

Seeking for a relevant and contextual approach to economic development, an entrepreneurship model for Africa

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Abstract

Africa as a continent occupies one fifth of the earth's land surface but possesses the largest natural resources on the earth's surface. The continent is endowed with large deposits of coal, iron ore, asbestos, copper, gold, diamonds, uranium, emeralds, silver, chromium, cobalt, crude oil, quartz, aluminum, zinc, nickel, and platinum, to say the least. Together with this are large fresh water resources that labyrinth the continent pouring their contents into the inland lakes and oceans that surround the continent. The arable land is full of flora and fauna that attracts millions of tourists from around the world who pay large sums to see what the

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African takes for granted. Yet, the continent is home to millions reeling under chronic poverty, under nourished and under fed with unprecedented high levels of illiterate, unskilled, economically underdeveloped and unbankable populace. The Asian Tigers, China, India and Latin America have emerged as shining stars on the path to sustainable development, but Africa, the storehouse of natural wealth, lingers behind. This paper argues that the failure of Africa is a result of the failure of African leadership to come up with policies and programs specific to the context of the continent. Africa needs sustainable empowerment of the disadvantaged chronically poor millions that languish in poverty on the continent. The model suggests a developmental policy that uses “deliberate structures” to “deliberately empower” the indigenous African as fundamental to the economic development of the continent. Entrepreneurship as a developmental vehicle is modeled to provide in-built-solutions to the 21 causes of the failure of businesses. A model of *projectised* entrepreneurship using *Africanized* colonial resources is constructed with special emphasis on South Africa and its unique past. This will be supported deliberately by increasing start-ups at a reduced failure rate in place of perpetual handouts.

1.1 Introduction

Drucker (2007:17) defined entrepreneurship as a mechanism through which economic growth takes place; this mechanism promotes economic growth and development through job creation. Acs, Audretsch, Braunerhjelm and Carlsson (2004:1-40) concur and posit that the main contribution of entrepreneurship is as a knowledge filter that transforms invention into commercially viable products and processes. There is a need to promote entrepreneurship amongst the 'unbankable' and disadvantaged of society (Dusiki, 2008:49-60) because that is where chronic poverty is rampant. South Africa is always touted to have one of the world's greatest disparities between rich and poor. The country's historical heritage is evidenced by the presence of millions of these *unbankable* chronically poor indigenous people. To reverse the effects of apartheid, the planners should start from the premise that 56% employment creation in any country comes from entrepreneurial start-ups (Olawale and Garwe 2010:729-738). In a separate unrelated study, Bowen and De Clercq (2008:747-767) found a direct relationship between the prosperity of a country, and the levels of entrepreneurial activities in that country. In the United States of America every third citizen is either involved in business or has a relative that is involved in some entrepreneurial activity of sorts, hence the US is an economic powerhouse and the most powerful country in the world today.

Background to the Study

Unemployment in South Africa ranges between 25% and 47% depending on whose statistics you use. The levels of unemployment are exceedingly too high as evidenced by the levels of poverty and the increase for the need for social grants. The authorities acknowledge that entrepreneurship is the answer (McEnrue, 2011:1-37) to the chronic poverty which is a time bomb waiting to explode. Elsewhere on the continent, South Africa included, governments have opted for privatisation of parastatals as another form of *entrepreneurisation* of the economies. Sad to say that this method is merely the changing of ownerships and does not bring about new enterprises, thus there is no job creation directly linked to privatization, whatever the reason is given. The African population on the continent continues to grow in a world of unprecedented technological advance and global competition (Aina and Salao 2008:122-125), this simply exacerbates the conditions and need for more pragmatic approaches. It should therefore be logical that sound and context relevant economic policies be put in place to combat the current undesirable state of economic quagmire. Entrepreneurship policies which should relate appropriately to the dynamic globalized environment with deliberate intentions to protect and nurture entrepreneurship amongst indigenous population should be promoted. Africa currently offers nothing apart from raw material in this highly competitive business terrain where ownership of productive means is

imperative. Yet the continent continues to reel under conditions of extremely low literacy rates with manufacturing and beneficiation as the lowest on the planet (Cilliers, Hughes and Mayer, 2011:1-63).

