial performance will be under par. The South African government has shown its commitment to the goal of promoting entrepreneurship by creating the necessary support bodies and institutions (DTI, Ntsika, Khula). The government's commitment to the promotion of entrepreneurship can also be evidenced by the passing the National Small Business Promotion Act (102/1996) and a number of other Acts in support of small businesses, such as the Affirmative Procurement Framework Act (5/2000), the Mineral and Petroleum Resources Development Act (28/2002) and the Skills Development Act (97/ 1998). The private sector has also come on board and shown commitment to the promotion of small businesses and black empowerment through the Mining Charter (South Africa, 2003), and the Financial Services Charter (South Africa, 2003), the Information Communication Technologies draft charter and the Petroleum Industry Charter (South Africa, 2003).

The empirical study contained in this report has shown that there is a lack of commitment towards entrepreneurship amongst a large number of township entrepreneurs. This is supported by the findings that a large number of township entrepreneurs are not aware of the contents of the SMME promotion Act, the goals of the various industry charters and other policies to promote SMME's.

An intervention to enhance the performance of township entrepreneurs should first address the issue of commitment on the side of entrepreneurs, before positive results can be expected. This can be done by clearly explaining to emerging entrepreneurs South Africa's vision for entrepreneurship, the governments mission, goals and objectives. A clear vision, mission, goals and measurable objectives in terms of the promotion of entrepreneurship in South Africa should be by the Department of Trade and Industry and other departments in order to ensure commitment from all stakeholders.

2.4.5.2 Knowledge

This refers to the skills and abilities and methods and techniques used to train, develop and stimulate growth of employees (Coetsee, 2002:37). Knowledge in this context does not only refer to information, data and facts, but it also refers to the skills and aptitude to utilize the facts and data correctly. It is important to mention that, the emphasis in the new knowledge economy is on tacit knowledge rather than formal knowledge. Without the necessary knowledge to identify opportunities, set up businesses to exploit the opportunities and compete against other businesses in the market, the performance of emerging entrepreneurs is dismal.

2.4.5.3 Empowerment

Refers to providing employees with the opportunities to assist them in identifying and defining problems, and inviting them to participate in decisions on how work should be done, how work methods could be improved and delegating more comprehensive powers and responsibilities. It also implies they that have the necessary abilities to meet these challenges (Coetsee, 2002:37). Empowerment is important in creating or maintaining an entrepreneurial culture and climate capable of responding to new market demands and changing technologies (Du Plessis, 1995:65).

2.4.5.4 Skills

According to Parkinson *at al.* (2001:95) the skills required by entrepreneurs can be classified in to three main areas, viz: technical skills, business management skills and personal skills as shown in (Table 2-1).

Table 2-1: Different types of entrepreneurial skills

<ul style="list-style-type: none"> • Writing • Oral communication • Monitoring the environment • Technical business management • Technology • Interpersonal • Listening • Organizing • Networking • Management style • Coaching • Team building 	<ul style="list-style-type: none"> • Planning and goal setting • Decision making • Human relations • Marketing • Finance • Accounting • Management • Negotiation • Venture launch • Management growth 	<ul style="list-style-type: none"> • Inner control • Discipline • Risk taking • Innovation • Change orientation • Persistence • Visionary • Leadership
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Source: Parkinson *et al.* (2001:95)

As shown in Table 2-1, technical skills involve know-how, organizing and oral presentations. Business management skills include those areas involved in starting, developing and managing an enterprise. The final skills involve personal skills.

Technical skills and business management skills can be enhanced through formal training and experience, whereas most of the personal skills are as a result of the influence of the external environment. The skills development Act (97/1998) is a South African government intervention to enhance the skills of previously disadvantaged individuals who make up the largest portion of emerging entrepreneurs. The Act serves as the Government's commitment to enhance the skills of previously disadvantaged individuals as well as emerging entrepreneurs through the Sector Education and Training Authorities (SETA).

2.4.5.5 Experience

Work history plays a role in the growth and eventual success of the new venture, and as a venture becomes more established and starts growing, managerial experience and skills

become increasingly important (MacLeod, 2000:39). Emerging entrepreneurs who have had some work or business experience before are more likely to succeed than entrepreneurs without any work or job experience. Through previous employment some entrepreneurs have gained technical and management skills, which they have applied in their current small businesses.

2.4.5.6 Educational level

The educational level of the entrepreneur has also received significant attention in past research. While some may feel that entrepreneurs are less educated than other members of the general population, research findings indicate that this is clearly not the case (Mohosho, 2002:45). Education plays an important role in entrepreneurship, as the ability to communicate clearly in written and spoken word is important in any entrepreneurial activity (Dixon, 1999:146).

2.4.5.7 Resources

In terms of the new knowledge economy, Mother Nature plays a very minimal role in the process of creating value, but knowledge and technology play a key role. Therefore entrepreneurs will need human resources in the form of knowledge workers and technology in order to perform optimally. The township entrepreneur lacks knowledge workers and technology and this is one of the major reasons for the lack of application of technology in most of the township-based businesses as shown in the empirical results of this report. These findings are corroborated by the findings of Global Entrepreneurial Monitor report (GEM, 2002:4).

2.4.5.8 Motivating climate

Motivation in this case could mean rewards as well as recognition for performance. The private sector has initiated a number of awards to recognize the efforts of entrepreneurs and this has brought some positive impact in the spirit of entrepreneurship in South Africa. The current media coverage entrepreneurship is receiving in South Africa, serves as a motivating climate for entrepreneurs (GEM, 2002:8).

The entrepreneur of the year award sponsored by South African Breweries, Absa and Sowetan is good example of creating a motivating climate for entrepreneurship. The president's award offered by the department of trade and industry is also another example of creating a motivating climate for entrepreneurship. But the awards and competitions are too few and further apart to stimulate enormous interest in entrepreneurship at the township level.

In order to encourage more people to become entrepreneurs, feed back on the success stories of small businesses needs to be communicated. Further more the entrepreneur of the year awards and ceremonies need to be a given more media coverage and prominence than presently. In summary, for optimal performance by emerging entrepreneurs, all the factors on the right hand side of the peak performance model should be satisfied otherwise performance would be under par. Government programs should be designed to include all variables on the right hand side of the peak performance model.

2.4.6 Sources of Business Ideas

Timmons (1999:95) list the following as sources of business ideas:

- Existing businesses
- Franchises
- Patents
- Product licensing
- Corporations
- Research institutes
- Universities
- Industry and trade contacts
- Former employees
- Professional contacts
- Consulting
- Networking
- Published sources
- Internet

2.4.7 Sources of Business Opportunities

As the essence of entrepreneurship relies on the identification of opportunities, it is important that entrepreneurs should be aware of the various sources of business opportunities. Drucker (1996:31) lists the following as various sources of innovative opportunities:

- The unexpected success, the unexpected failure, the unexpected outside event;
- The incongruity-between reality as it actually is and reality as it is assumed to be or as it ought to be;
- Innovation based on process need;
- Changes in industry structure or market structure that catch everyone unawares.
- Demographics (population changes);
- Changes in perception, mood, and meaning;
- New knowledge, both scientific and nonscientific.

In a society that is not balanced in terms of the skills and resources owned by different types of entrepreneurs, sources of opportunities might not occur evenly to all entrepreneurs. The government can play a positive role by ensuring that emerging entrepreneurs get equal access to information.

2.4.8 Opportunity Recognition Process

The opportunity recognition process takes place when the entrepreneur recognises an opportunity from a range of ideas. This process involves an analytical thinking process as opposed to the creative thinking process used to create ideas. The process requires a different set of skills and knowledge and the skills and knowledge possessed by each entrepreneur will determine the type of opportunities identified by that entrepreneur (Dellabarca, 2002:15).

The extent to which individuals recognise opportunities and search for relevant information can depend on the make-up of the various dimensions of an individual's human capital (Dellabarca, 2002:16).

Dellabarca (2002:31-35) provides a brief overview of the material factors that affect the opportunity recognition process as follows:

2.4.8.1 Prior Knowledge

Shepherd & DeTienne (as quoted by Dellabarca, 2002:31) simultaneously considered the constructs of prior knowledge and potential financial reward to provide a deeper understanding of the discovery of opportunities. They referred to three major dimensions of prior knowledge that were important to the process of entrepreneurial discovery, being: prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems. They found that prior knowledge of a particular field provides individuals with the capacity to recognize certain opportunities (a “knowledge corridor”) and that those individuals with greater prior knowledge of customer problems were able to discover more opportunities and opportunities of a greater scale (more innovative).

An interesting observation relates to the impact of prior knowledge on an entrepreneur’s motivation. They found that in the presence of prior knowledge, a strong intrinsic motivation is aroused and is the primary incentive that “switches on” alertness, with possible financial reward (extrinsic motivation) less motivating. Further, financial reward provided minimal incentive for those that had considerable knowledge of customer problems. Rather it was dissatisfaction with the status quo, which arose from knowledge of market anomalies that appeared to be the primary motivator for entrepreneurial discovery.

The problem with township entrepreneurs pertaining to prior knowledge is that their knowledge is limited to the few types of businesses they were allowed to operate in the past, and mostly irrelevant to the new knowledge economy. There is a big gap between the knowledge possessed by the entrepreneurs and the opportunities available in the knowledge economy. Township Entrepreneurs have a lot of experience about the old market factors, what is needed is knowledge pertaining to the new order.

2.4.8.2 Experience

Research, and indeed common sense, suggests experience is vital in identifying entrepreneurial opportunities. Those entrepreneurs with experience have seen them before, they have an ability to recognise quickly a pattern and an opportunity at an unconscious level whilst it is taking shape. Rae (as quoted by Dellabarca, 2002:32), suggests that experience is the development, over time, of a set of thinking patterns or personal theories that enable the entrepreneur to perceive, filter, analyse, decide and act on opportunities more effectively than others. In a similar vein, Timmons (1999:78) coined the phrase “pattern recognition” when discussing experience, which he described as “the recognising of patterns as a creative process that is not simply logical, linear, and additive”.

Timmons suggests that the process is often intuitive and inductive, involving the creative thinking, or cross association, of two or more ‘in-depth’ chunks of experience, know-how, and contacts. The process of sorting through ideas and recognizing a pattern was compared to the process of fitting pieces into a three-dimensional jigsaw puzzle, in that experience allows the entrepreneur to see the relationships between, and be able to fit together seemingly unrelated pieces to make the whole visible. In terms of quantifying this, it was suggested that it could take ten or more years to accumulate this experience, termed ‘50,000 chunks’, that enable entrepreneurs to be highly creative and recognize patterns or familiar circumstances that can be translated from one place to another.

Another element to this may be the “quality” of that experience, rather than just the “quantity”, as there are numerous examples of serial entrepreneurs with much less experience in terms of duration, appearing to be highly successful in applying “experience” in this way to recognise potential entrepreneurial opportunities. The selection and acquisition of new venture human capital is a complex problem with great uncertainty. As entrepreneurs gain experience and become more familiar with the process of launching a new venture they gain knowledge that helps to improve their decision frames, thereby increasing their ability to select appropriate skills.

Furthermore, with entrepreneurial experience, an individual can improve his/her position and location within their network which leads to access to more diverse and more valuable resources. Thus, with entrepreneurial experience, entrepreneurs will improve their ability to select and acquire human capital and increase the likelihood of new venture success. Emerging entrepreneurs have had experience in General dealership, Taxi industry, Hair salon, Bottle stores, but, they are now required to move backwards in the value chain and venture in manufacturing, distribution and wholesale. This is a non-starter as township entrepreneurs do not have the necessary skills and experience in these areas. This has created one of the major stumbling blocks facing township entrepreneurs at present. The issue of expertise and experience has been identified in the research conducted by SACOB (Ntsika, 2001:54.) as one of the stumbling blocks for SMME's in South Africa.

2.4.8.3 Social Networks

Little research has to date looked at opportunity recognition through social networks. Singh *et al.* (1999) sought to progress this by looking at the importance of entrepreneurs' social network characteristics, such as network size, weak ties and structural holes, to the opportunity recognition process. Their study found, using 256 information technology entrepreneurs, that network size and the number of weak ties in an entrepreneur's network were significantly and positively related to the number of new venture ideas identified and opportunities recognized. The authors correctly hypothesized that network entrepreneurs used their network contacts to access a wider range of information from which feasible opportunities could be recognized, in other words expanding their "boundaries of rationality".

In support of Hills *et al.* (1997) they concurred with their findings that that network entrepreneurs identified significantly more opportunities than solo entrepreneurs, and were significantly less likely to go through a formal search for ideas. Furthermore, they agreed that network entrepreneurs learned of more opportunities than solo entrepreneurs and were more likely to take advantage of opportunities in industries, which they had no direct experience or were not immersed in, potentially as a result of their wider exposure to potential ideas. In the new knowledge economy the debate about networks carries little

weight, taking into consideration the fact that an entrepreneur can utilize the Internet as a source of information. One can easily connect to different net works on the Internet, as such the debate about weak or strong ties is not valid.

2.4.8.4 Cognitive Behavioral Factors

One of the main areas of difference between individuals that may help us understand why certain individuals recognize opportunities while others do not is cognitive and behavioural difference (Dellabarca, 2002:34.). Cognitive psychology is that branch of the psychological sciences that is concerned with how human beings acquire, store and process information about the world. It attempts to understand how we make decisions, act and react in different situations. It is recognized that we all have our own cognitive styles that we use to process information and that we adopt particular cognitive strategies when called upon to use that information in order to solve problems.

Cognitive styles are distinct from “personality”. Personality can be defined as the consistent, and persistent, profile of beliefs, feelings and actions that make one person distinct from another. Both personality type and trait are seen as innate and there is no real evidence to suggest there is a single ‘entrepreneurial personality’. In contrast our cognitive approaches are subject to learning and may be modified, either intentionally or unintentionally, in the light of experience. This is an area of developing research and as such it is premature to suggest entrepreneurs as a group, share any particular set of cognitive approach.

