



GORDON INSTITUTE  
OF BUSINESS SCIENCE

University of Pretoria

## **Part IV: Discussion and conclusions**

This part contains Chapter 20: Cross-Case Themes and Chapter 21: Conclusions. The cross-case themes were selected for their ability to add value to entrepreneurship scholarship by contributing new insights, perspectives and models

The conclusions examine the methodological, empirical and theoretical contributions of the study to the literature, and makes recommendations regarding future research.

## CHAPTER 20. CROSS-CASE ANALYSIS AND THEORY DEVELOPMENT

This chapter describes the themes emerging from the case analyses conducted, as captured in the code families defined in Appendix K. Although 30 code families and 16 super families were defined, 12 themes are presented in this chapter. These themes were selected for their ability to add value to entrepreneurship scholarship by contributing new insights, models and perspectives (Mintzberg, 2005; Weick, 1989).

The discussion of each theme draws on the coding process and sets out, by a process of analytic induction, to identify relevant commonalities and contrasts between the different case data sets and highlights differences and similarities between the findings and the literature. The result is a series of models or typologies that seek to codify regularities in the phenomenon of South African entrepreneurship as a stimulus for future research (Bennett and George, 1997).

### 20.1. Early influences on the entrepreneur

Subjects in this study readily attribute their later entrepreneurial development to events, values and behaviours experienced in childhood. Reviewing the findings of each case relating to early influences on later entrepreneurial motivations and behaviours reveals five interesting commonalities in the subjects' personal histories.

Firstly, in each case, the subject had experienced some form of shock or dislocation, which made the individual feel alienated from others, promoted a sense of difference or uniqueness (Howorth et al, 2005) and created a need which was later fulfilled by new venture creation. In Ahmed, Andre and Kenneth's case, the death of a father, the divorce of parents respectively created a need for financial security.

*And it got so bad to a point where I had one pair of shoes and it had holes in it and I had to walk to school. And I mean I had to walk for almost two hours to get to school come rain or shine. And I used to take the inner tube of the car, the tube, and I used to stitch that tube to the soles of my shoes so I could have shoes to walk to school. (7D OCMS 4:144)*

In Hansqcase, health problems, in Johanq case serial domestic relocations and in Margaretq and Andileq case their own intellectual capability, created a sense of alienation and difference from peers which in turn stimulated a need for autonomy.

Secondly, the role of family in stimulating entrepreneurial interest is evident in each case, whether this took the form of role modelling, as with Andile and Byron, encouragement as with Hans, Johan, Margaret and Kenneth or in reaction to the perceived absence of encouragement, as with Ahmed and Andre.

*My parents have always been independent. So on my side my mom's had her boutique since the 1980s, so she's always been an entrepreneur. My dad has had his medical practice also since the 1980s, so in my family I haven't really ever known anyone to work for someone. So for me it's never really made sense to be an employee. (2B YBMS 17:599)*

*But it was a struggle you know. I used to work on Friday afternoons and Saturdays in a clothing shop to earn extra money, to look after my mom. That was a big motivating factor because I knew I had to do something to inspire myself. (1A MIMG 3:88)*

These findings reinforce those of the recent family embeddedness literature, which calls for greater attention to be paid to the role of the family, not only in stimulating entrepreneurial interest and highlight opportunities (Aldrich and Cliff, 2003), and participating directly and indirectly in the formation of new ventures (Steier, 2003), but also in the formation of values that drive later entrepreneurial decision making and behaviour (Morrison, 2001).

Thirdly, the findings confirm the importance of education in entrepreneurial development (Acs *et al*, 2004), and highlight the role of tertiary education particularly. It is clear that education not only delivers basic knowledge and skill, it plays an important role in developing self-efficacy. The desire to compete, considered by some subjects to be a core motivation for entrepreneurship, was believed to have been triggered at school.