There is a dire need for well-meaning political will and the creation of a deliberate economic policy targeted specifically for the chronically poor of the society. Improvement of the lives of the millions pre-destined to chronic poverty should be central to any government planning. The current policies on entrepreneurship have no relevance to the realities of the poverty stricken, semi-illiterate and hopeless millions living in the informal settlements scattered throughout South Africa. Using Drucker's (2007:17) definition, entrepreneurship is a mechanism through which economic growth takes place, this should be contextualized to allow for economic growth and development leading to sustainable job creation. The starting point for any effective policy should be an identification of the reasons and factors that make people become entrepreneurs. Migliorini (2006:1-156) cites Cunningham and Lischeron who identified some of the reasons why people get involved in entrepreneurial activities, table 1.1 below highlights the factors and reasons.

Table 1.1 Reasons why people startup businesses

Environment Variables	Personal variable	Skills and Resources
1. They have identified an opportunity they want to exploit.	1. Some people are risk takers and do that to better their lives	1. Initiation, vigor, energy, persistence and self – esteem
2. It may be easy to borrow money, say if the interest rates are low	2. Some people just want to be their own bosses, so they start business	2. Personal value, risk taking, need for achievement and other
3. BEE policies promote entrepreneurship	3. To provide an income when retrenched	3. Innovation, creativity and discovery
4. Availability of business grant from donors may make someone start a business	4. To satisfy their ego to do what they want to do	4. Production planning, people organisation capitalization and budget
5. Retrenched people are given contract to supply their former employer	5. To avoid getting bored of being managed.	5. Motivating, directing and leading
6. inability to get a job from existing businesses	6. Experience in particular trade makes people want to go on their own	6. Alertness to maximizing decision
	7. Having a particular skill may influence starting a business.	

Source: Cunningham and Lischeron as cited by Magliorini, 2006:1 – 156.

It is evident from the above that people start businesses for various reasons, and whatever the reason, any new start-up reduces the levels of unemployment in an economy.

After twenty years of democracy, South Africa still has one of the poorest standards of education on the continent in spite of the country having the financial resources to uplift the standards. The most affected in this are the chronically poor, meaning therefore that they will be poor and disadvantaged perpetually.

Affirmative action and Black Economic Empowerment have not been successful because there is no feed-stock of educated and appropriately skilled blacks to fill in the necessary gaps. Using statistics discussed earlier, upwards of 56% of new jobs come from start-ups, and yet 57% of the South African population does not have matric, this is surely a recipe for disaster. What this means therefore is that blacks will be perpetually poor and may never rise to meaningful positions in the business sector of the economy. Below is a report by Statistics South Africa sixteen years into democracy.

Table 2 Distribution of employment by race in South Africa

Level of Employment	Blacks	Whites	Males	Females
Top management	13	87	87	13
Senior management	19	81	80	20
Professionals mid-mgmt	44	56	62	38
Technical / junior mgnt	2	18	60	40
Semi-skilled	82	18	61	39
Unskilled	98	2	71	29
Casual employee profile	83	17	50	50

Source: Statistics South Africa 2006

The blame for this dismal performance has always been the “resistance of whites” to change, and this cannot be ruled out. But if the country experiences skills shortages at the levels always indicated, when there is upto 47% unemployment, it stands to reason that not enough has been done to provide the required skills. It is important to point out also that the 13% black senior management in the table above is largely government positions which are political appointments. The blacks are the critical mass needed if the country will turn the corner towards economic growth and development with intentions to reduce the chronic poverty.

The role of government in the support for entrepreneurship and by derivation, economic growth and development is seen by the type of policies, legislation and activities as they relate to entrepreneurship (Mok.2005:537-554). South Africa is politically stable with a thriving democracy, and this is critical for the development of an environment where skills can be acquired with little interruption, education can be promoted to the host of the country, and economic growth through entrepreneurship through promulgation of context-relevant legislation (Fatoki, 2011:170-179). The greatest challenge for South Africa is the absence of the feed-stock of entrepreneurs given the reasons why people start businesses. The critical skills shortage are the first stumbling block to entrepreneurship since people translate their skills into business ventures. In the absence of such skills, the probability of getting skilled people to start new enterprises is reduced. Whatever

of the few start-ups that will come up will still fall into the traditional 20/80 rule which postulates that 80% of all business start-ups fail within the first five years of operation. Research has clearly identified the causes of failure of start-ups, it is this knowledge that the author seeks to convert into a model for effective and successful entrepreneurship for the critical mass. Table 3 below lists some of the causes for failure.