2.4.9 Opportunity Evaluation Process

The evaluation of opportunities, for instance in the filtration or screening process, is an important step in the process of developing initial ideas into full-fledged business opportunities (Van der Veen & Wakke, 2001:5). Several other authors focus specifically on the evaluation of opportunities. For instance Timmons developed an extensive screening guide. Evaluation criteria included in this guide are for instance the market and financial analysis, risk assessment, and the qualities of the management team. According to Timmons (1999:114), these criteria are often used by venture capitalists but, as they are based on plain good business sense, entrepreneurs could also benefit from paying

attention to these issues. As evidenced by the poor quality of business plans submitted to the banks by emerging entrepreneurs, there is a lack of opportunity evaluation skills amongst township entrepreneurs. The high business failure rate amongst start-ups is evidence of the fact that fast decisions are made to set up businesses, without assessing the business opportunities thoroughly.

2.4.10 Opportunity Exploration Process

The last part of the model depicts the process of translating opportunities into viable business ventures. This part can be referred to as business exploration. This last part of the entrepreneurial process is equally important as the opportunity recognition and evaluation process. The business exploration part demands a different set of skills and knowledge from the opportunity recognition and evaluation part. The business exploration process requires both analytical and creative skills. Whereas some commentators suggest that entrepreneurship ends with opportunity identification, Drucker (1996:15) suggests that entrepreneurship can mean the application of basic management principles to an opportunity. By management is meant the application of the basic activities of management to entrepreneurship, namely: Planning, Organising, Motivating, Controlling (Smit *et al.*, 2001:9). This has been clearly demonstrated in the success story of McDonalds, where management principles have been applied to a mom and pop business to make a world success. A number of studies conducted on South African entrepreneurs cite the lack of management skills as a major challenge for entrepreneurs (GEM, 2002; Ntsika, 2001). For the purpose of this study, a good investigation to conduct would be to determine whether the two camps of entrepreneurs in South Africa are faced with the same challenges in terms of business management. The empirical study looks at the issue of management in township businesses and how it influences township entrepreneurship.

2.4.11 Problem solving model

Various problem models were reviewed during the literature study in order to provide a basis for a solution to the research problem. The break through thinking approach to problem solving developed by Nadler and Hibino (as quoted by Coetsee, 2003:240) will be discussed below to provide guidelines on managing the gap in skills between township

and first world entrepreneurs. Compared to other traditional problem solving approaches, the break through thinking approach has the following important features:

- It is holistic
- It combines visionary and pragmatic approaches
- It is based on scientific theories
- It stresses implementation
- It concentrates on what is important in problem solving and how to achieve it

The breakthrough thinking approach is based on the seven proven principles of successful solution finding namely: the uniqueness principle, the purpose principle, the solution after next principle, the systems principle, the limited information collection principle, the people design principle, and the betterment principle. In order to obtain a holistic solution to skills and knowledge problem of emerging entrepreneurs, the seven principles should be applied.

2.4.12 Change management model

A review of literature on change management models is appropriate for this study as the difference in the levels of skills and knowledge between emerging entrepreneurs and first world entrepreneurs is a consequence of the changes that have taken place in the business environment in South Africa over the past years. The model proposed by Lewins (as quoted by Cummings & Worley, 2001:23) consists of three steps namely: unfreezing, moving and refreezing. Unfreezing usually involves reducing those forces maintaining the organizations behaviour at it's present level. This can be accomplished by psychological disconfirmation. Moving shifts the behaviour of the individual to a new level. It involves intervening in the system to develop new behaviours, values, and attitudes through process changes. Refreezing stabilizes the organization or individual at a new state of equilibrium. It is reinforced through the use of new culture, norms and policies and structures.

Figure 2-5: Model for managing resistance to change (Coetsee, 2002:203)

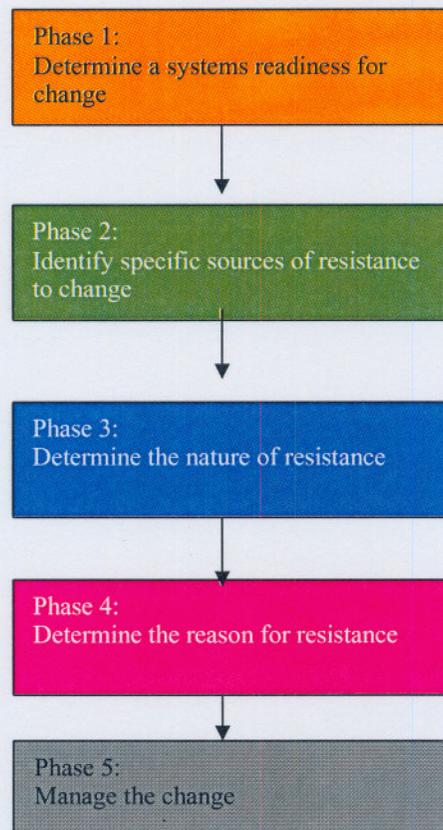


Figure 2-5 represents a model, which can be used as a guideline to manage the resistance to change problem amongst township entrepreneurs. Recommending interventions without assessing the situation at first may result in a waste of government resources. Hence the first step would be to determine the readiness to change by township entrepreneurs. This process will establish the extent to which township entrepreneurs are aware of and understand the changes taking place. If they do not understand the changes taking place and are not ready to change, all efforts to effect change will be futile.

Secondly, once the township entrepreneurs understand the reasons for changes taking place in the external environment, then the specific sources of resistance can be identified. This is necessary because, even if entrepreneurs are diagnosed as ready for change, resistance will still be present. Sources of resistance to change could come from individuals like the general dealers, or groups like the taxi associations who are comfortable with the status co.

Thirdly, once the sources of resistance have been identified the next step would be to determine the nature of resistance. Resistance could be passive like in the case of general dealers not wanting to transform or aggressive like in the case of the taxi associations fighting over routes and blocking roads. It would not be wise to enforce recommendations in an environment of aggressive resistance.

Fourthly, once the nature of the resistance has been established, the next step would be to determine the reasons for resistance. Coetsee (2002:196) notes that reasons for resistance occur in three system levels namely: cultural environment, social systems and on individual level. Cultural reasons could refer to the prevalence and strength of values and beliefs of township entrepreneurs. Social systems could include the influence of low levels of education as a source of resistance to change. Lastly individual sources of resistance could emanate from the low levels of skills and knowledge amongst township entrepreneurs. For example the lack of computer skills and knowledge could be a major reason for the limited utilization of information technology in township-based businesses. The low levels of creativity amongst township entrepreneurs could also be a reason for resisting change. Lastly, the specific reasons for resistance as well as the nature of resistance will determine the type of intervention to be recommended to manage the identified problems. Managing change would mean monitoring the situation continuously to ensure that the situation does not revert back to the initial stage.

2.4.13 Summary

Through the literature study an attempt was made to highlight the rules of the knowledge economy and the consequences of the new rules on township entrepreneurship. The literature study has revealed that in the knowledge economy Mother Nature and the past will play a very minimal role. Further the literature survey on the knowledge economy has also highlighted the skills and knowledge requirements for entrepreneurs to survive in the knowledge economy. The literature study has hinted on the widening gap in skills and knowledge between the two of camps entrepreneurs, namely: emerging entrepreneurs on one end of the pole and first world entrepreneurs on the other end of the pole.

The literature has also highlighted the fact that opportunity identification is the essence of entrepreneurship. The literature on the opportunity identification process has highlighted the different elements of the Opportunity Recognition (OR) process and shown that the process requires analytical as well as creative skills. The entrepreneurial process involves a broad range of skills and knowledge. It requires formal as well as tacit skills and knowledge. At certain stages of the process one needs creative skills and analytical skills at other stages. As the process unfolds entrepreneurs also need to focus on management skills especially during the exploration phase of the process.

The literature review on problem solving models was undertaken in to gain insight on the current methods of solving problems, and the break through thinking method was reviewed. The literature has listed the skills and knowledge requirements for the opportunity identification process. Lastly, the change management model was reviewed in order to gain insight on the problem at hand as it is initiated by the changes taking place in the economy. The focus in the literature review has been on the skills requirements for entrepreneurship in the knowledge economy with the conclusion that the skills profiles of the two camps of entrepreneurs are different. This has led to the crafting of the objectives of the empirical study.

The objectives of the empirical study are to establish the differences in the entrepreneurial skills and knowledge between township entrepreneurs and first world entrepreneurs, and secondly, to come up with a series of interventions to reduce the difference and lastly to contribute to literature on township or African entrepreneurship.

CHAPTER THREE

EMPIRICAL RESEARCH

3.1 INTRODUCTION

In the foregoing chapter the factors influencing the practice of entrepreneurship in the knowledge economy, and the skills and knowledge required to carry out activities in the various stages of the opportunity identification process were discussed.

The main conclusion was that knowledge and technology play a major role in the process of entrepreneurship and in particular the process of opportunity identification. This implies that entrepreneurs need to be equipped with new knowledge and skills in order to be successful in the new economy.

Secondly, chapter two discussed the different types of skills and knowledge required in order for an entrepreneur to identify, evaluate and explore business opportunities successfully. It was revealed that entrepreneurs need creative skills in order to generate ideas from prompts in the external environment; they need analytical skills to narrow down a range of ideas into few business propositions and lastly, they need management skills in order to explore the business opportunity further.

In chapter three the practice of entrepreneurship in the townships will be investigated to determine the influence of the new knowledge economy on township entrepreneurship. Secondly, the opportunity identification process amongst township entrepreneurs will be investigated to identify shortfalls in the current practice.

The investigations will be done by way of quantitative and qualitative studies based on information and data obtained by interviewing a selected sample of entrepreneurs and analyzing selected case studies on entrepreneurship in townships and villages of the Northwest Province.

The empirical basis for this paper involves a series of case studies of different types of ventures, that the author has been involved with, whilst employed by the Small Business Advisory Bureau (Potchefstroom University) as a consultant, a self employed tax

consultant and accountant, and most recently employed by Absa Bank, as a New Enterprise banker and Team leader for the Northwest and Northern Cape provinces.

3.2 GOALS AND OBJECTIVES

The goals and objectives of the empirical study are as follows:

- to investigate the influence of the new knowledge economy on the practice of entrepreneurship in the townships;
- investigate the influence of external environment on township entrepreneurship;
- investigate the influence of sociology on township entrepreneurship;
- investigate the level of creativity amongst township entrepreneurs;
- investigate the differences in the practice of entrepreneurship between township and first world entrepreneurs;
- investigate the differences in the levels of skills and knowledge between township and first world entrepreneurs;
- identify the shortfalls in entrepreneurial skills and knowledge of township entrepreneurs;
- lay the foundation for the development of interventions minimize the skills and knowledge gap and promote entrepreneurship in the township of South Africa.

3.3 SAMPLE AND PROCEDURE

As this dissertation refers to entrepreneurs in the townships and villages of the Northwest Province, the focus was on applications received by the author from entrepreneurs operating or intending to start-up businesses in villages or townships of the Northwest Province.

Two groups of entrepreneurs were selected from 100 business plans and applications for funding received by the author from existing and start up businesses. One group consisted of 54 township entrepreneurs operating in the villages and townships and the other group studied consisted of 46 first world entrepreneurs operating outside the villages and townships. Whereas, a sample of 100 % was taken for purposes of the quantitative investigation, the sample for the qualitative investigation was more purposeful. The

sample for the qualitative investigation was selective and this was done with a view of highlighting the differences in the practice of entrepreneurship between the two camps of entrepreneurs.

3.4 RESEARCH INSTRUMENT & DESIGN

Two types of research instruments were designed for this study. The first tool was designed for the purpose of collecting quantitative data. This was done with the use of a structured interview questionnaire for the purpose of determining the differences in the biographic, skills and knowledge profiles between the two camps of entrepreneurs.

3.4.1 Contents of the quantitative research questionnaire

The contents of the quantitative research questionnaire were chosen to highlight the differences in biographic characteristics, sources of business ideas, levels of creativity, skills and knowledge, educational qualification levels, access to resources, levels of motivation, and influence of networks between the two camps of entrepreneurs. A sample of the quantitative research questionnaire is attached to this study as addendum A.

Frequency analysis was done on the basis of responses received to highlight the differences between the two camps of entrepreneurs.

3.4.2 Guidelines for the qualitative research

In order to gather information and gain insight on the way the entrepreneurial process is conducted by emerging entrepreneurs, the following aspects of each of the a purposely selected case study were looked at:

- the influence of sociological factors on entrepreneurship in the townships;
- the influence of psychological factors on entrepreneurship in the townships;
- the influence of economical factors on entrepreneurship;
- the influence of the market changes on township entrepreneurship;
- the opportunity, identification, evaluation and exploration process.

3.5 RESEARCH FINDINGS

As two types of studies were conducted, there are two sets of findings considered for the study namely: quantitative findings and qualitative research findings.

3.5.1 Quantitative research

This chapter contains the findings of the empirical research based on the responses obtained from the questionnaire sent to the entrepreneurs. The results of the quantitative research are categorized, displayed and grouped as follows:

3.5.1.1 Educational qualifications of township entrepreneurs and first world entrepreneurs

The literature study has highlighted that the level of education attained by an entrepreneur influences his or her performance as an entrepreneur (Dixon, 1999:146; GEM, 2002:26). The educational qualification profiles of a sample of 54 township entrepreneurs and 46 first world entrepreneurs selected for the purpose of this research are presented in figure 3-1 and figure 3-2 respectively.

Purpose: To investigate the differences in the educational qualifications between the two camps of entrepreneurs

Results: The results of the investigation shown in figure 3-1 and figure 3-2 are based on the responses obtained from selected samples of both township and first world entrepreneurs. The responses are to question 6 of the quantitative research questionnaire attached as addendum A of this study.