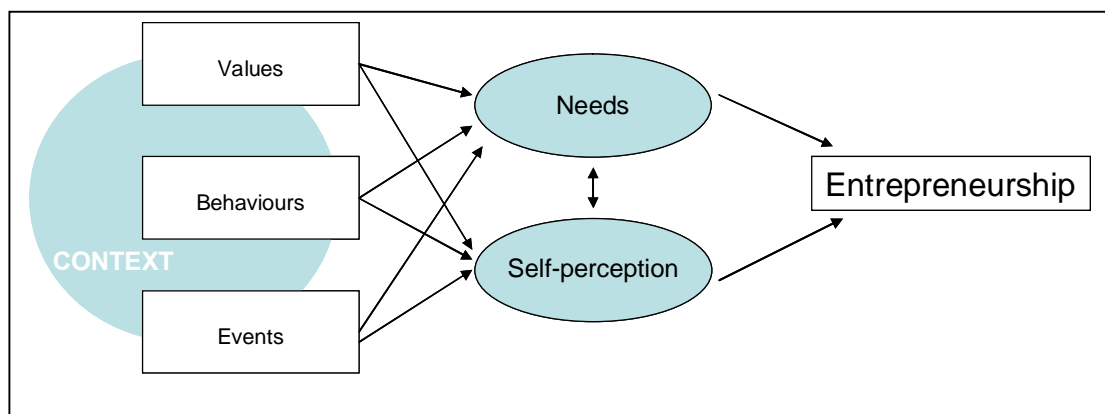
Those without a tertiary education implied they felt the lack of further education and seemed to feel the need to compensate in some way; Hans by over-researching solutions to problems, Kenneth by being unduly ingratiating in his relationships with others and Ahmed by over-analysing each decision.

However, it seems possible that an entrepreneur can create *substitutes* for lack of education, especially by establishing the right kinds of networks and business partnerships, as is clearly evident in Ahmed's and Kenneth's case.

Fourthly, the subjects' positive experiences at work were seen as strongly preparatory, involving: skill development, both technical and business oriented; the development of relationships furthered personal growth and/or were regarded as being potentially useful in future; and earning salaries that enabled the accumulation of savings and acquisition of assets against which future entrepreneurial risks could be set. Performance at work was also an important source of self-efficacy for the subjects.

Finally, of all work experiences described, the most influential were the prior experiences with new venture creation, whether survivalist or opportunist, successful or failed. Prior entrepreneurial experience evidently enhances the desirability and feasibility of entrepreneurship and contributes directly to entrepreneurial self-efficacy. The role of work experience is discussed further in 20.4.

The relationship between these early influences and later entrepreneurial development may be illustrated as follows:



**Figure 19. Early influences on later entrepreneurial development**

The model suggests that the context in which the entrepreneur grows up create specific needs (for achievement, autonomy and financial security) that are fulfilled by entrepreneurship and a self-perception (as outsider, winner) that is validated by entrepreneurship.

Exploring early influences on the entrepreneur goes to the question of whether the entrepreneur is born or made. Popular literature favours the notion that an entrepreneur, like a leader, is born with a set of unique characteristics, capabilities and drives that produces entrepreneurial thinking and behaviour. The scientific literature is increasingly acknowledging that, despite the findings of behavioural genetics, and that temperament is discernible at an early age and remains fairly constant throughout life, the environment also plays a significant role (Pinker, 2004).

This analysis contributes to the debate by showing that particular events and experiences in the individual's childhood, education and work history can shape the development of entrepreneurially relevant: needs or motivational drives; knowledge and skills; relationships; values; self-confidence and self-efficacy. Although it may be true that some entrepreneurs are born, it is equally true that entrepreneurs can be made.

## **20.2. Motivation for entrepreneurship**

In considering why the rates of entrepreneurship are relatively low in South Africa, the first question is whether entrepreneurs in this country are differently motivated to those elsewhere, as a result of different macro-environmental conditions.

Some theorists have argued that prevailing social norms in South Africa militate against an entrepreneurial mindset (Nasser *et al*, 2003; Pretorius and van Vuuren, 2003), thus reducing the desirability of entrepreneurship. It is also argued that regulatory conditions and the structure of the economy reduce the perceived feasibility of new venture creation (Hudson, 2006). However the force of these arguments has been somewhat weakened by the failure of relatively recent large-scale empirical studies to find causal links between culture and entrepreneurship (Hunt and Levie, 2003) and the macro-environment and entrepreneurship (Acs *et al*, 2008).

It is therefore considered useful to examine the motivation of the entrepreneurs in this study fairly closely, in the hope that deeper insight might be gained into what motivates the creation of new ventures. By motivation we refer to the

psychological force inciting an individual to exert effort toward particular goals, a mechanism for satisfying individual need (Gatewood *et al*, 2002).

The entrepreneurship literature notes that entrepreneurs are motivated to initiate new ventures when they perceive entrepreneurship to be both desirable and feasible (Krueger *et al*, 1994), and there is a propensity to act (Shane *et al*, 2003). It is important to highlight that the motivation construct is here assumed to refer to entrepreneurship in general, rather than to a specific opportunity.

Desirability and feasibility are dealt with in this section, while propensity to act is included in the notion of commitment and dealt with in 20.5. The entrepreneur's assessment of barriers and risks, a component of perceived feasibility, is covered in 20.8 as part of the business and environmental level of analysis. The research also distinguishes between motivation to *initiate* a new venture, dealt with here, and motivation to *persist* with a new venture, dealt with in 20.11, on the grounds that these factors differ.