Table 3 List of known reasons why businesses fail

under capitalisation	lack of skills in the industry
poor understanding of business	poor location of business
poor strategic planning	lack of management skills
wrong type of business	credit sales and cash flow
stock shortages	tying down of capital in stock
wrong stock	poor control systems
wrong pricing	Competition
Un-business-like cultural practice	lack of focus
lack of hard work	poor customer service
unethical behaviour – corruption	poor promotion strategies
absence of leadership	no clearly defined objectives

Source: Jowah, 2012:

The high failure of business start-ups is a human factor and can be managed as a risk, it is hypothesised that appropriate intervention will reduce the failure rate. The

chronically poor cannot access finance for business, and lack of the requisite management skills. They have to comply with complicated tax laws which require specialised human resources (Mahadea, 2008:1-25) which they cannot afford. The small operators buy supplies for cash but sell on 30 days+ credits, eroding their cash flow and ability to transact effectively. Consequently they cannot pay salaries, rent, electricity, phone bills, and still purchase raw materials by cash to further finance government and existing big business (Olawale, 2010:1790-1799).

The FICA legislation negatively affects the already thin cash flow of start-ups (Ray, 2010:1-106), and defeats the whole purpose of promoting SMMEs in an economy that does not give appropriate support to emergent entrepreneurs (Rogerson 2004-782). The government is an accomplice in the criminal act of pushing start-ups to bankruptcy because of the FICA system, the 90 day credit system, and the absence of measures to protect indigenous start-ups. Richards (2006:1-117) states that there are no policies, programs and plans that realistically support entrepreneurship. This can be interpreted as clear evidence that the government programs are not deliberately meant to eradicate poverty (Zindiye and Mwangolela, 2007:1-12) but rather to maintain status quo. Whereas entrepreneurship is a “must-have” for economic growth and development, yet the government treats this job creating tool as just another activity the politicians

discuss as a matter of fact. This chronic poverty and failure to deliver accompanied by dictatorship have plunged the continent into political unrest (Sholtz, 2009:1-125). The unemployment levels are disturbingly very high in a continent with high birth rates (Taylor, 2008:1-125), little relevant education, and continued exploitation of the natural resources by external investors.

Unemployment levels

There are different types of unemployment (Crane and Crane, 2007:13-25), these may be understood as active job-seekers and the non-job-seeking unemployed who have lost hope and are at home. The non-searching-unemployed individual is not reflected in the statistics of unemployment, but both forms of unemployment reduce the economic well-being of a citizen and lower economic output and erode human capital (Kingdom and Knight, 2002:1-21). South Africa has high levels of both types of unemployment compounded by illiteracy levels amongst the indigenous population (Green, Preston and Sabares, 2010:453-470), even though the country and the continent at large has high mineral and natural resources. The large corporations exploiting the natural resources are exclusively foreign multi-nationals except for a few nationalised operations. Given the history of blacks that were legally excluded from both quality education and meaningful participation in the economy (Seo, 2010.127-154). Specific skills training and jobs were reserved

for whites and coloureds to the exclusion of the indigenous people (William, 2010:1-38), and it is these people who are still reeling under the cloud of perpetual poverty. Blacks could not be technicians nor could they register nor operate companies (Lemon and Battersby-lennard, 2010:517-538). Being black meant a special low class education (Bantu Education) designed to make them perpetual servants. The unemployment history of South Africa for the last five years is illustrated in the table 4 below.

Table 4 South Africa unemployment rate 2011 ten years backwards

Year	Unemployment rate	Rank	Percent Change	Date of Information
2007	25.50 %	172	-4.14 %	2006 est.
2008	24.30 %	169	-4.71 %	2007 est.
2009	22.90 %	170	-5.76 %	2008 est.
2010	24.00 %	173	4.80 %	2009 est.
2011	23.30 %	170	-2.92 %	2010 est.