Figure 3-1: Educational qualifications of township entrepreneurs

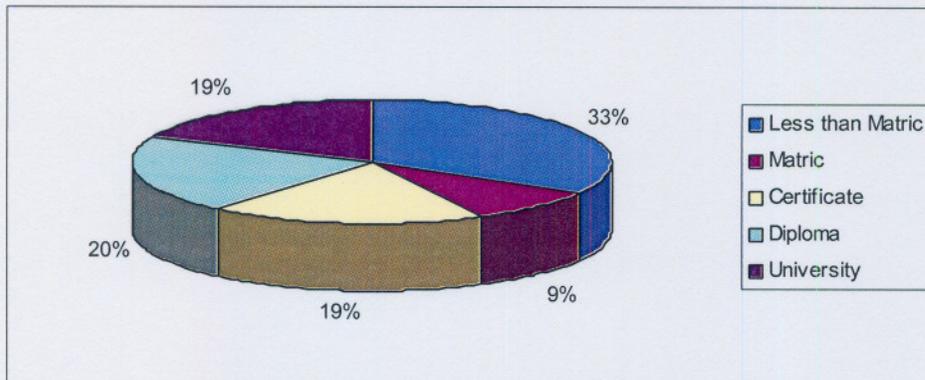
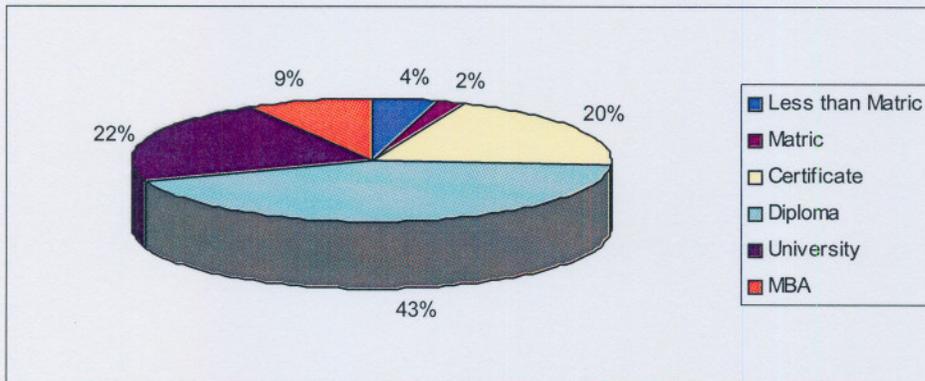


Figure 3-2: Educational qualifications of first world entrepreneurs



Discussion: Figure 3-1 shows that 33 % of township entrepreneurs interviewed, have a less than matric level of education, whereas figure 3-2 shows that 37 % of first world entrepreneurs interviewed, have university degrees. Figure 3-2 shows that 15 % of first world entrepreneurs examined in this study are MBA's whereas non of the township entrepreneurs examined are MBA's. These findings show that there is a difference in the educational profiles between township and first world entrepreneurs, with the conclusion that first world entrepreneurs are more educated than township entrepreneurs. These findings are in agreement with other studies and conclusions contained in the Global Entrepreneurial Monitor reports on South Africa (GEM, 2001:40: & GEM, 2002:31) and dissertations by other researchers (Mohosho, 2002:45).

3.5.1.2 The different sources of business ideas

The literature review indicates that entrepreneurs identify opportunities from various sources (Drucker, 1996:31) namely: outside events, incongruity, change, demographics, perceptions, new knowledge and process needs. Figures 3-3 and figure 3-4 show the different sources of business opportunities utilized by township and first world entrepreneurs respectively.

Purpose: To investigate the differences in the sources of business ideas for township and first world entrepreneurs.

Results: The results were based on the answers obtained from entrepreneurs in response to question 8 of the quantitative research questionnaire attached as addendum A.

Figure 3-3: Sources of business ideas for township entrepreneurs

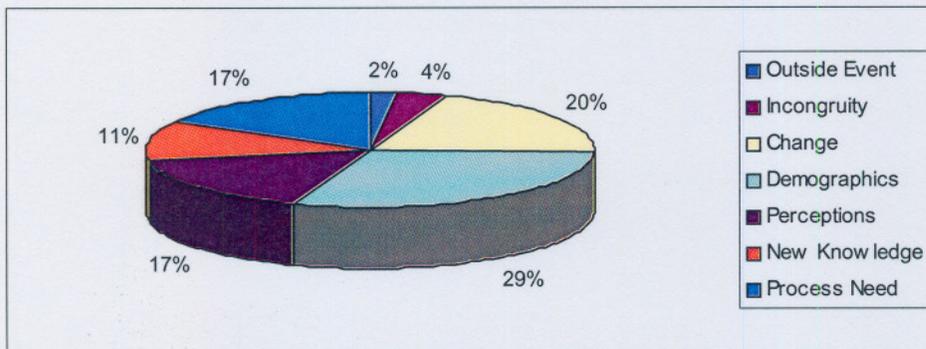
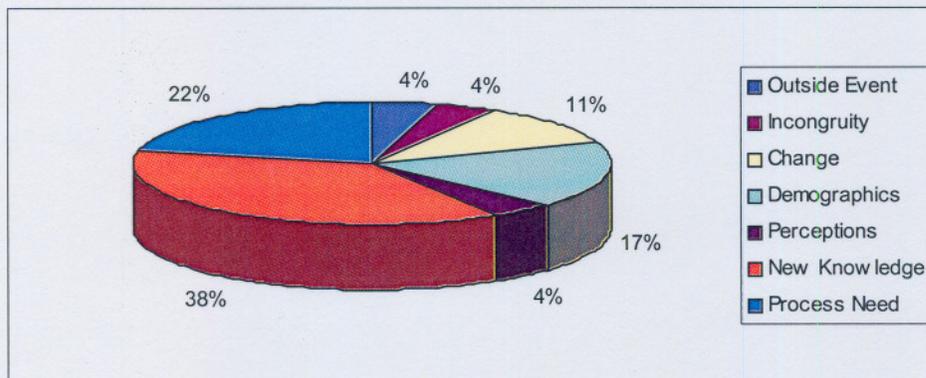


Figure 3-4: Sources of business ideas for first world entrepreneurs



Discussion: Figure 3-3 and figure 3-4 represent summaries of the different sources of business ideas for the two camps of entrepreneurs as measured by the question 8 of the qualitative research questionnaire. Figure 3-3 shows that only 11 % of township entrepreneurs interviewed, got business ideas from new knowledge whereas, 38 % first world entrepreneurs interviewed got their business ideas from new knowledge. Figure 3-3 shows that 20 % of township entrepreneurs interviewed, got business ideas by analyzing demographics, whereas 38 % of first world entrepreneurs interviewed got business ideas from new knowledge. The differences in the sources of business ideas indicate the differences in entrepreneurial skills between the two camps of entrepreneurs. The difference highlighted above is expected to even widen in the new knowledge economy (Houghton & Sheehan, 2000:15).

3.5.1.3 Different types of Business forms

Because of the different levels of knowledge required to incorporate various types of business entities, the profiles of legal forms of businesses operated by the two camps of entrepreneurs is expected to differ. Figure 3-5 and figure 3-6 represent the results obtained on the basis of entrepreneur's responses to question 7 of addendum A.

Purpose: To investigate the differences in the legal forms of business registered by the two camps of entrepreneurs

Results: The results obtained from responses to question 7 of addendum A, were analysed as shown in figure 3-5 and figure 3-6 for township and first world entrepreneurs respectively.

Graph 3-5: Legal forms of business registered by township entrepreneurs

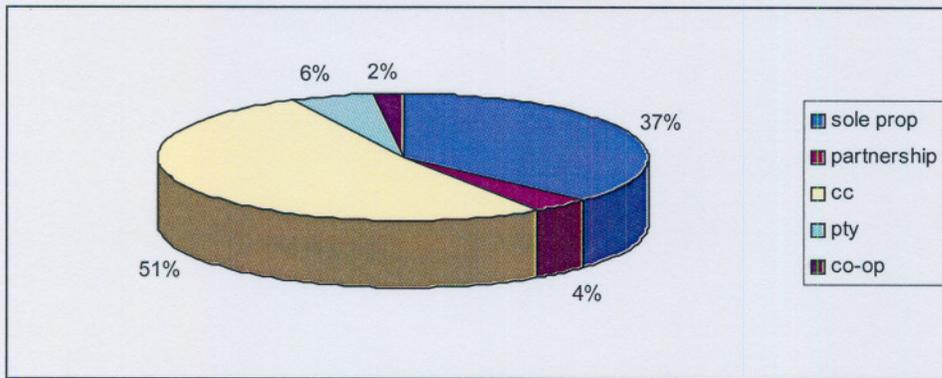
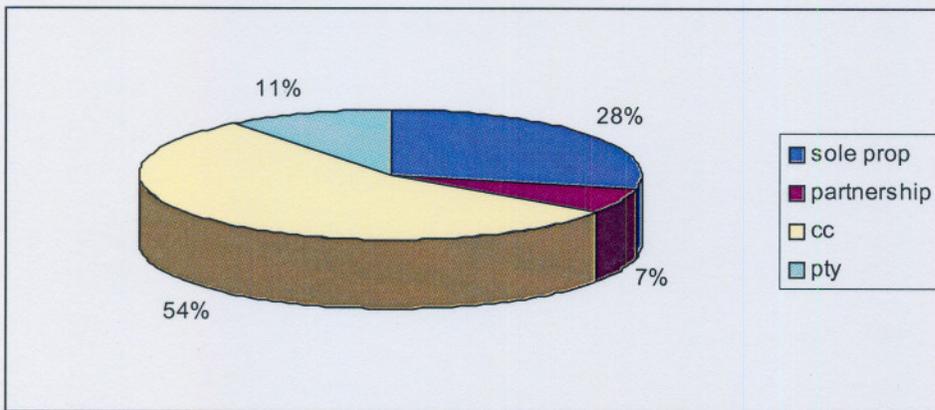


Figure 3-6: Legal forms of businesses registered by first world entrepreneurs



Key: cc=close corporation, pty=private company, sole prop=sole proprietor

Discussion: Figure 3-5 and figure 3-6 represent summaries of the different legal forms of businesses registered by the two camps of entrepreneurs as measured by the questionnaire. Figure 3-5 shows that 51 % of township entrepreneurs interviewed, operate as Close Corporations and 37 % as sole proprietors whereas figure 3-6 shows that 54 % of the first world entrepreneurs interviewed, operate as close corporations and 28 % as sole proprietorships. These results confirm the findings contained in the annual report on the state of small business in South Africa (Ntsika, 2001).

3.5.1.4 Entrepreneurship and economic conditions

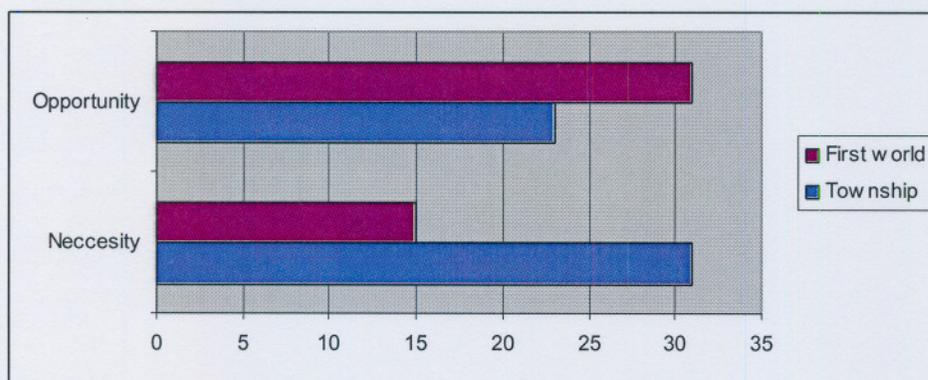
The literature review indicates that economic conditions influence entrepreneurship in any given country (GEM, 2002:12). The South African economy is a mixture of both first world and third world components. The township economy is mostly of a third world

nature, whereas the urban areas and towns have a first world economy. Figure 3-7 indicates the influence of economic conditions on the type of entrepreneurship practiced by the two camps of entrepreneurs.

Purpose: To investigate the influence of economic conditions on the practice of entrepreneurship by the two camps

Results: Figure 3-7 shows the results obtained from the two camps of entrepreneurs on the basis of their responses to the questionnaire.

Figure 3-7: The influence of economic conditions on the practice of entrepreneurship



Discussion: Figure 3-7 represents a summary of the different types of entrepreneurship prevalent amongst the two camps of entrepreneurs as measured by the questionnaire.

Figure 3-7 shows that there are more opportunity driven entrepreneurs amongst the first world entrepreneurs than necessity driven entrepreneurs. Likewise there are more necessity driven entrepreneurs amongst township entrepreneurs.

3.5.1.5 Types of business opportunities pursued

The literature review indicates that the economic environment determines the type of business opportunities pursued by entrepreneurs (Thompson & Strickland, 2003:73). This statement implies that township and first world entrepreneurs are exposed to different types of business opportunities.

Purpose: To investigate the differences in the types of business opportunities pursued by the two camps of entrepreneurs

Results: Figure 3-8 and figure 3-9 represent results obtained on the basis of responses to question 11 by samples of township and first world entrepreneurs respectively.

Figure 3-8: Types of opportunities pursued by township entrepreneurs

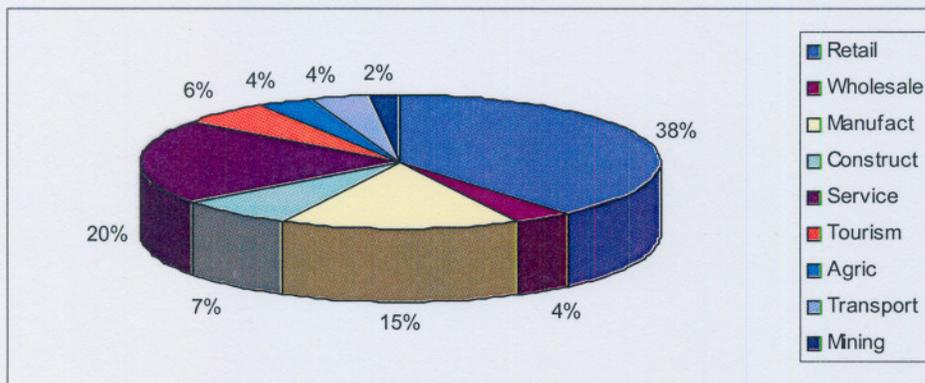
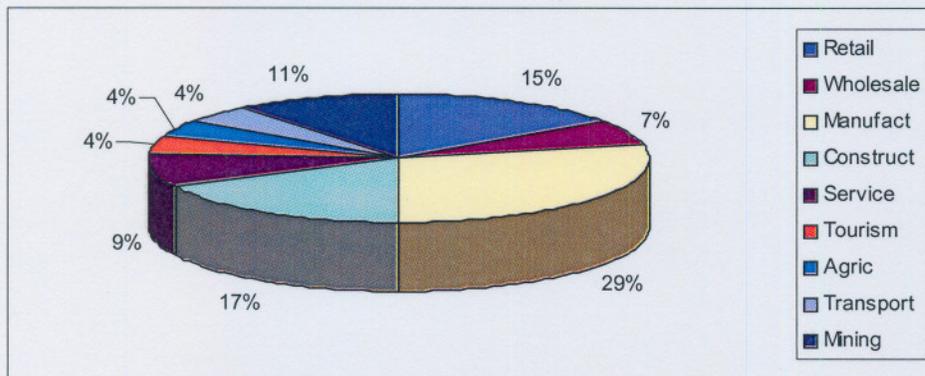


Figure 3-9: Types of opportunities pursued by first world entrepreneurs



Discussion: Figure 3-8 and figure 3-9 represent the different types of opportunities pursued by the two camps of entrepreneurs as measured by the questionnaire. Figure 3-8 shows that the largest number of township entrepreneurs interviewed, (38 %) are operating retail businesses, whereas figure 3-9 shows that the largest number of first world entrepreneurs interviewed, (29 %) are operating as manufacturers.

