

ENTREPRENEURSHIP TRAINING AND JOB CREATION IN SOUTH AFRICA: ARE TERTIARY INSTITUTIONS FILLING THE GAP?

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Injustices, prejudices and other developments in the history of a group may disrupt their social cohesion leading to a vicious circle trapped in poverty. In South Africa, for many decades, black people experienced an oppressive white minority regime that implemented segregationist policies. In 1994, a first black president from the African National Congress (ANC) was elected and there were high hopes that the new dispensation would create a better South Africa for all. Various ANC governments since then have adopted many economic programmes with the aim to halve poverty and unemployment by 2014 – especially among the historically disadvantaged individuals (PDI). In 1994 the ANC adopted the Reconstruction and Development Programme (RDP) as a policy framework to guide in transforming South Africa from a divided society to one that provides equal opportunities for all its citizens. The main principles of the RDP were to meet the people's basic needs; to develop the country's human resources; to build the economy; and to democratize state institutions and society. In 1996, according to many commentators, many of the RDP's targets were as yet unrealised.

Two years later, in 1996, the ANC adopted a plan known as the Growth, Employment and Redistribution (GEAR)¹ a macroeconomic strategy for rebuilding and restructuring the economy in line with the main principles of the RDP. Where the RDP had promised basic services for all, GEAR promised public-private sector partnerships based on cost recovery. It is estimated that almost a million jobs were lost to GEAR and South Africa's unemployment rate is now estimated at almost 50 per cent among young people. During the same period, two new initiatives, Black Economic Empowerment (BEE) and thereafter Broad Based Black Economic Empowerment (BBBEE), designed to correct the imbalances of the past by targeting those who are entering the job market for the first time, were launched. On 6 February 2006, during a media briefing, Deputy President Phumzile Mlambo-Ngcuka announced a background document, a catalyst for Accelerated and Shared Growth Initiative-South Africa (ASGISA), with the objective of supporting previous programmes in the effort to halve poverty and unemployment by 2014.

It can thus be seen that the problem of poverty alleviation and unemployment remain the primary concerns of various initiatives that have been developed since 1994 by ANC governments. This article aims to make a contribution to official initiatives that strive to tackle the issue of unemployment among young graduates. In so doing it highlights the role of higher learning institutions in the process. The paper also discusses the fact that universities have thus far failed to make a significant contribution to the implementation of government policies on job creation. Finally the article posits a strategic framework for effective and efficient programmes on job creation among youth graduates.

The first part of this paper provides the key rationales of this contribution. The second part explains the concept of entrepreneurship, the characteristics of entrepreneurs, and the development of the discipline during the last decades, while the third part of the discussion turns to the contribution of entrepreneurship in job creation in USA, showing how the same process could be implemented in South Africa. Finally a strategic framework for an effective and efficient job creation and unemployment reduction in South Africa is suggested.

Key phrases: Entrepreneurship education, job creation, employment.

JUSTIFICATION FOR THE PAPER

Why it is important to focus on youth unemployment among South Africa graduates from an entrepreneurial perspective? A key rationale for supporting the development of young entrepreneur's is its potential to generate output, employment and income

(MacIsaac 1996). Many view entrepreneurship as central to innovation, economic growth and job creation. Therefore, if the creation of small and medium enterprises (SMEs) contributes substantially to job creation and income generation, and provides employment opportunities for an increasing number of graduates, it makes sense from an efficiency perspective to explore the introduction of entrepreneurship as a means of empowering South African graduates.

A second rationale for targeting youth graduate entrepreneurs in South Africa is welfare improvement. Poverty alleviation policies that target the youth are seen as the key to the future well-being of the nation. Through entrepreneurship the youth can earn their livelihood, supporting themselves and their families with the income they generate from their entrepreneurial activities, thus reducing poverty levels.

A third rationale for intervening to support youth entrepreneurship is to contribute to their social and economic empowerment. Various researchers such as Kantor (2001) support this rationale in the belief that self-employment and entrepreneurship increase the self esteem and confidence of the youth, leading to greater control over their lives in social and economic spheres. What then is entrepreneurship? The next section addresses this point.

ENTREPRENEURSHIP DEFINED

The word entrepreneurship is derived from the French *entreprendre*, meaning to undertake, to pursue opportunities, to fulfil needs and wants through innovation; this may include starting businesses inside or outside an established organization. The dictionary definition of entrepreneur is one who undertakes to organize, manage, and assume the risks of a business enterprise. Thus, the entrepreneur is someone who undertakes to accomplish, to make things happen, and does so. As a consequence, the entrepreneur disturbs the *status quo* and may thus be regarded as a change agent. In such a capacity, he or she does not just work for him or herself in a small firm but may be employed in a large organisation (Kirby 2002).

In simple terms, Antonites (2003) defines an entrepreneur as an individual with the potential to create a vision from virtually nothing. Timmons (1994:7) regards the process of entrepreneurship as follows:

Entrepreneurship is creating and building something of value from practically nothing; a human creative act. It involves finding personal energy by initiating and building an enterprise or organisation, rather than by just watching, analyzing, or

describing one. It requires vision and passion, commitment, and motivation to transmit this vision to other stakeholders.