Source: CIA World Factbook 2011

These statistics are contested as millions have stopped looking for non-existent jobs (Mahadea and Simson, 2011:1-21), those that no longer look for jobs are not included. Part of the unemployment has been complicated by the influx of

economic-refugees from Africa, Europe and Asia who accept jobs at pathetic salaries (Eweje, 2009:207-223). The highest levels of illiteracy are amongst the indigenous disadvantaged, to this is added every year between 600 000 – 700 000 matriculants entering the job market (Yu, 2012:1-42).

Lessons from other countries; theories and models of economic growth

In the East Asian models government played direct roles in the formulation of economic policies resulting in the miraculous growths. No generic specific factors have been identified as causative to the miraculous growth, except for; infant industry protection, export-led industrialization, push for universal education, state-directed capitalism, and market oriented centrally planned economies. These policies were complemented by massive education drives and technical skills development on the basis of which development was effected. The centrally planned Chinese and Indian economies brought the much desired economic growth and development resulting in import-substituting-industrialization, protection of the local economy and subsequent development of locally based heavy industries. The autarkic trade policies cut off links between domestic and international markets and instead pushed for exports from protected domestic-entrepreneur policies. Arguably the population sizes created the critical mass necessary for the domestic industries, which was protected from invasion by foreign producers. Six

indispensable elements for sustainable economic growth and development can be identified from these countries, these are;

- a. stable business environment with low inflation to encourage entrepreneurship and protect infant industries.
- b. centralised planning with appropriate sustainable fiscal policies to guarantee equal distribution of benefits from higher growth.
- c. exchange rate policies that promote export competitiveness with intentions to have sustainable export programs.
- d. context-relevant financial policies that lend to progressive liberalization of the sector and to maximization of domestic savings.
- e. implementation of context sensitive pricing policies and provision of clear user-friendly pricing guidelines.
- f. contextualised national educational and skills development policies that will improve the human resource capital for the country.

The presence of universal education and skills development was responsible for the presence of competitive skills that helped to buttress the outward looking push for development.

Hong Kong used the four principles of; free flow of information, free movement of people, free efficient flow of funds, and free port with free flow of goods (Hau, 2001:348). The government was directly involved in the activities and facilitated the development of entrepreneurship (Yu 2012:1-18) by creating a conducive environment through ‘directive entrepreneurship’ through provision of support for start-ups. The government provided; tax incentives, educational reforms, funding, networking and mentoring to encourage and promote new ventures (Tau 2003:425). South Korea combated the rigid labor market by emphasising cooperation between labor, management and government. This made the government the entrepreneur by encouraging investment in sections of the economy, and simultaneously provided financial support to secure the profitability and confidence until stability was attained (Shelton, 2009:1-59). This nurtured and developed capital-intensive industries with contextualised measures to support SMMEs (Jung, 2002:1-16).

Literacy as a measure of prospective entrepreneurship

Research results indicate that there is a relationship between the level of education in a country and the levels of entrepreneurial activities (Peter and Brijlal, 2011: 265-275), since the highest number of successful start-ups come from those with skills. To eradicate poverty and boost entrepreneurship, Africa has to eradicate

illiteracy by 2020 (Abass, 2010:284) according to the UN millennium goal. Illiteracy hampers entrepreneurship and the absence of entrepreneurship retards economic growth, meaning therefore the the foundations of economic growth reside in the education and skills program put in place by the government. Basing on teacher to pupil ratios, it is clear that education has not been taken seriously by the South African government (Taylor, Dlamini, Kagoro, Jinabhai and De Vires,2010:97-100) and the country may not reach its UN Millennium goals (Isaac, 2007:1-29).