3.5.1.6 Levels of creativity

The literature study highlighted that creativity can be categorized as high and ordinary creativity. High creativity is associated with the discovery of new ways of doing things whereas ordinary creativity can be compared to finding solutions to problems. Both external and internal factors influence the level of creativity. The statement implies that township and first world entrepreneurs will exhibit different levels of creativity because of the different environments they operate in.

Purpose: To investigate the differences in the levels of creativity between the two camps of entrepreneurs

Results: Figure 3-10 and figure 3-11 show the results obtained by analyzing responses from the two camps of entrepreneurs to question 10.

Figure 3-10: Levels of creativity amongst township entrepreneurs

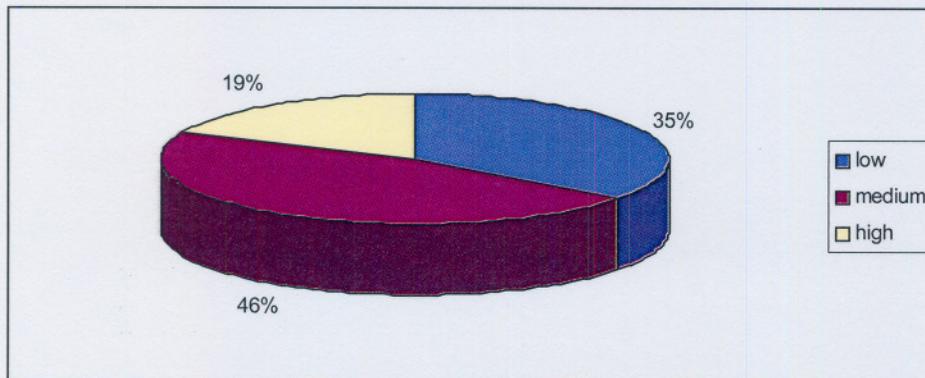
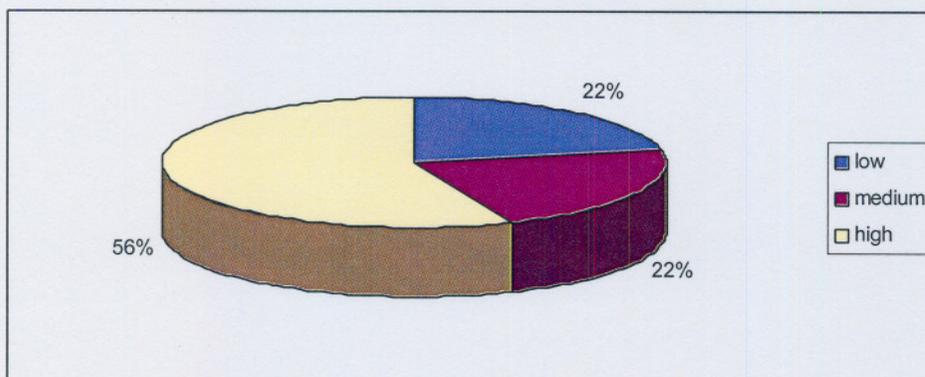


Figure 3-11: Levels of creativity amongst first world entrepreneurs



Discussion: Figure 3-10 and figure 3-11 show the levels of creativity amongst the two camps of entrepreneurs on the basis of the business concept and personal interview of the entrepreneurs. Figure 3-10 and figure 3-11 show that township entrepreneurs have a low level of creativity compared to first world entrepreneurs. Only 19 % of township entrepreneurs interviewed show a high level of creativity, whereas, 56 % of first world entrepreneurs interviewed are creative.

3.5.1.7 Business management skills and knowledge

The lack of management skills has been highlighted as one of the major stumbling blocks to the promotion of entrepreneurship in the townships (GEM, 2001:38).

Purpose: To investigate the differences in the levels of business management skills and knowledge between the two camps of entrepreneurs

Results: The results based on the analysis of responses obtained from the sample of township and first world entrepreneurs are shown in figure 3-12 and figure 3-13 respectively.

Figure 3-12: Level of planning activity amongst township entrepreneurs

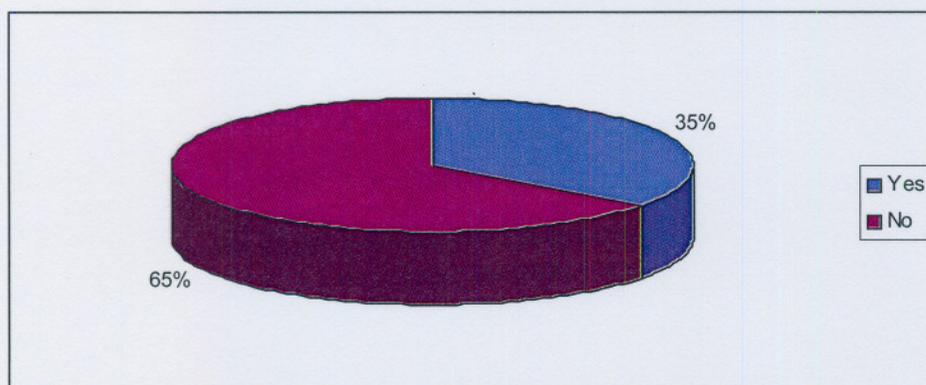
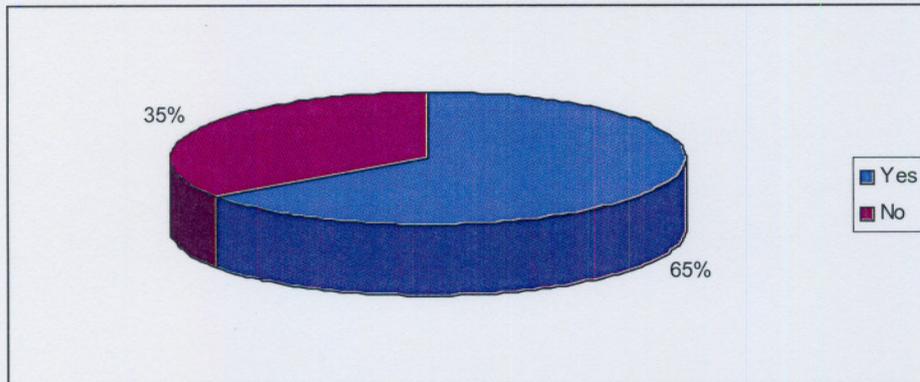


Figure 3-13: Level of planning activity amongst first world entrepreneurs



Discussion: Figure 3-12 indicates that 65 % of township entrepreneurs interviewed do not have any written plans in place and no records of accounting. Whereas figure 3-13 indicates that 65 % of the first world entrepreneurs interviewed have some sort of plan in place and have management information systems to help in management decision making. These findings are similar to conclusions contained in the Global Entrepreneurial Monitor report (GEM, 2002:30).

3.5.1.8 Application of knowledge and technology to business opportunities

The literature review shows that in order for township entrepreneurs to compete with first world entrepreneurs in the knowledge economy, they will have to embrace the use of technology in their day to day management and operations of business.

Purpose: To investigate the differences in the application of knowledge and technology in the business management and daily operations between the two camps of entrepreneurs.

Results: Figure 3-14 and figure 3-15 show the results obtained by analyzing responses to question 13 obtained from samples of township and first world entrepreneurs.

Figure 3-14: Application of technology in business management by the township entrepreneurs

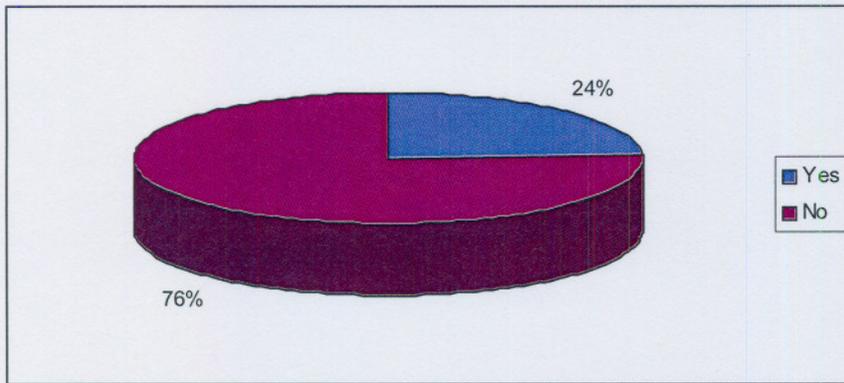
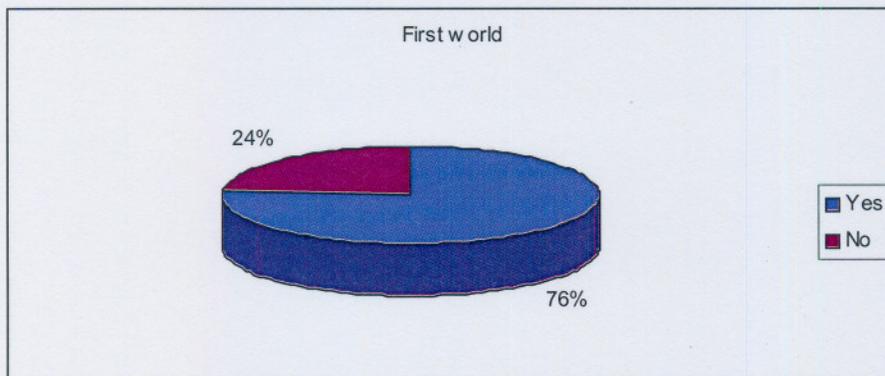


Figure 3-15: Application of technology in business management by first world entrepreneurs



Discussion: Figure 3-14 shows that 76 % of township entrepreneurs interviewed do not use technology to enhance the performance of their businesses, whereas, figure 3-15 shows that 76 % of first world entrepreneurs interviewed apply technology to enhance the performance of their businesses. These findings are in agreement to conclusions contained in the Global Entrepreneurial Monitor report (GEM, 2002:36).

3.5.1.9 Knowledge of Government programs and policies

The lack of knowledge on government programs to promote entrepreneurship hinders the promotion of entrepreneurship in the townships. Irrespective of the fact that the government provides all information on programs and policies on the Internet, most of the emerging entrepreneurs have no access to Internet and are not aware of the support programs available for the promotion of entrepreneurship.

Purpose: To investigate the level of awareness of Government programs and policies amongst the two camps of entrepreneurs

Results: The results of the investigation based on the responses obtained from township and first world entrepreneurs are shown in table 3-1 below.

Table 3-1: Comparison of awareness of Government policies and programs between township entrepreneurs and first world entrepreneurs.

	SMME Act	Mining Charter	Financial Charter	IDC	Ntsika	Khula
Township entrepreneurs	8	3	0	3	8	8
First world entrepreneurs	20	11	8	10	20	20

Discussion: Table 3-1 is a comparison of the level of awareness of Government policies and programs in place to support and promote small business in general. The table indicates that very few township entrepreneurs as compared to first world entrepreneurs are aware of the Government programs and policies.

3.5.1.10 Access to information and networks

The literature review indicates that in the knowledge economy, networks play a major role in the entrepreneurial process. This will become even much more important as knowledge plays a major role in the business management and operations.

Purpose: To investigate the access to Internet facilities by the two camps of entrepreneurs.

Results: Table 3-2 shows the results obtained on the basis of the responses from samples of township and first world entrepreneurs to question 18.

Table 3-2: Comparison in access to Internet facilities between the two camps of entrepreneurs

	Own internet	LBSC	MAC	TAC	COD	Internet Café
Township entrepreneurs	0	8	3	11	8	0
First world entrepreneurs	3	13	15	18	20	11

Discussion: Table 3-2 is a comparison of the access to Internet facilities and support networks between the two groups of entrepreneurs. The table indicates that fewer township entrepreneurs interviewed as compared to first world entrepreneurs interviewed have access to Internet facilities and support networks. The results are in agreement with the conclusions contained in the Global Entrepreneurial Monitor report (GEM, 2002:36).

3.5.1.11 Recognition and rewards

In terms of the performance model of Coetsee (2002:140), recognition plays a major role in motivating entrepreneurs to perform at their level best. The current increase in media coverage of entrepreneurship and black empowerment has resulted in motivating entrepreneurs to work hard to get recognition.

Purpose: To investigate the levels of recognition and rewards amongst the two camps of entrepreneurs.

Results: Table 3-3 shows the results obtained by analyzing responses to question 5 by samples of township and first world entrepreneurs.

Table 3-3: Comparison in levels of recognition and rewards between two camps of entrepreneurs

	SAB	ABSA Award	Sowetan	Presidential Award	Premier Award	Industry Sector
Township entrepreneurs	1	0	0	0	0	1
First world entrepreneurs	2	0	0	0	1	0

Discussion: Table 3-3 is a comparison of the levels of recognition and rewards given between the two groups of entrepreneurs. The table indicates that both groups have received fewer rewards and recognition and this should be a real cause for concern in terms of the levels of motivation for both township and first world entrepreneurs.