In the view of other scholars in the field, entrepreneurship can be defined as follows:

Entrepreneurship requires a willingness to take calculated risks, both personal (time, intellectual) and financial, and then doing everything possible to fulfil ones' goals and objectives. It also involves building a team of people with complementary needed skills and talents; sensing and grasping an opportunity where others see failure, chaos, contradiction, and confusion; and gathering and controlling resources to pursue the opportunity, making sure that the venture does not run out of finance when it needs most.

At any time, the entrepreneur needs certain resources to start a business venture, or to realize a business opportunity, either outside or inside the business, which are financial, and human resources. From the definitions outlined above it is clear that entrepreneurship holds the promise of future growth, expansion and long-term financial gain; that is why sometimes a small business that focuses merely on the survival of its owner cannot be seen as an entrepreneurial venture. (Van Aardt *et al* 2002) For the purposes of this paper, however, even small business owners are considered to be entrepreneurs.

Timmons (1994:7) regards the process of entrepreneurship as follows: entrepreneurship is creating and building something of value from practically nothing; a human creative act. It involves finding personal energy by initiating and building an enterprise or organisation, rather than by just watching, analysing, or describing one. It requires vision and passion, commitment, and motivation to transmit this vision to other stakeholders. According to Drucker (1985:143), 'most of what you hear about entrepreneurship is all-wrong. It is magic; it is not mysterious; and has nothing to do with genes. It is a discipline and, like any discipline, it can be learned.'

Entrepreneurship requires a willingness to take calculated risks, both personal (time, intellectual) and financial, and then doing everything possible to fulfill ones' goals and objectives. It also involves building a team of people with complementary needed skills and talents; sensing and grasping an opportunity where others see failure, chaos, contradiction, and confusion; and gathering and controlling resources to pursue the opportunity, making sure that the venture does not run out of finance when it needs most.

Basu (2004) suggests that entrepreneurs often had aspirations different to those of common people. Other personal characteristics that supposedly differentiate

entrepreneurship from business owner manager include initiative, a willingness to take risks, self-confidence, perseverance, resourcefulness, independence, persuasiveness, tolerance for uncertainty and ambiguity (i.e. seeing ambiguous situations as challenges rather than as problems), imagination, high need for achievement, and a strong belief in being in control of one's own destiny (Ibrahim & Soufani 2002; Llewellyn & Wilson 2003; Deamer & Earle 2004).

From all the definitions outlined earlier, entrepreneurship holds the promise of future growth, expansion and long-term financial gain; that is why sometime a small business that is only aimed at the survival of its owner cannot be seen as an entrepreneurial venture. (Van Aardt, Van Aardt & Bezuidenhout 2002) For the purpose of this paper, even small business owners are considered to be entrepreneurs.

JOB CREATION THROUGH ENTREPRENEURSHIP IN USA

The history of entrepreneurship the United States is an example that calls for a careful examination. More than 20 years ago, David Birch, a researcher at the Massachusetts Institute of Technology (MIT) began to report his findings in his seminal book *The Job Creation Process* (1979). Birch surprised all politicians, researchers and the business world at large when his research showed that the new and growing smaller firms created 81,5 per cent of the net new jobs in America in the 1969 to 1976 period. From 1993 to 1996, eight million jobs were created in the US – and of these 77 per cent were by small enterprises. The overall contribution of small and medium size companies is shown in the change of American patterns of employment. During the late 1960s, one out of four persons went to work for a Fortune 500 company. In 1980s, the Fortune 500 employed one in five of the workforce. However, by the late 1990s, that number was just one in fourteen. (Timmons 1994:7-8) This history of the explosion of job creation by small and medium enterprises is directly linked to important initiatives taken to promote entrepreneurship in the US. Creating jobs and fighting unemployment was a direct result of the promotion of centres and institutions in entrepreneurship – and ultimately the training of entrepreneurs. These entrepreneurs were trained to take calculated risks by launching their own businesses. Are South African universities addressing this issue?

STRATEGIC FRAMEWORK FOR JOB CREATION THROUGH ENTREPRENEURSHIP EDUCATION IN SOUTH AFRICA

To successfully address unemployment across youth graduates, certain things need to be developed regarding the training of potential entrepreneurs through tertiary institutions. Entrepreneurship education is a common course of study in higher education settings. A wide variety of curricular approaches exist, though many common elements are found across institutions and settings. These texts and programs must be structured to introduce the concept of entrepreneurship and provide hands-on experience and working models for students to develop skills as entrepreneurs. The principles of entrepreneurship must be considered valuable for students at all levels. In response to the rapidly changing national landscape, not only of high unemployment but more generally of economic growth and job creation, entrepreneurship is being increasingly emphasized as a critical resource.