Tertiary education lagging behind in SADC countries

According to SARUA (Southern African Regional Universities Association) report of June 12, 2012, the SADC region has the world's lowest higher education enrolment and the standards of higher education in the region are deteriorating. The report states; "The quality of higher education in the Southern African Development Community (SADC) region has deteriorated and the number of academic staff has declined. The enrolment rate is 6.3% with university doctoral registrations at 1%. In 2010 tertiary enrolment rates of the region were half of what they were in Africa and less than a sixth of the rest of the world'." The report posits that; "In 2050 the region is projected to achieve a 16.3% higher education enrolment rate – a figure that is too low compared to the current global gross

tertiary enrolment rate of 30%. While doctoral education has gained momentum elsewhere in the world. In 2008, SADC produced 1417 doctorate graduates, South Africa alone produced 1 274 of these, the remainder of 143 was produced by the other 16 countries (average of 10 doctorates per country). Turkey and Brazil produced 48 and 52 doctorate graduates per million people per year respectively, SADC produced 28 doctorates per million per year. The report admits that the region needs to look at “programme relevance” for the “developmental needs of our region”. The “education system must respond to the region’s priorities and not ‘copy development paths’ from developed countries.”

SARUA report (5th April 2012) “Building Higher Education Scenarios 2025: A Strategic Agenda for Development in SADC”, states; “Because the economic development prospects of the world’s countries and regions are increasingly tied to levels of education, the information gleaned from the scenario-building exercise is cause for concern. The most optimistic research predictions about the region’s; future development, reduced population growth, higher economic growth—the most significant driver of a better higher education future—and high spending on education, by mid-century the SADC countries are still likely to fall short of the global average participation rate of 30%. All countries that embarked on the path

of rapid economic development and growth had reached a 15% enrolment rate, SADC is at 6.3%, at the current growth rate, the region will reach 16.5% by 2050. The university: population ratio in the region is illustrated in the table below.

Table 5 The university to population ratio of SADC countries.

COUNTRY	POPULATION	UNIVERSITIES	RATIO
Angola	18 000 000	27	1:666 667
Botswana	2 000 000	6	1:333 333
DRC	75 000 000	62	1:1 209 677
Lesotho	2 000 000	2	1:1 000 000
Madagascar	21 000 000	10	1:2 100 000
Malawi	14 000 000	8	1:1 750 000
Mauritius	1.200 000	6	1:200 000
Mozambique	23 000 000	21	1:1 095 238
Namibia	2.100 000	3	1:700 000
Seychelles	.87 000	2	1:43 500
South Africa	51 000 000	23	1:2 217 391
Swaziland	1.060 000	2	1:530 000
Tanzania	45 000 000	30	1:1 500 000
Zambia	14 000 000	15	1:0.933 333
Zimbabwe	13 000 000	12	1:1.083 333

Source: Own construction

A comparison can be made between the region's university to population ratio with some of the developed and developing countries. Whilst it is possible to bring a measure of development without every one going to school, it is evident that good education results in higher entrepreneurial levels and the subsequent increase in start-ups facilitates both economic growth and development, which in turn reduces poverty through job-creation.

The Proposed South African Model

The reality on the ground is that South Africa has not done well on the education front, and as such literacy rates and skills are very low amongst the black. Because of the unprecedented history of South Africa, a unique and deliberate, historically-related socio-economic and culturally relevant entrepreneurial model should be developed. 40% of the GDP of the country comes from entrepreneurial activities compared to the global average at 70% (Witbooi, Cupido, and Ukpere, 2011: 1936-1941). Because entrepreneurship is an indispensable solution for poverty elevation (Olawale and Garwe, 2010: 729-738), the country should identify those key issues that are the pillars for sustainable entrepreneurship.

The first step; The most critical element for grooming entrepreneurs is education, whereas 57% of the blacks and coloureds who comprise 90% of the population do

not have Grade 12 level education (Driver, *et al*, GEM 2001:39). Only 6% (3 000 000) of the entire population (50 000 000) has tertiary education in a country that has not built a new university since democratic elections in 1994. The government should re-open and build new teachers' and agriculture colleges to provide high quality teachers to move the country and skills base forward. Mass education with extensive skills training should be part of government development policy.

The second step; boosting of technical skills through apprenticeships, technical colleges and technical high schools should be enforced vigorously to turn the tide of the skillless country into a vibrant country with technically literate people. Good governance and the presence of well-developed infrastructure and institutions need to be put in place.