3.5.2 Qualitative research findings

A case study (addendum B) on a business owned by a typical emerging entrepreneur was analysed retrospectively. The purpose of the qualitative research was to establish the way the emerging entrepreneurs identify, evaluate and explore business opportunities. The case study was selected in order to highlight the skills and knowledge required during the different stages of the opportunity identification process. The focus will be on the skills and knowledge required by the entrepreneurs in order to identify opportunities in different industries. The following are the findings based on the analysis of the selected case study.

3.5.2.1 Defining the nature of entrepreneurship

In the case study John has shown that one does not need to start a complicated business in order to be entrepreneurial, the concept could be as simple as cleaning toilets. The most important thing is that value must be created during the process. This is in line with J.B.Say's definition of entrepreneurship as "increasing the output of a resource from low yield to high yield". Contrcat Cleaner started with a small contract of R 30 000 per month and ended up with a R 600 000 turnover per month and created jobs for more than 260 previously unemployed men and women.

3.5.2.2 The need to strive for more

John has also shown that one of the distinguishing qualities of entrepreneurs is that they never get satisfied easily, other entrepreneurs are easily satisfied with two small contracts, but John kept on asking for more. This is the true spirit and commitment of an entrepreneur.

3.5.2.3 The need for relevant experience and industry knowledge

John worked for the mines before and he knew about the type of services that mines require in this way. He also knew about the procurement process in the mines and used that as his strong point. Apparently, the chairman's fund was also set up by mine management in order to provide support to former employees of the mines. John also used this structure to lobby for a contract at the mines. This finding shows the role experience plays in the process of opportunity identification.

3.5.2.4 The importance of networks

John was linked to the author through James, a former workmate of John. John was also assisted at the DTI office by Desmond, a person who used to work with the author in terms of processing Close Corporation applications, at the legal desk of DTI. The lady John met in Pretoria at DTI connected him to the owners of a block of flats, who awarded John a contract for R 200 000 per month later on. This demonstrates the importance of networks and business connections in the new economy.

3.5.2.5 The need for a strong passion, persistence, focus and vision

John, unlike many township businessmen, has a strong passion for cleaning and focuses strong in one area. A number of novice entrepreneurs do not know what to target, they tender for anything that they can lay their hands on. The author has assisted a number of them in completing tender documents, and from this exercise the author is able to realize that township entrepreneurs bounce like tennis balls from one industry to the other. John

also persistently lobbied the mine management to be given a chance to prove that he can handle a bigger contract. At the back of his mind John had a strong vision and that's what gave him the passion and drive. Even when Absa turned down the first application, John never gave up on trying.

3.5.2.6 The need to make decisions without the control of resources

John made a decision to tender for the R 500 000 per month contract even though he did not have the necessary resources to meet the tender requirements. This is an example of thinking outside the box, i.e making a decision without the control of the necessary resources. A lot of entrepreneurs would be intimidated by the magnitude of the tender and would not bother to compete with a giant such as Prestige. This is a sign of confidence in oneself.

3.5.2.7 Advertising and personal selling is a critical success factor

John has employed very good tactics of promoting his business and himself and is getting this done for free through newspaper articles and T.V documentaries. Secondly, John uses the smallest chance he is given to advance the interest of his company. He got the Pretoria contract from a source, which was not expected. A lady, who had no job and was trying to earn a living at the DTI offices. Most of would be entrepreneurs would certainly miss such an opportunity.

3.5.2.8 Opportunity identification is a process and not an event

All along, starting from the time John first saw the need to supply toilet paper to schools, the business concept has been changing form from an environmental consultancy, toilet cleaning company, toilet paper manufacturer, cleaning chemicals manufacturer, to a contract cleaner. This goes to prove that opportunity identification is a continuous process and it is not an event. In order for an entrepreneur to get the best opportunity one needs to keep searching continuously for more opportunities. From the case study, there is an indication, that trial and error methods are at times used by township entrepreneurs

to assess and evaluate business opportunities. This suggests the need for a tool kit to reduce the trial and error and make opportunity identification more accurate.

3.6 ANALYSIS OF RESULTS

The results as shown from the quantitative and qualitative research indicate that there are major differences in the skills and knowledge profiles and the way the two camps of entrepreneurs discover ideas, convert ideas into opportunities and lastly, explore opportunities into viable businesses. The following is a detailed analysis of the results obtained from the empirical research:

3.6.1 Comparison in educational qualifications

The empirical research results indicate that 33 % of township entrepreneurs interviewed have an educational level lower than matric, whereas, only 2 % of first world entrepreneurs interviewed have a lower than matric education. This clearly shows that there is a distinct difference in the levels of education of the two camps of entrepreneurs. These findings are in agreement with the findings contained in the Global Entrepreneurial Monitor report on South Africa (GEM, 2001:40 & GEM, 2002:31).

3.6.2 The sources of business ideas

The results of the empirical research indicate that only 11% of township entrepreneurs studied, utilized knowledge as a source of new business ideas, whereas 38 % of first world entrepreneurs interviewed, based their business ideas on knowledge. This confirms the notion that township entrepreneurs have not embraced the rules of the new knowledge economy.

3.6.3 The legal forms of businesses

The empirical research shows that 37 % of township businesses investigated were registered as sole proprietorships, whereas, only 28 % of first world businesses

investigated were registered as sole proprietorships. This finding shows that most of the township businesses are informal whereas most first world businesses are formal.

3.6.4 Impact of economic conditions on entrepreneurship

The results indicate that a larger percentage township entrepreneurs than first world entrepreneurs are necessity entrepreneurs, whereas almost all first world entrepreneurs are opportunity entrepreneurs. These findings show the influence of economic conditions on entrepreneurship. Once more these findings are in agreement with the findings contained in the Global Entrepreneurial Monitor report (GEM, 2002:14).

3.6.5 Types of business opportunities pursued

The research findings indicate that 38 % of township businesses investigated were in the retail sector, 15 % in the manufacturing sector and only 2 % in the mining sector, whereas 29 % of first world businesses investigated were in the manufacturing sector, 15 % in retail sector and 11 % in mining. These findings clearly show that there is a distinct difference in the type of opportunities pursued by the two camps of entrepreneurs. Reasons for this could be due to the different levels of education and experience between the two camps.

3.6.6 Levels of creativity between the two camps

Only 19 % of township entrepreneurs investigated show a high level of creativity compared to 56 % of first world entrepreneurs. This is further collaborated by the differences in the levels of creativity between the two camps of entrepreneurs based on the business concepts pursued.

3.6.7 Levels of business management skills and knowledge

The empirical research indicated that 65 % of township businesses investigated had no planning system in place, whereas 65 % of first world entrepreneurs investigated who had

some form of planning systems in place. This points to the differences in the levels of business management knowledge between the two camps of entrepreneurs.

3.6.8 Application of technology to business management and operations

The empirical research indicated that only 24 % of township entrepreneurs applied technology in their day to day management and business operations, whereas 76 % of first world entrepreneurs investigated applied some form of technology in their day to day management and operations of business.

3.6.9 Knowledge of Government programs and policies

The empirical research revealed that fewer township entrepreneurs than first world entrepreneurs are aware of the Government policies and programs intended to promote entrepreneurship. The low number of township entrepreneurs aware of the contents of the SMME promotion Act is a matter of concern.

3.6.10 Access to Internet facilities and support network

Results of the empirical research indicate that less township entrepreneurs have access to Internet facilities than first world entrepreneurs. This is a major concern given the fact that information technology and knowledge are the key resources in the new economy. Most of the rural areas in the Northwest Province do not have support structures such as Local Business Service Centres (LBSC), Tender Advisory Centres (TAC), Manufacturer Advisory Centre (MAC), or Centre for Opportunity Development (COD), and Entrepreneurial Support Centre (ESC) as indicated through the responses obtained from the entrepreneurs.

3.6.11 Level of recognition and rewards

A very small number of both first world as well as township entrepreneurs investigated in this study indicated that they received some recognition or reward for their

entrepreneurial effort. This could contribute to the low rate of entrepreneurial activity in the townships in general.

The qualitative research shows how the lack of creative and analytical skills result in a waste of resources and time. The qualitative analysis also highlights the need for passion and commitment in order to succeed in pursuing entrepreneurial opportunities. The use of networks as a source of business opportunities has also been highlighted through the case study analysis.

3.7 SUMMARY: EMPIRICAL RESEARCH FINDINGS

In summary there is a clear distinction between the skills and knowledge of the two camps of entrepreneurs. The differences are presented in table 3-4.

Table 3-4: Summary of differences in skills and knowledge profiles of the two camps of entrepreneurs

Profile	Low level entrepreneurs	High level entrepreneurs
Level of education	Mostly lower than matric qualification	Mostly higher than matric
Sources of business ideas	Not knowledge related	Knowledge and experience related
Legal forms of business	Mostly sole proprietorship or informal	Mostly close corporations and formal
Economic factors	Mostly necessity driven entrepreneurship	Mostly opportunity driven entrepreneurship
Types of businesses	Mostly retail business	Mostly manufacturing and service business
Level of creativity	Less creative business concepts	More creative business ideas
Management skills	Low levels of management skills	Moderate levels of management skills
Application of technology	Hardly apply technology in business management or operations	Apply technology in management and operations reasonably
Levels of confidence	Less confident	More confident
Information management systems	Hardly any	Some form of system available
Budgets	Mostly do not utilize budgets	Some form of planning in place
Business training	Have received little or no training in business	Have received some form of training in business
Knowledge of Government policies and programs	Low level of awareness by township entrepreneurs	High level of awareness
Access to Internet facilities and support networks	Lack of access to Internet facilities and support networks	Reasonable access to Internet facilities and support networks
Recognition and rewards	Low level of recognition and rewards given	Low level of recognition and rewards given

CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

This section contains the conclusions and recommendations of the study based on the findings of the literature review and empirical study contained herein. The empirical study was conducted qualitatively as well as quantitatively so as to cover a wider scope of the research and to neutralize the disadvantage of only using one method of research.

In coming up with recommendations it is important that the challenges facing township entrepreneurs are put into a proper perspective, and existing interventions by government are taken into account. The recommendations will also take into account a holistic approach rather than looking at the challenges in isolation.

4.2 CONCLUSION

The following conclusions have been reached on the basis of the empirical research findings contained in this report.

4.2.1 The need to differentiate between the two camps of entrepreneurs

There is a need to categorize entrepreneurs in South Africa because the different types of entrepreneurs have different needs and profiles (GEM, 2002:27). This is supported by the results of the empirical results obtained in this study. Categorising entrepreneurs will assist in developing targeted support and channels delivery for each category of entrepreneurs. Necessity entrepreneurs require social upliftment and poverty alleviation programs, whereas opportunity driven entrepreneurs require programs to enhance their competitiveness. This conclusion is in agreement with the recommendations of Naude and Havenga (2002:16) in terms of targeted support for township entrepreneurs.

The Global Entrepreneurial Monitor report (GEM, 2002: 27) notes that formal and informal entrepreneurs differ in terms of the level of education, the number of employees, monthly turnover, the degree to which the lack of finance is a problem, access to transport, location of business premises, and access to technology.

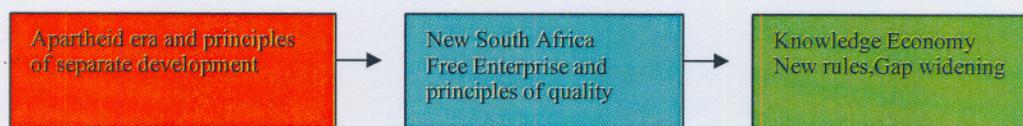
4.2.2 Gap in skills and knowledge between the two camps of entrepreneurs

The notion that there is a gap in skills and knowledge between the two camps of entrepreneurs has been demonstrated by the results of the empirical investigation and the literature study. The reasons for the gap in skills include the past history, political, economical, social and educational policies of the past. However, in new the knowledge economy history and mother- nature play a minimal role, as such past policies will not be a major consideration in determining the solution to the problem.

4.2.3 Historical perspective of the gap in skills and knowledge

In order to understand and appreciate the problem confronting township entrepreneurs, it is necessary to trace the problem to it's roots. Figure 4-1 attempts to put the problem into perspective.

Figure 4-1: Historical perspectives of the gap in skills between township and first world entrepreneurs.



The problem statement of this dissertation can be traced from the apartheid era as shown in figure 4-1. During the apartheid era the gap existed because of the politics and policies of separate development, such as the land control Act, the group areas Act, and Bantu education.

In the new South Africa, Government policies are aimed at reducing the gap between the two camps of entrepreneurs, but not much has been achieved as evidenced by the Global

Entrepreneurial Monitor report (GEM, 2002:46), which notes that there is still a gap in skills and knowledge between the two camps of entrepreneurs. The results of the empirical study also confirm this position. In the new economy the gap is expected to even widen if no correct interventions are put in place. This is mainly because the new economy requires a new set of rules different from the old economy.

4.2.4 Reasons for the gap in skills and knowledge

4.2.4.1 Political influence on township entrepreneurship

The literature review has highlighted the fact that politics in South Africa are largely responsible for the gap in skills between township entrepreneurs and first world entrepreneurs. During the apartheid era, township entrepreneurs were restricted to own businesses within the townships. This meant that township entrepreneurs only had experience in businesses located in the townships. This limited the knowledge and skills of township entrepreneurs only to general dealership, bottle store, taxi business, butchery and hair salon.

4.2.4.2 Economical influence on township entrepreneurship

During the apartheid era the South African economy was mostly a command economy. This era was characterized by a lot of control and restriction of business. Entrepreneurship during this era was stifled. A free enterprise economy was introduced during the era and entrepreneurship became alive. But due to the two economies (first and third world) created within one country because of apartheid policies, two types of entrepreneurs were born out of this era, namely: Opportunity driven entrepreneurs and necessity driven entrepreneurs. The two types of entrepreneurs operate in two different kinds of environments and hence require different sets of skills and knowledge.