Timmons and Spinelli (2007) recognise that there is no substitute for actually starting a company, but it is possible to expose students in all fields to many of the vital issues and immerse them in key learning experiences through cases studies of successful entrepreneurs. Concerning this point on students' capacity building in entrepreneurship, a multi-sectorial policy, going from higher education institutions to centres of training, is needed. For a long period of time, many graduates in all fields of study were not trained in entrepreneurship. However, many universities are engaged in various programmes dealing to fill this gap on training of potential entrepreneurs. The courses included entrepreneurship and small business management, innovation and creativity, opportunity recognition and business plans. These courses are aimed in developing and unleashing graduates' expertise about entrepreneurship. As it has been mentioned earlier in the case of US, the proliferation of entrepreneurs was associated with the emergence of centres and higher education institutions specialised in entrepreneurship.

In universities, courses in entrepreneurship must be implemented at all levels and in all fields. The course "entrepreneurship" focusing on the management of creativity and innovation develops the nature of creativity and innovation, and how entrepreneurship involves the ability to identify market opportunity based on new ideas. The course may assist the student to recognise any opportunity around him. However, the course on Entrepreneurship and New Venture Creation are intended to build personal appreciation for the challenges and rewards of entrepreneurship; and to foster continued development of venture ideas, suitable as career entry options or for investments. (Löwegren 2006) A social sciences or engineering student needs the same entrepreneurial skills that the business student; the same with the medical doctor student. A business plan is needed to open a clinic or a law firm. An

opportunity recognition is not there for only business students, but to all those who are willing to embark in any entrepreneurial activities.

Henry, Hill and Leitch (2003:12) point out that entrepreneurship training can complement the early stage awareness-raising function of entrepreneurship education, as it provides the more practical skills that entrepreneurs require when they are ready to set up their business. Ladzani and Van Vuuren (2002:156) state that organisations wishing to develop entrepreneurship education presuppose that the lack of training of entrepreneurs is the main reason for venture failure. In the same line, Pretorius, Van Vuuren and Nieman (2005:424) add that the transfer of the requisite knowledge and skills is the easiest part of training and is incorporated in most training programmes on entrepreneurship. However, the behaviour to engage in the start-up process is what really matters and is what is lacking in most entrepreneurship programmes. The next paragraph addresses the problem of current tertiary institutions curriculum in entrepreneurship; the missing link.

Kirby (2002) and Timmons and Spinelli (2007) suggest that successful entrepreneurs have a set of personal skills, attributes and behaviour that go beyond the purely commercial. It is these attributes, according to the authors, this way of thinking and behaving, which needs to be developed in students if their entrepreneurial capabilities are to be enhanced and they are to be equipped to meet the challenges of the entrepreneurial climate of the 21st century. Therefore, both the content of courses and the process of learning need to change.

BUSINESS INCUBATORS

Another element needed for an effective and efficient contribution from universities in the effort to tackle youth unemployment is the development of business incubators within universities with the aim of linking theoretical training to practical exposure. In short, a business incubator is a facility designed to assist businesses to become established and sustainable during their start up phase. Typically, this is done by providing: premises, business advice and business services, access to potential clients/suppliers database, as well as mentoring and other services intended to establish the new venture. Critical to the incubator is the provision of management guidance, technical assistance and consulting tailored to young growing companies. These incubators must also provide to potential youth entrepreneurs information on appropriate space and flexible leases existing in the market, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for company sustainable growth. The roles of these incubators are to assist potential entrepreneurs to transform their ideas from fiction into reality.

Therefore the first point is a business plan or a road map; the point the venture want to be in the future, its milestones, the means and mechanisms that will be used to go through the difficulties that the business may encountered and ways and tactics on how to overcome them.

CONCLUSION

Society is the social and physical context in which people establish or acquire businesses. In any society, entrepreneurship is important for any society to generate economic growth for social-economic welfare of the population in general, and graduates in particular. In this regard, Porter (1990) notes that entrepreneurship is at the heart of economic advantage. In a South Africa's divided society, where increasing young graduates are unemployed and facing the possibility of spending ten years without a job, entrepreneurship is of paramount importance.

Many South African universities have embarked on programmes in entrepreneurship and one can already study for a Bachelor's, Master and Doctorate's degree in Entrepreneurship. This is a first step in introducing entrepreneurship into the curricula of South African universities. However, these programmes are only for management sciences students. They must be expanded to include a far wider range of disciplines (Engineering, social and medical sciences students). However, as Kirby (2002) notes, the training of entrepreneurs in the classroom is about the development of an enterprising environment and approaches to learning in which entrepreneurial aptitudes and capabilities can flourish, alongside business acumen and understanding. Therefore, there is a need to change the entrepreneurship curriculum and process of learning.

Associated with these theoretical programmes, there is also a need to have business incubators established within universities; this will enable students to experiment with their projects and give them the necessary skills to embark on new ventures. By doing so, tertiary institutions could play their roles in job creation and poverty alleviation. All these recommendations could not solve the social ills that young graduates are facing; they must be seen as a contribution to a range of various initiatives that have the potential to halve unemployment in South Africa.

Endnote

- 1 GEAR was drawn up on the initiative of 15 economists; two of them from the World Bank, the others from various African banks; the Reserve Bank of South Africa; neo-liberal think tanks and corporations. Only one economist had any footing in the South African Democratic movement, and only one was black.
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