The third step; government policies need relevance to the context in which the community lives, where their perceptions are their realities. The realities on the ground are; they do not have money to start businesses, they do not qualify for business loans, they have no technical skills from which they can sustain themselves, some do have ideas of viable businesses, they are chronically poor and will depend on seeking poor paying jobs and handouts from the government.

Integration of developmental factors; The generic factor identified as critical for effective economic growth and development is; the direct relationship between human development, economic growth and the consequent economic development (Brux, 2011:231). Hisrish, Peters and Shepherded (2005:10) define economic development as a sustained increase in the standard of living of a country resultant from increase in its human and physical stock. Economic development is measured by evaluating human development (skills and education), Nieman, Hough and Nieuwenhuizen (2003:314) posit that the quantitative measure of human development is evidenced by the literacy rates and economic ratios of a country. It is thereby hypothesised that a proactive developmental state should have deliberate government policies which must speak to the education and skills of its people as a must have and urgently so. The South African black is largely semi-illiterate, no exposure to business or technical skills, no role models to emulate, and no security against which to borrow capital from the bank.

The human capital elements which affect economic growth of a country. are; political stability, conducive government policies, and strategic partnerships. Economic theories postulate a direct relationship between levels of human development and sustainable economic growth. The foundation of economic development is the acquisition of more productive knowledge measured by

comparison of the GDP against the human development index (HDI). South Africa recently experienced a jobless economic growth, and the “trickle-down effect” theory did not materialise as hypothesised by those propagating for macro-investments and FDI as the answer to economic growth. Evidently, as reported above, economic opportunities, growth and development are best driven by entrepreneurship at the SMME level.

The model; The proposed model seeks to increase the number of entrepreneurship-hopefuls, reduce the start-up failure rate (the magic 20/80 rule), reduce chronic poverty and accelerate the distribution of wealth amongst the indigenous poor. The Global Entrepreneurship Monitor South African Report noted that the formal and public sector failed to absorb the growing number of job seekers (Herrington, Kew and Kew, 2009:1-71). Entrepreneurship was the missing ingredient that would have created new jobs for the economy by supporting SMMEs as effective job creation vehicles (Rwigema & Venter 2004:315). The role of the government would have been to allow for sustainable local business start-ups protection. Bento (2010:1-58) alleges that SMMEs contribute up to 70% of job creation in any economy, and it is these that grow to large corporations (Olufunso, 2010:87-98). Any policies on developing and nurturing the SMMEs should be supported by clearly defined enforceable regulations (Dutt and Ros, 2008:386) if the ability of

entrepreneurship to organise economies is to be realised and optimized.

Entrepreneurship education should be given to play a significant positive influence on the decision by young people to start businesses (Orford, Henrington and Wood, 2004:1-56), and the government must support such initiatives and promote holistic education (Nieuwenhuizen and Kroon, 2002:157-166) at all levels. Special emphasis should be put on the development of entrepreneurship amongst the indigenous people of whom 60% are chronically poor. What is lacking critically is education amongst these people, let alone the technical skills. which encourage self-employment.

There is relationship between entrepreneurial activities and the level of education, it is thus necessary that education and skills development precede the expectations of a high entrepreneurial attitude. These activities bring qualitative and quantitative changes to the community leading to national competitiveness (Kramer, 2012:1-86). Since economic development is primarily a policy intervention and whereas economic growth is a phenomenon of market productivity and rise in Gross Domestic Product (GDP), it is necessary for government to promulgate people-oriented and relevant policies that promote economic growth. It is known that cultural attitude and social background pre-determine the destiny of people (Olufunso (2010:87-97), this sentiment was echoed by Martin Luther King as

encapsulated in his statement; “your attitude determines your altitude.” The right attitude comes as intervention by government by introducing drastic change in education and skills development policies and programmes. Currently the country is under-producing entrepreneurial candidates (Luiz and Mariotti, 2008:1-17) and until the education and skills training is given greater focus, business-start-ups amongst the indigenous will remain extremely low.