4.2.4.3 Social influence of township entrepreneurship

According to the literature study social net works play a major role in enhancing entrepreneurship as a major source of information and inspiration. A number of social networks exist in the townships but they are much less about business that social needs. There is also very little networking across professions amongst blacks, but this does not

disadvantage the entrepreneurs as in the new knowledge economy, the internet can be used for information purposes.

4.2.4.4 Educational influence on township entrepreneurship

According to the Global Entrepreneurial Monitor report (GEM, 2002:22), the higher the level of education of an individual, the greater the tendency to pursue entrepreneurial activities and the greater the probability of starting a new venture that progresses past the start-up phase.

Whereas it has been shown by the literature study that the rules of entrepreneurship have changed in the new economy, and knowledge plays a major role in entrepreneurship, little change has taken place in the practice of township entrepreneurship in this respect. As shown by the results of the empirical study, knowledge is still playing a very insignificant role in opportunity identification process by township entrepreneurs, whereas in the first world economy knowledge has started to play a key role.

This conclusion is collaborated by the differences in both by the sources of business ideas and the types of business opportunities pursued by the two camps of entrepreneurs. The reasons for such a difference could emanate from the distinct differences in the levels of education between the two camps of entrepreneurs. The lack of business experience is also a major disadvantage of township entrepreneurs in this respect.

4.2.4.5 Technological influence of township entrepreneurship

From the literature review knowledge and technology have been identified as the key drivers of entrepreneurship in the new economy, but the empirical study has shown that very few township entrepreneurs are utilizing technology to manage and operate their businesses. The problem once more could be due to the lack of financial resources and exposure to the latest technology on the side of township entrepreneurs. Even though technology has become cheaper and affordable a good number of township entrepreneurs still cannot afford a personal computer. This is supported by the lack of information systems in most of the township businesses. The lack of capacity and capability is a major reason for this situation (Naude & Havenga, 2002:15).

4.2.4.6 Change from apartheid to free enterprise

The changes brought about by the new Government created a gap in skills between township entrepreneurs and first world entrepreneurs. During the apartheid era the business environment was very stable as such it did not require much skills and knowledge to operate. Township entrepreneurs were also exposed to only certain types of business for a long time. The change from apartheid era to free enterprise created a gap in skills and knowledge between the two camps of entrepreneurs, because township entrepreneurs were now exposed to businesses sectors, in which they had no knowledge and experience.

4.2.4.7 Current changes from industrial era to the new knowledge economy

The current changes from industrial era to the new knowledge economy are widening the gap in skills and knowledge between the two camps of entrepreneurs. Whereas first world entrepreneurs have access to the Internet and information technology, very few township entrepreneurs have access to these facilities.

4.2.4.8 Resistance to change problem

The problem of resistance to change in terms of township entrepreneurship can be looked at from two perspectives. Firstly, it can be analysed from the perspective of the entrepreneur and secondly from the perspective of other role players who affect the activities of township entrepreneurs. As indicated in figure 4-1, the business environment has been changing from the apartheid era to the new South Africa and most recently from the industrial era to the new knowledge economy. All these situations present change to the entrepreneurs. Entrepreneurs, who continue doing business as usual, will not survive in the new environment.

The lack of embracement of the new rules of the knowledge economy by most township entrepreneurs can be considered as a resistance to change problem on the part of

township entrepreneurs. Other examples to indicate the existence of the problem of resistance to change amongst township entrepreneurs could include the following:

Firstly, the delay in the implementation of the government's taxi industry re-capitalisation process because of the resistance to change by taxi operators. Secondly, the failure by general dealers to embrace free enterprise and to see tuck shops as an opportunity to make business rather than a threat has resulted in the complete destruction of general dealer business in the townships. The general dealers resisted change in terms of free enterprise and most of them have perished as a result. Thirdly, the failure by bottle stores and liquor stores to embrace change by considering taverns and shebeens as competitors rather than customers, has resulted in a number of bottle stores closing down in the townships.

Lastly, the unwillingness on the part of the older generation to take advice from younger advisors is a symptom of a resistance to change problem by the township entrepreneur.

The above discussion shows that the gap between the two camps of entrepreneurs is also partly due to the problem of resistance to change on the part of the entrepreneur.

Whereas the lack of knowledge and skills could contribute greatly to the resistance of change problem, other reasons such as hardened attitudes and wrong perceptions especially of the old school of entrepreneurs could be a major source of resistance to change. Economical reasons could also be advanced as causes of resistance to change, for example entrepreneurs without money may find it impossible to embrace the new technology.

4.2.4.9 Lack of commitment

The performance model has shown that it is not only the skills and knowledge that influence performance, but the level of commitment and motivation determine performance. The Government has shown commitment to promotion of entrepreneurship by passing the SMME promotion act (South African National Small Business Act DTI, 1998). The SMME promotion Act has been followed up by strategies, which have been

meant to increase the demand and supply of entrepreneurial activities. The Ntiska, Khula, DTI incentives, IDC incentives are examples of these.

On the other hand, the entrepreneurs and the business sector have yet to show their commitment to the promotion of entrepreneurship. The mining charter and the financial charter are examples of commitment to the promotion of entrepreneurship by the private sector.

4.2.4.10 Lack of skills, knowledge and experience

Experience has been identified as one of the key factors for successful entrepreneurship through the literature review. The empirical study has confirmed that there is lack of experience in business management on the part of township entrepreneurs, whereas, first world entrepreneurs don't experience this problem. The lack of experience could be a major reason for the high failure rate of start-ups in South Africa and the low level of creativity in opportunity identification. These conclusions are supported by the Global Entrepreneurial Monitor report (GEM, 2002:46), which has highlighted the same sentiments.

Part of this problem could also be attributed to some policies of the past, which excluded blacks from participating in certain types of economic activities.

The literature review has highlighted the fact that creativity plays a key role in the process of opportunity identification. It is crucial in the process of generating ideas from prompts in the external environment.

The empirical study revealed that the level of creativity is low amongst township entrepreneurs. This is also supported by the lack of creativity in the business plans received by the author from township entrepreneurs compared to plans received from first world entrepreneurs. The restriction of township entrepreneurship to certain types of businesses could be a major reason for the low level of creativity amongst township entrepreneurs. They lack exposure and most of them are only familiar with the taxis, tuck

shop, tavern, telephone booths and tenders (6 T's), as these are the traditional areas of business in the townships.

In a knowledge economy, knowledge also plays a big role in the level of creativity displayed by an entrepreneur. The low levels of education could be a contributing factor to the low levels of creativity amongst township entrepreneurs in this respect.

Lastly, the GEM report (GEM, 2002:14), acknowledges the fact that two types of entrepreneurs are identifiable in any given economy. According to this report entrepreneurship is divided into camps opportunity driven entrepreneurs on one side and necessity driven entrepreneurs on the other side. Necessity driven entrepreneurs are bound to be less creative as they are not bothered by novelty but are more worried about a plate of food on the table. This is also collaborated by Maslow's hierarchy of needs, which states that basic needs must first be satisfied before higher level needs can be satisfied (Kreitner *et al.*, 2001:209). Creativity in this sense could be taken to be a higher level need to a person who has not satisfied his basic needs.

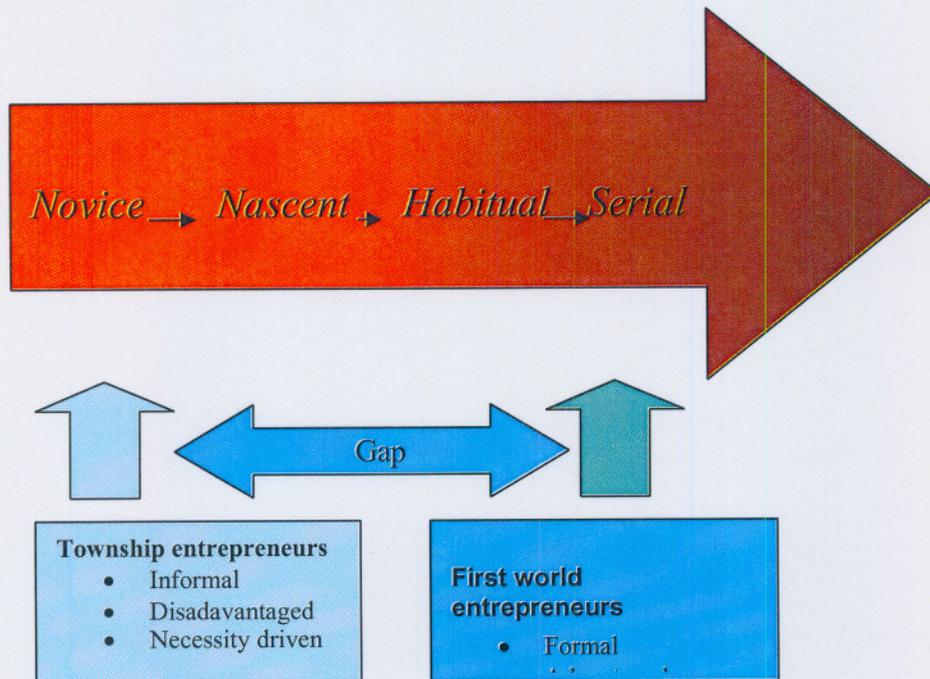
4.2.4.11 Lack of a motivating climate in the township

The results of the empirical study indicate that only one out of 56 township entrepreneurs surveyed had received a recognition or reward for his business efforts. The level of motivation plays a key role in the practice of entrepreneurship, as supported by the peak performance model. A focus on this aspect of performance will improve the motivational levels of entrepreneurship amongst township entrepreneurs.

4.2.5 The two camps of entrepreneurs are on the same continuum of entrepreneurship

The literature review indicates that entrepreneurs can be identified according to different levels of experience namely: novice entrepreneur, nascent entrepreneur, habitual entrepreneur, and serial entrepreneur. The different levels of entrepreneurship can be represented along a continuum as shown in figure 4-3 below:

Figure 4-3: Continuum of entrepreneurship and the categories of entrepreneurs



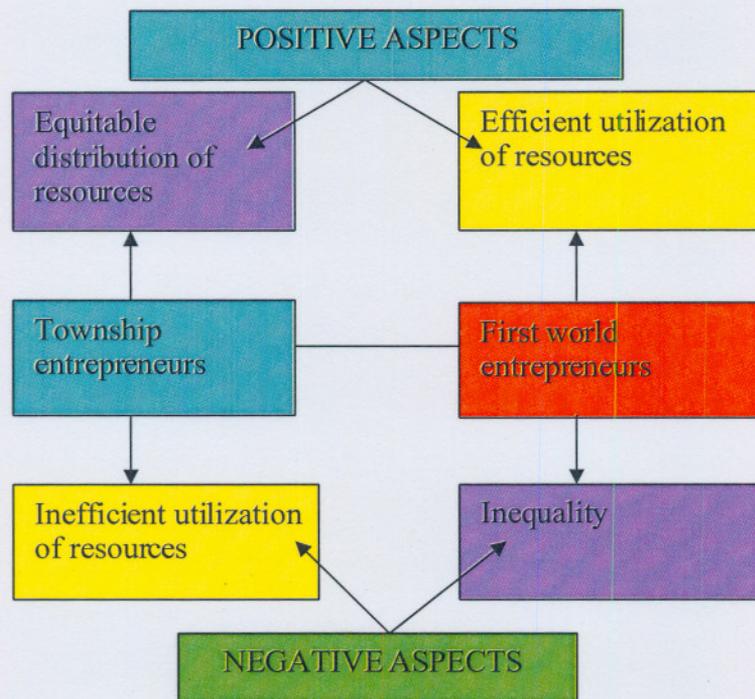
Source: Kambikambi

Figure 4-2 indicates that the two camps of entrepreneurs are on opposite sides of the same continuum, but with different levels of experience and skills and knowledge. The different levels in skills, experience and knowledge are responsible for the gap between the two camps.

4.2.6 Gap in skills and knowledge is polarity and hence needs to managed

According to the literature study, a polarity is a set of opposites, which can't function well independently. The two camps of entrepreneurs are on two opposite poles of the same band of entrepreneurship. The two ends of the continuum are dependant on each other. In line with Johnson's theory on polarity management, the dilemma at hand is not a simple problem to solve but a polarity, which the government needs to manage in order to balance between the two brands of entrepreneurship. The polarity between the two camps of entrepreneurs is represented by figure 4-2 shown below.

Figure 4-3: Polarity between township entrepreneurs and first world entrepreneurs



Source: Kambikambi

The dilemma faced by policy makers in terms of devising a solution to manage the polarity as presented above is reflected in the figure 4-3.

On one side the government should promote good practice of entrepreneurship in order to create wealth for the nation, but on the other hand focusing entirely on first world entrepreneurship may result in unequal distribution of resources and a widening gap between the rich and the poor. As such policy makers should balance the policies in order to create wealth but also to promote equality.

Supporting activities of township entrepreneurs is one way of distributing the nations resources evenly by assisting survivalists in the economy. But it must be noted that whereas concentrating on promoting activities of this camp of entrepreneurs will result in poverty alleviation and equality, it may also result in the inefficient utilization of resources. This might not be taken as promoting entrepreneurship in the real sense, taking into consideration the definition of entrepreneurship as a process of creating wealth.

4.2.7 Gap in skills and knowledge is widening in the knowledge economy

Whereas government put policies to minimize the gap in skills and knowledge between township and first world entrepreneurs as a result of apartheid are visible, the policies to ensure that township entrepreneurs are not left behind in terms of the new rules of the new economy are not visible. The lack of tangible government interventions to ensure township entrepreneurs come on board in terms of the rules of the new economy will cause the current gap in skills and knowledge between the two camps to widen. This is collaborated by the fact only 76 % of township entrepreneurs surveyed did not apply technology either in the management or operations of their businesses. This reconfirms findings of the GEM report (GEM, 2002:34) which states that first world entrepreneurs are significantly better than township entrepreneurs in terms of access to technology.

4.2.8 Current interventions have failed to reduce the gap

South Africa is the least entrepreneurial country out of 36 other countries taking part in the Global Entrepreneurship Monitor (GEM, 2002:1). This is an indication of the effectiveness of the policies to promote entrepreneurship in South Africa (Naude & Havenga, 2002:16). A close analysis of the policies indicates that the government has been switching policies from supply side interventions in the past, to demand side interventions most recently. This indicates a trial and error approach to the problem. The government interventions in the promotion of entrepreneurship have not been holistic in the sense that they mostly focus on one aspect of performance, the skills and knowledge, but do not have many programs focusing on commitment and creating a motivating climate. The increasing number of rewards and recognition given to entrepreneurs of late is an indication that the problem has been identified and acknowledged (GEM, 2002:8)..

4.2.9 Reasons why the Government interventions are not working

In line with the definition of a problem and the literature study on models of problem solving, reasons why solutions to a problem may not work, can include the following:

- the problem is not defined correctly ;
- the solution is not correct or ;
- later on the solution is not holistic; and

-
- resistance to change is interfering with progress.

Secondly, the lack of positive results from the current government interventions can be explained in terms of the peak performance model (figure 2-4) as follows:

With reference to the peak performance model, it can be argued that most of the current government programs are aimed at equipping township entrepreneurs with the capacity to perform. These are mainly supply side interventions such as DTI incentive schemes, Ntsika training programs, Khula credit guarantee, and mentorship schemes (National Small Business Act, 102/1996).

The empirical study indicates that only 5 % of the township entrepreneurs surveyed knew about the DTI incentive schemes. DTI incentive schemes were mostly accessible to first world entrepreneurs who had already invested sufficient money in businesses than township entrepreneurs, who have very little invested in their businesses. A review of the monthly regional development board minutes indicates that, most of the DTI incentives were utilized by entrepreneurs in Western Cape, Eastern Cape and Gauteng provinces.

Whilst the khula credit guarantee scheme was meant to provide security to mostly disadvantaged (township) entrepreneurs, few of them as opposed to first world entrepreneurs have benefited from the scheme. Based on the Absa Bank's monthly summaries of New Enterprise Banking rejections, most of the rejections are due to the lack of the 10 % own contribution, bad credit record, business risk and the lack of business and management skills on the side of the township entrepreneur.

Government efforts have now shifted from supply side to demand side intervention and include the creation of affirmative procurement opportunities for small businesses, black empowerment policy (Ntsika Annual Review, 2002:21), getting commitment from the private sector, through the mining and financial sector charters for example.

Switching from one type of intervention to another indicates that the strategy is not working. The argument is that you cannot develop the capacity for entrepreneurs if there

are no entrepreneurial opportunities created for them to practice their skills and knowledge. The two strategies should work together instead of abandoning one strategy in favour of the other.

Another observation made on the basis of the peak performance model, is that most government interventions are focusing more on the capacity building aspects than on creating a motivating climate, providing resources and getting commitment from the township entrepreneurs.

Lastly, resistance to change problem can impact negatively on the support programs if nothing is done to address the problem.

4.2 RECOMMENDATIONS

Taking into account the findings of the literature review, empirical study and conclusions made above, the following recommendations are made:

4.3.1 Define the problem correctly

In order for a solution for the problem or dilemma to be found, the problem needs to be defined correctly. The gap between the two camps of entrepreneurs should be treated as a dilemma rather than a problem with a solution. The dilemma as indicated in figure 2-3 has two opposite poles, which can't function well independently. Focusing on one aspect to the exclusion of the other will not solve the polarity. It is recommended that a holistic approach to the polarity be taken. A balancing Act to support both camps of entrepreneurs. This is necessary for South Africa to remain competitive but yet minimize the gap between the rich and the poor.

4.3.2 Change attitude of entrepreneurs from resistance to commitment

Given that the resistance to change problem as identified above will interfere with Government efforts to promote entrepreneurship, the problem of resistance to change should first be addressed. This problem can be addressed by identifying the pockets of resistance, identifying at what level is the resistance (passive, active, or aggressive) and

then taking them through Lewin's process of change management as shown in figure 4-3, attached as addendum C.

4.3.3 Applying Breakthrough thinking principles to get a holistic solution

The Break through thinking principles can be applied to the problem at hand as shown in figure 4-3, attached as addendum D.

4.3.4 Application of the peak performance model

The peak performance model (figure 2-4) can be used to enhance the performance of township entrepreneurs. Government interventions should address each of the elements of the model in order to attain peak entrepreneurial performance.

4.3.4.1 Create a high level commitment amongst township entrepreneurs

It is not possible to get a person to commit to achieving a goal he is not aware of. The low level of awareness of Government policies to promote entrepreneurship amongst township entrepreneurs is an indication of the low commitment amongst them. Continuously involving entrepreneurs in setting goals for the promotion of entrepreneurship, and getting their input on the way forward will raise the commitment of entrepreneurs. Involving entrepreneurs in public debates on entrepreneurship will also raise the commitment of entrepreneurs. The department of trade and industry, the private sector the chambers of commerce have all got a role to play in this respect.

4.3.4.2 Invest in knowledge, skills and training

To spur innovation and equip township entrepreneurs to win in the New Economy, the government should invest more in the knowledge infrastructure of the 21st century: world class education, training and life long learning, science, technology, technology standards, and other intangible public goods. Skills training should focus on the following on technical skills, business management skills and personal skills. The focus should not only be on formal skills but tacit skills as well.

4.3.4.3 Empower township entrepreneurs with information technology tools

The South African government should ensure that the benefits of innovation and change are spread broadly. This will require that all camps of entrepreneurs including those engaged in the informal sector have access to the tools and resources they need to go ahead and stay ahead. As the economy becomes increasingly volatile and knowledge based, success for entrepreneurs will more than ever be determined by the ability to learn and adapt. The South African government needs to counter balance the tendency towards the division of society around learning and skills.

As information technology becomes an increasingly important driver of the economy (and a determinant of worker skill requirements), and it becomes an increasingly vital tool for accessing information and participating in business, the South African government needs to enable wide spread access by ensuring that public libraries, schools, community centres, local business service centres, and all regions of the country are connected to the Internet and all camps of entrepreneurs have the skills they need to use the technologies.

A similar recommendation to make technology more accessible to township entrepreneurs is made in the GEM report (GEM, 2002:36).

4.3.4.4 Create a motivating entrepreneurial climate in the townships

A motivating climate can be created by ensuring that negative factors are minimized in the business environment. The tax policy could be a negative factor to the promotion of small business. Climate is a dynamic phenomenon as such continuous survey of the climate will ensure that negative factors in the environment are detected early.

4.3.5 Provide a survival tool kit for township entrepreneurs

Addendum E is a recommended tool to empower township entrepreneurs with information in order to survive in the new knowledge economy. The tool kit gives information to the entrepreneur on the why, what, how and where of entrepreneurship. This tool kit differs from most of the existing tool kits on the Internet in the sense that they are not organized in a logical fashion, they concentrate on generic data and do not

give specific information. A lot of tool kits also concentrate on the process of starting and managing a business, whereas in this case the focus is on the process of identifying, evaluating business opportunities.

4.3.6 Implementation

Recommendations of a policy nature could be implemented at the three tiers of Government: national level (Department of Trade and Industry), provincial level (SMME Desk), and local level (Local Economic Development). This will ensure that there is a high level of commitment from all role players. Rather than just implementing policies passed by national structures, all stakeholders should participate in design of policies.

The implementation of programs could be handled at provincial level through the SMME desk and at local level through the Local Economic Development offices at the local municipalities.

For the solution to be holistic, the private sector as well as the business chambers of commerce need to be involved in both the strategic process as well as the implementation process.

4.4 REVIEW OF STUDY OBJECTIVES

4.4.1 LITERATURE STUDY

The main objective of this study was to lay a foundation for the design of interventions to assist in reducing the gap in skills and knowledge between township and first world entrepreneurs. In terms of this main objective, the objectives of the literature review were stated as highlighting the new rules of the knowledge economy and secondly, highlighting the skills and knowledge required in the opportunity identification process. The literature review has successfully highlighted the fact that knowledge and technology are the key factors in the process of creating value in the new knowledge economy. The literature review has also highlighted the skills and knowledge required in order for entrepreneurs to identify opportunities, evaluate opportunities and explore opportunities further. In summary the literature study has highlighted the skills and knowledge required

in the opportunity identification process and these have been used as a basis for the design of the questionnaires used in the empirical study.

4.4.2 EMPIRICAL RESEARCH

The main objective of the empirical study was to investigate the influence of the new rules of the knowledge economy on the practice of township entrepreneurship, and secondly to establish the differences in the skills and knowledge profiles between township and first world entrepreneurs.

The results of the empirical research have shown that only 24 % of the township entrepreneurs compared to 76% of first world entrepreneurs surveyed have embraced the new rules of the knowledge economy. Further the empirical research has also revealed that there is a distinct difference in the skills and knowledge profiles of the two camps of entrepreneurs.

Further analysis of the difference in the skills and knowledge between the two camps of entrepreneurs has resulted in the conclusion that it is in fact a polarity that needs to be managed rather than a problem to be solved. The reasons for the polarity have been identified as partly due to political, cultural, social, economical and educational factors beyond the control of entrepreneurs.

The findings of the empirical research have been used as a basis for the development of a tool kit recommended as an intervention to reduce the gap between the two camps of entrepreneurs.

The discussion above has shown that the objectives of the study have been successfully met.

4.5 FUTURE RESEARCH OPPORTUNITIES

Taking into consideration the fact that in a knowledge economy, knowledge accumulates at a fast pace, there is an urgent need to focus research on the conversion of theory into practice. This type of research is a needed mostly to reduce the polarity between the two camps of entrepreneurs. There is a lack of research on creativity and innovation amongst

township entrepreneurs has also influenced the selection of topics proposed for future research as follows:

- Research on the utilization of technology in township businesses
- Research on the link between the number of local business service centers in a township and the level of entrepreneurship
- Research on the link between access to internet and creativity
- Research on the impact of mentorship on township businesses
- Research on the differences in creativity amongst township entrepreneurs in different Southern African countries

Lastly, the author acknowledges that the empirical study conducted for this dissertation has its limitations. The study focused on businesses that the author has had dealings with, but consequently, there are other case studies available, which could yield different insights. The case studies are mostly from entrepreneurs in the townships and villages of the Northwest Province, but extending the study to other regions of South Africa would add more flavour and insight to the study. This would give a more complete picture on the state of township entrepreneurship in South Africa taking into account the fact that the gap between the rich and the poor in the Northwest Province is not as high as in other parts of South Africa.

4.6 SUMMARY

This study confirms the notion that a gap in skills and knowledge exists between township entrepreneurs and first world entrepreneurs. The study also confirms that two types of entrepreneurs are identifiable in any given economy, namely: opportunity driven entrepreneurs and necessity driven entrepreneurs. In the South African context, opportunity driven entrepreneurs operate mostly in the first world sector of the economy, whereas, necessity entrepreneurs operate in the third world sector of the economy.

Empirical research in this study has indicated that the two camps of entrepreneurs have different profiles of skills and knowledge. Major findings in this study, indicate that a very few township entrepreneurs in the Northwest have embraced the changes in the rules

of the new knowledge economy. On the other hand a significant number of first world entrepreneurs in the Northwest have embraced rules of the new economy as evidenced by the high number of business opportunities based on knowledge.

Secondly, the empirical study has highlighted a major difference in the skills and knowledge levels between the two camps of entrepreneurs. The literature study highlighted the fact that the gap in skills and knowledge levels between the two camps will widen as the knowledge economy unfolds. The empirical research clearly shows that the gap in the skills and knowledge will widen as new knowledge and technology become available. This is true for the region as most township entrepreneurs in the Northwest do not have access to Internet facilities or support net works.

The widening gap in skills and knowledge between the two camps of entrepreneurs has been identified as a polarity, which needs to be managed rather than a problem to be solved. The reasons for managing the difference in skills and knowledge between the two camps as a polarity are explained by showing that a one sided focus to the problem may result in undesirable consequences such as inequality and inefficient utilization of resources.

The reasons for the differences in the skills and knowledge profiles of the two camps of entrepreneurs have been identified as political, social, educational, economical and partly a resistance to change problem on the part of some township entrepreneurs.

A performance improvement intervention has been recommended to enhance township entrepreneurship, but before that can be implemented a change management intervention has been recommended to bring township entrepreneurs to the right level of commitment to entrepreneurship.

Finally, a number of interventions to assist township entrepreneurs in improving the practice of entrepreneurship in the new knowledge economy have been recommended on the basis findings of the literature review and the empirical study. The interventions include the application of the polarity principles to the problem at hand, the change

management principles, the breakthrough thinking principles and peak performance model.

ADDENDUM A

QUANTITATIVE RESEARCH QUESTIONNAIRE

GENERAL INSTRUCTIONS:

This questionnaire has three sections, and you are requested to complete all the three sections. After completion of the questionnaire kindly return it to K.Kambikambi, P.O.Box 19668, Noordbrug, 2522.

Section A: is for your personal details, which will be kept confidential and will not be utilized for any purpose except for purposes of this research.

Section B: is for your biographical data and must be completed as accurately as possible.

Section C: is intended to gauge the level of your skills and knowledge regarding entrepreneurship and the knowledge economy.

SECTION A: PERSONAL DETAILS

INSTRUCTIONS: Complete the blocks in CAPITAL letters

Name of Business	
First Name	
Surname	
Contact Number	
Business Address	

SECTION B: BIOGRAPHIC CHARACTERISTICS

INSTRUCTIONS: Complete by putting a cross (X) next to your choice.

1. Gender	Male		Female	
2. Age	Below 20		Above 20	
3. Population Group	Black		White	

SECTION C: QUALITATIVE RESEARCH

INSTRUCTIONS: Complete by putting a cross (X) next to your choice.

4. Where are your business activities located?	
Village	
Township	
Metropolitan	

5. Which statement is correct about you/your firm?	
I have received an award and recognition for my entrepreneurial effort	
I have never received an award or recognition for my entrepreneurial efforts.	