There are specific documented causes of business failure, and these causes are listed in table 6 below. It is easy to propose a risk management plan for business start-ups since the causes of failure are known. Identified in the table below can be grouped into three elements, namely; under capitalisation, lack of management skills and technical skills. In the presence of a people oriented political, these can be supplied to reduce if not eradicate business failure totally.

Known causes of business failure

Under capitalization	Stock shortages
Poor understanding	Unnecessarily tying down capital
Poor strategic planning	Wrong stock or wrong products
Wrong types of businesses	Wrong pricing structure
Lack of skills in that industry	Lack of business cultural practices
Poor location of the business	Lack of hard work
Lack of management skills	Unethical behavior
Credit sales create cash flow problems	Poor control systems
Lack of focus	Competition
Poor Customer Service	Lack of clarity on business objectives

Source: Jowah (2011:11)

Under capitalisation; no money, or where available, little money is made available for the start-ups. The under-capitalised start-up struggles to be competitive right from inception, unable to advertise, stock or move into more competitive markets. Sometimes the size of operation is too small from the beginning allowing no adequate returns thus impacting on the Return On Investment and the period.

Lack of management skills; most small business-start-ups have no managerial skills and may have opted to get into business as a survival skill. Business type knowledge, an adequate market survey and appropriate managerial skills will

reduce the failure rate of start-ups. A good manager will provide a good strategic plan, avoid wrong types of business, business location, wrong market targeting, and will make appropriate decisions for the business.

Technical expertise; technically literate citizens are more likely to want to start their own operations if the opportunity for funding avails itself. Even where there is an experienced manager, there will be technical aspects of the business that will need specific technical skills. The technical aspects may relate to any aspect of the business, be they accounting, production, and other such operations as would need specialized knowledge.

The factors that cause failure are interdependent and need to be considered as one result emanating from numerous factors. The model is based on the assumption that the few educated and skilled prospective entrepreneurs have essentially three problems; no adequate start-up funds, no management skills and no requisite technical skills. This group of people is technically *unbankable*, but most of them have ideas convertible to business opportunities. Taking from the list of proposals submitted to the different finance houses, or through a deliberate development programme, the model suggests that:

1. economically viable business proposals are selected,
2. the business needs to be large enough to give good returns,
3. the necessary finance is made available for the start-up,
4. the finance must be adequate to employ skilled people,
5. an experienced retired business manager is assigned to the project,
6. the owner of the proposal is seconded to the experienced manager,
7. the owner understudies the experienced manager for the duration of the loan,
8. the owner undergoes extensive training on aspects of his / her business,
9. all the requirements for the operation need to be financed from the loan,
- 10.all the operations and financing are controlled by the financier,
- 11.handover a completely functional business to the apprenticed owner.

Table 7: Entrepreneurial model for less skilled entrepreneurs

Factor	Impact
Establish a government finance house providing finance to business	A finance house that doesn't look for credit worthiness but business feasibility / viability.
Type of business	Extensive feasibility studies be carried out once proposals have been submitted. The start-up should be a viable business and large enough to sustain itself once it has been established
Finance	Adequate finance to meet all operational requirements covering the period during which the ROI is to be realised should be provided. Finance should cover the operational costs including advertising, technical human resources, and room for adjusting programmes to meet the market changes.
Managerial competencies	Experienced retirees will be brought back on contracts for the duration of the loan payback time. The owner of the business idea will be given to understudy the experienced manager until loan payback is complete.
Competency transference	Structured extensive mentoring and coaching of the entrepreneur is embarked on to transfer skills to the apprentice manager-owner. The business owner will be on salary like the mentor and coach in charge of the operations.
Direct link with finance house	The mentor / coach / manager will report directly to the finance house. This link allows for intervention where necessary by the finance house to avoid risks that might crop up.
Type and size of the project	The type and size of the project should be such as to sustain the operational expenses on its own once the production commences. This means certain sizes (small businesses) may not be financed through this model.
Managerial competencies	Emotional intelligence, leadership styles, soft skills and planning abilities, knowledge areas, experience
Environment	Internal environment; support for entrepreneurs, preparedness for work, work ethics and remuneration
Information Gathering:	Source information from different support institution, coordinate the information and integrate the communication process.
Self Confidence	Belief in one's ability to manage is critical for effective leadership, it enable assertiveness and strengthens in the face of economic change
Conscience	An entrepreneurs needs to be able to identify pending problems, understand the feelings of the business environment, and communicate effectively.
Influence Skill.	Influence is the ability to make people support you, work gets done by people, and the people need to be influenced positively to be effective.
Political	Internal politics; control of resources, coalition, negotiation and compromises. External; legislation, consumerism, unionism, and laws governing operations.