6. What is your educational qualification?	
Less than matric	
Matric	
Certificate	
Diploma	
Undergraduate	
Post Graduate	

7. What is your legal status?	
Sole proprietorship	
Partnership	
Close Corporation	
Private company	
Public company	
Section 21 company	
Co-operative	

8. What is the source of your business idea?	
Outside event	
Incongruity	
Industry change	
Demographics	
Perceptions	
New Knowledge	
Process needs	

9. What is the main reason for starting your business?	
Forced by circumstance	
Opportunity driven	
Took over family business	

10. Which statement is closest to you?	
I like to solve problems most of the time	
I don't enjoy solving problems at all	
I some time like to solve problems	

11. In which industry is your business?	
Retail	
Wholesale	
Manufacturing	
Construction	
Tourism	
Transport	
Service	
Tourism	
Transport	
Agriculture	
Mining	

12. Which statement is closest to you?	
We plan all the activities in our business and we have monthly budgets always	
We don't have monthly budgets in our business at all	
We some time draw up budgets	

13. Which statement is correct about your business?	
We apply information technology in our day to day activities and business management.	
We have not employed information technology in our business operations.	

14. Which statement is correct about you self?	
I have past experience in the type of business I am operating.	
I did not have any form of experience in the type of I am operating before I started the business.	

15. Where did you get the money invested in your business?	
Savings	
Friends and relatives	
Pension	
Bank	

16. Which statement is true about your credit rating?	
I have a clean record at the credit bureau	
My credit bureau record is not clean	
I don't know my status of my record at the credit bureau.	

17. How many people are employed in your business?	
Only myself	
Less than 5	
Between 5 and 10	
More than 10	

18. Which of the following sources do you utilize to access Internet?	
None	
Own source	
Internet café	
LBSC	
MAC	
TAC	
COD	

19. How many suitably qualified people are in your management team?	
Only myself	
Two people	
More than two people	

20. Which of the following Government programs or policies are you somewhat familiar with?	
SMME promotion Act of 1996	
Mining charter	
Financial charter	
IDC programs	
Ntsika enterprises	
Khula enterprise	

THANKING YOU FOR YOUR SUPPORT.

ADDENDUM B

CASE STUDY (QUALITATIVE RESEARCH)

Contract Cleaner CC versus Prestige

Brief Background of the Company

The Contract Cleaner is a small contract cleaning company, currently situated in Fochville but having cleaning contracts in Pretoria and Craitonville. The Contract Cleaner was started in 1998 by John a qualified Geologist, who left his job to pursue business interests. Initially John started as a management consultant, under a close corporation called Mc Trev Consultancy. The consultancy business mainly offered services to the local councils and Government departments in the form of environmental awareness campaigns and environmental cleaning projects. Later on the company expanded to include a cleaning chemicals supply entity. Most recently a close corporation under the name One Stop Contract Cleaner was registered by John to manufacture toilet papers to the schools and mine hostels.

Management Team: John is the sole member of Contract Cleaner and manages two other companies in the contract cleaning industry and consultancy. John is a qualified Geologist who left the mines because he wanted to pursue his passion “Cleaning Toilets”.

Recognition of Business Opportunity: John noticed the problem schools were experiencing whilst attending a Parents Teachers meeting on a school day, when he saw a lot of school boys leaving the school premises for the village and asked what they were leaving the premises for. The kids said they were looking for toilets outside the school premises as the school toilets were in a bad state of health (Prompt One). This prompted John to have an idea of supplying toilet paper to schools and teaching the pupils how to maintain the toilets. This is the idea, which, lead to the registration of One Stop Contract Cleaner, meant to manufacture toilet paper to be supplied to schools.

Registration of Close Corporation and Networking: One Stop Contract Cleaner was registered as a Close Corporation in 2000, and the author was involved as an accounting officer until recently in 2002 when the author joined the bank and could not serve as an accountant, due to the potential conflict of interest. John was referred to the author by James, who was in the same class as the author, for Management Consultancy at the Small Business Advisory Bureau in 1995. (Networking is already playing a role in the above situation). John approached the author for assistance with the preparation of a business plan for a small toilet paper manufacturing entity. At the same time John asked the author to assist him in registering a close corporation in the name of One Stop Contract Cleaner. John needed the close corporation to be registered urgently as he wanted to take part in mine tenders after having talked to a number of mine hostel managers.

Vision, Passion, Focus and Strong Desire: At the time of coming to my office John already had a small contract to clean the laundry house at Carletonville Shaft number One. At that time the business was only generating about R 30 000 per month from that contract. John was working hard to impress the mine management with a view of taking over the main cleaning contract from Pretige (A well known National Contract Cleaning Company). At the time of preparing the business plan for John he had mentioned of the intention to take over a big contract (R 500 000) from Pretige, even though that was not the main purpose of the business plan. The business plan was completed and the close corporation was registered within the shortest possible time (Two weeks), as John made use of a guy from the legal department of the department of trade and Industry to speed up the process of reserving a name for the CC and registering the close corporation. Whilst at the offices of the department of trade and industry in Pretoria, John found a long queue at the counters and in the process asked a lady who knew some people in the offices to assist in speeding up the process. The lady passed the papers on to the relevant officers and the process was smoothened. John paid the lady R 50 for the favour and the lady was surprised at the generosity exhibited by John. The lady enquired what job John was doing and why the generosity. John informed the lady that he had a cleaning company and gave the lady his number in case she needed help in future (Marketing and Networking). The business plan was submitted to Absa Bank and it was rejected on the

basis of the fact that it was felt John may not have enough time to manage and control the two businesses at the same time. Full time involvement and management was cited as one of the requirements of the Khula Credit Guarantee. Even though Absa rejected the business plan John never stopped pursuing his plans he went on and negotiated the supply of the toilet paper making machine from the supply on credit. He also approached the mine management for place on the mine premises where to carry out the small laundry house-cleaning contract. Through the small laundry house-cleaning contract, John aimed to show the mine management that he was capable of delivering a high standard and quality work (Persistence). Within a short period of time he was given an additional task to clean the kitchens at the mine hostels. At this time during the development process of the business John had attracted a number of reporters with his passion for cleaning school toilets, this had earned membership to a body of social entrepreneurs called Ashoka. Articles on John had appeared in a number of local and national newspapers including a T.V documentary (Publicity). After a number of months of having met the lady at DTI, John received a phone call from the lady who commented about the strike by flat cleaners that was taking place at her residential flats and how filthy the flats had become as a result, and how she wished John could ask the owners of the flats to get the cleaning contract so that she could manage the job (Prompt Two). John took this as a prompt and accepted the proposal and promised to send his business profile, so that it can be presented to the owners of the flat by the lady. The lady apparently needed a job and took the offer from John seriously and took the proposal to the owners of the flat.

Coincidence and Sheer luck: When the lady took the proposal to the owners of the flat it did not occur to her and John that the owners of the flats has apparently kept a copy of the newspaper where John's article appeared and were apparently looking for a person who could take over the cleaning of the flats as they could not cope with the striking workers. Immediately upon recognizing John from the newspaper cuttings, the flat owners requested for a meeting with John and he did not delay to drive to Pretoria. On that day a contract was signed and John decided to offer a job to the lady as supervisor for the Pretoria Contract. Apparently new workers were employed and the next work had to be done at the flats, but this did not come easy as the former cleaners rioted and almost killed the lady for taking their job from them.

Strong Commitment and Passion: The lady showed a very strong commitment and passion when she confronted the rioting workers and even called police to disperse the rioters. This earned her some respect from John and he trusted her on the job. Soon after winning this battle, John was given another contract to manage a shopping center from the same customers in Pretoria.

The Big Breakthrough: In the background of all this John did not give up on the idea of taking over the big contract from Prestige, such that he made sure that he got hold of all the open tenders at the mines and he was in constant liason with the hostel managers. This persistence earned John the big break through when he was awarded a contract for R 500 000 per month grabbed from Prestige. This was a big jump both in terms of the monthly income and the number of employees to be managed. (This is real entrepreneurship in terms of making decision without reference to resources currently controlled). Because the task was big John needed money upfront to meet the operating costs and purchase a few assets to meet the contract requirements. Once more Absa was approached for a loan or overdraft and at that time I was employed by Absa. I was requested by the regional manager to prepare a business plan for John and a motivation for credit and it was granted to him because of the benefits that accrued to Absa from the deal in terms of service fees and a number of employees accounts opened at Absa Fochville Branch.

The Challenge to Convert from Entrepreneurial Mode To Management Mode

The company has now served more than six months of the contract and there is a big difference in terms of the skills requirement between the time John was prompted by the school kids to consider supplying toilet papers and now when he is managing more than 260 employees, in more than four different locations with a management team of five assistants. The mode of the business has now changed from Entrepreneurship to Management. John now needs to focus on managing and controlling his resources in terms of the management team, the cash and time. This will be the second test and the battle has just started. A number of management problems are already beginning to

surface in terms of some of the workers who absent themselves from work when they get paid, there are a number of ghost workers on the pay roll and some of the members of John's Management Team have been locked up by the police for sexual harassment. A lot of entrepreneurs fail to see that at a certain level of business one needs to change the mode of operation from entrepreneurial mode into a management mode. They refuse to let go of the business and become a threat to their own creations. A proper management team is needed to assist John at this point in time, instead of the team of friends who have been hand picked or John feels he owes them in one way or the other. Without a proper management system and information system in place this business won't last a year.

What can we learn from the Case Study?

- Entrepreneurship is not necessarily about complicated business concepts
- Entrepreneurs Never Get Satisfied Easily
- Relevant Experience and Industry Knowledge are needed in order to succeed as an entrepreneur
- Networks play an important role in entrepreneurship
- Entrepreneurship needs a strong passion, persistence, focus and vision
- Entrepreneurs "Think outside the box"
- Advertising and Personal Selling is a Critical success factor for any business
- Opportunity Identification is a process and not an event
- Entrepreneurs need a lot of Confidence in order to implement ideas

ADDENDUM C

Application of Lewin's model to the resistance to change problem in the township.

Process	Recommendation
Unfreezing	<p>Step 1 Inform entrepreneurs about the entrepreneurs about the bad side of the saturated taxi industry. e.g statistics on road accidents, market saturation, low level profitability, increasing costs of operations, low level of return on investment, inefficient use of assets.</p> <p>Step 2 Then inform them about the good aspects of the recapitalisation process.e.g customer safety, barriers of entry, improved profitability, increased return on investment.</p> <p>For general dealers, this could mean showing the bad side of their business, low margins, market saturation, inefficient utilization of assets, low return on investment. The show them the good side of becoming wholesalers by viewing tuckshops as customers instead of competitors.</p>
Moving	Develop new behavior, values and attitudes through new structures and processes. E.g introduce new taxi ranks, new service stations, new workshops and professional management support. For general dealers this could mean introducing them to the new rules of the knowledge economy.
Refreezing	Stabilise the new state of equilibrium through the use of supporting mechanisms that reinforce the new culture, norms , policies and structures. This could mean providing support mechanisms in the new knowledge economy.

ADDENDUM D

Application of Break through thinking principles.

Principle	Explanation
Uniqueness (South African solutions to South African problems)	Focus on the specific needs and circumstances of which the problem is part. Applying solutions from other countries to South African problems may not result in positive results.
The purposes (Focus on the essential aspects)	The purpose of small business promotion should be two fold, minimise the gap between the two camps, but also to create wealth. This is important in order to stay competitive in the global economy.
The solution after next	Create a vision for entrepreneurship in South Africa. Draw up a separate strategy for the attainment of this entrepreneurship vision separate from small business vision.
The systems principle	Understand the elements and dimensions of the problem. Interventions for the promotion of entrepreneurship should be holistic rather than piecemeal. Piece meal interventions result in solving some problems but creating other problems.
The limited information collection	Concentrate only on information having a direct bearing on solving the problem-not information related to the causes or results of the problem.
The people design principle	Involve the people who are intended to benefit from the solution in the design of the solution. Whereas the Government involves the public in policy design, the intermediary organizations do not involve entrepreneurs.
The betterment time line principle	Fix it before it breaks by continuously monitoring the problem. The GEM reports can be used to gauge performance at national level, but similar research can be conducted at provincial and local level.

ADDENDUM E

Survival tool kit for entrepreneurs in the knowledge economy.

Subject Matter	Objective	Information, data, facts, surveys, definitions	Web sites, books, magazines, Publications	Addresses
Importance of Entrepreneurship	To improve understanding of subject, improve commitment to subject	Economic Performance Success stories Entrepreneurial Rewards	Web sites	www.brain.org.za
Government Policies	To improve understanding of Government policies	Acts, White paper, green paper, bills	Web sites	www.gov.org.za
Environmental Analysis <ul style="list-style-type: none"> Political Economical Social Technological 	To identify Opportunities and threats specific to small businesses	Industry statistics and reports Banks economic analysis	Web sites	www.mbendi.co.za www.absa.co.za
Market Environment Analysis <ul style="list-style-type: none"> Customer profiles Competition Products Suppliers 	To identify targets markets and suppliers and competitor strategies	Market statistics and reports	Web sites	www.bfmr.co.za
Creativity and Entrepreneurship	To gain skills and knowledge required in order for one to identify opportunities and exploit them	<ul style="list-style-type: none"> identify Opportunities evaluate an opportunity explore an opportunity 	Web sites	www.sba.com
Sources of Business Ideas	To identify various sources of business opportunities	Patents registrar, industry analysis, statistics	Web sites	www.sba.com
Business Opportunities available	To grow the national wealth, and balance the inequality	Tender bulletins	Web sites	www.mbendi.com
Sample Business Plans	To gain knowledge of how to prepare business plans.	Sample business plans sites	Web sites	www.bizplan.com
Registration of Business	To gain knowledge of how to register and dissolve a company	Close corporations Private company Public company Co-operative Section 21 company	Web sites	www.cipro.org.za
SARS	To gain knowledge of how to comply with tax regulations and rules	Income tax and Value added tax Skills development levy	Web sites	www.sars.org.za
UIF	To comply with unemployment insurance fund requirements	Application forms and monthly returns	Web sites	
RSC	To comply with regional and local services requirements		Web sites	
Equity Finance and Debt Finance	To gain knowledge on where to get funding and how to apply for funding	Financial institutions products, term loans, overdrafts, guarantees, insurance, venture capital	Financial institutions web sites	www.brain.org.za
Entrepreneurship Research	To gain knowledge of the most recent thinking on the subject.	Case studies	GEM report TIPS	www.dti.org.za

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