Source: Own construction

The circumstances under which the indigenous people in South Africa find themselves are extremely pathetic and untenable. Education has not been part of the culture and because they were not allowed to register and run companies in the past, there are high levels of inexperience in business. The low level of education, the absence of role models and the type of education prepares them for a life of servitude. Most go into business with no experience and not willingly, only because they have no job and need to sustain their extended families and themselves. The levels of self-confidence and risk evasion are extremely high. This lowers the morale and increases the fear of failure in the minds of these people without much academic or material reserve for themselves which creates high uncertainty avoidance attitudes.

Conclusion

In view of the preceding analysis it can be summed up that the greatest need for Africa is a form of a developmental state. This is a form in which the economy is directed by the state with special emphasis on the historical and current condition of the majority of the population. As evidenced by the drastic reduction of poverty in the Asian countries, most of whom had state-led macroeconomic planning, specifically in East Asia. A developmental state has deliberate and visible state intervention sometimes supported by regulation to protect the indigenous

businesses against international predation. Botswana, considered to be a model of poverty eradication on the continent used the developmental state approach to the empowerment of the impoverished population of the desert country. In 2009, the United Nations report indicated that of the poorest 24 countries in the world, 22 of these were in Sub-Saharan Africa. Clearly there is a need to address this situation if the continent is to move out of the current state of economic and social quagmire. For this, a purposeful approach is required in the form of context relevant models. Models should be guidelines and problem solving structures for the entrepreneurial minded citizens adapted to suit the needs of aspirants. The model must be informed by the circumstances surrounding the entrepreneurs and the social structure in which the start-ups take place. Entrepreneurship is the only way of moving Africa from poverty, especially considering that the continent has only 15% of its population as formerly employed. There is a desperate need to move the continent from producing what they don't consume (mineral resources) and yet do not consume what they produce (importation of finished products) as these products are made from finished goods from exported raw materials from the continent.

With this, it is critical to know that expectations of high levels of entrepreneurship are justifiable only if there is a guarantee to succeed. The government policies that

are promulgated have no relevance to the general South African black who is generally considered as *unbankable*. The citizen has had little education and no work experience with exposure to the operational and supervisory functions of a business. As a community the black populace has very little of “role modelling” from which to learn from except for small street corner kiosks which are purely survivalist operations living from hand to mouth. Too often people employed elsewhere outside of the community have better income than these micro-operators. The running of a business therefore remains for the privileged few to the exclusion of the millions that comprise 80% of the population. When these people are retrenched or when they fail to get a job, then they think of venturing into some income-generating-activity for survival.

The current government programs leave the entrepreneur at the mercy of the banks, though the loan is to be guaranteed by the government agencies. The primary requirement by the banks is to confirm if the individual will be able to pay back the money from their current possessions. These people, historically poor because of where they come from, do not have descent education, 1 out of every 3.4 of them do not afford 3 meals a day. Even where property is available, it is located in the townships and the bank sees no value in that property. If entrepreneurship is what it is said to be, the government has to be entrepreneurial itself and make a bold move

of financing the start-ups directly and not through the banks. Make a deliberate effort to reward those with good and viable ideas with entry level assistance until the entrepreneur is on his / her feet. The model emphasises the importance of viable ideas rather than security for the financing from people who themselves do not own anything.

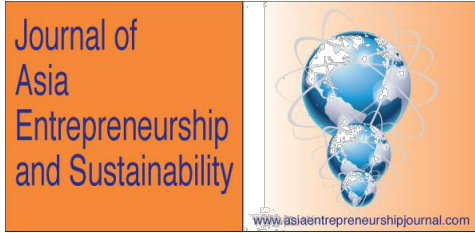
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