Table 25 illustrates how motivation differs for each of the cases in this study.

In Ahmed and Kenneth, the need to achieve is strongly linked to the attainment of financial security for themselves, but especially for their families, while in Andre, the need to achieve clusters together with wealth creation and associated social status. In Byron and Margaret, need to achieve and financial success are directly related to their sense of self-worth and ability to realise personal value. For Andile, Hans and Johan, the financial dimension seems less prominent, with the need to achieve being strongly linked to more self-actualising motives.

**Table 25. Entrepreneurial motivation**

Cases		Key desirability influence	Key feasibility influence	Illustrative quotation from transcripts
1	Ahmed	Security, achievement	Self-efficacy, spouse	<i>If you are not in control of your own destiny, you are never going to be secure. You are always going to rely on others to provide security for you. (1A MIMG 3:108)</i>
2	Andile	Independence, achievement	Self-efficacy, parents	<i>I need to be able to wake up and think, OK what is this huge thing that I have to do? What is this challenge, this thing that's in my way that I have to move and get rid of and change? I thrive on that. (2D YBMS 9:301)</i>
3	Byron	Independence, value	Self-efficacy, parents, spouse	<i>My approach has been maybe based on being worth much more. I think I have much more to offer than what someone can do for me if I am employed. (3D MBMS 12:406)</i>
4	Hans	Independence, achievement, spirituality	Self-efficacy, parents, spirituality	<i>It's something that at the end of the day – I mean, I do it for myself. I've never built a house before. Let me see if I can and then I built this house. Let me see if I can do this and I'm sure these things are easy. And it's the thing nice about learning. (4D MWME 2:45)</i>
5	Margaret	Independence, value	Self-efficacy, education	<i>But I think the motivator was when I look at myself, sometimes I know what I want to do and sometimes I don't want somebody to tell me what to do today. As long as you can understand what needs to be done. How I do it, when I do it, I want to be in control of that. (5A MWFS 3:93)</i>
6	Johan	Independence, achievement, spirituality	Self-efficacy, education	<i>So I think it's difficult always to know exactly why you're busy with certain things and what's busy happening and what is your ultimate purpose. The day when you are put to rest and people stand around the grave and they say their words and the question is "what are they going to say about you?" And at that point will they be saying that "ja, he lived a totally fulfilled life in all aspects of his being". (6D OWME 23:816)</i>
7	Andre	Independence, achievement, social status	Self-efficacy, spouse	<i>People always expect you to achieve more than what you have achieved before. Because what you have done yesterday, is yesterday's news. And you always have to go bigger and bigger. It took me a while to realise that I have a fear of success. (7D OCMS 8:261)</i>
8	Kenneth	Achievement, security	Self-efficacy, spiritual	<i>I was just really taking a chance, I don't know, I was desperate ... And I needed the cash, because now my schooling had stopped completely, and I needed to go back to school, and I paid with cash, so I thought I would go work full-time, or you try this. (10A YBME 5:154)</i>

With respect to the perceived feasibility of new venture creation, existing research is generally confirmed (Chen *et al*, 1998), as self-efficacy seems to have played a major role for the subjects in this study. The source of entrepreneurial self-efficacy is not the same in all cases, however, with Andile and Byron attributing their self-efficacy to parental role models, Ahmed and Andre to spousal partners, Margaret and Johan to their education and Hans and Kenneth indicating that their self-efficacy was directly derived from their spiritual beliefs.

It is important to note that Ahmed, Johan, Margaret and Kenneth all retrospectively acknowledged their own ignorance and over-optimism at start-up, reinforcing the notion that self-efficacy is a perceptual phenomenon, rather than a direct reflection of concrete capabilities and that self-efficacy may change over the life of the venture (Littunen, 2000).

The key implication of these findings is that the motivation to embark on entrepreneurship may be closer to being socially constructed than being related to an inherent personality characteristic. This implies that motivation can be developed, given the right conditions.

### **20.3. Preparation for entrepreneurship**

Prior to start-up, even novice entrepreneurs are generally aware that the venture creation process is likely to be demanding, not least because there is uncertainty about the timing and nature of the desired outcome. As a result, individuals often embark on an informal training programme designed to ready them for entrepreneurship.

The cases vividly illustrate that individuals deliberately *prepare* for entrepreneurship, following a decision to pursue the entrepreneurial route, but *prior to* identifying a particular opportunity. Such generic preparation is believed to minimise the downside risk associated with entrepreneurial endeavour, while increasing the probability of survival and performance.

*It's always about plotting, planning, thinking way down the road what's going to happen. So it's just preparing for things further down the road than you can actually see. (2A YBMS 17:569)*



This preparation may take a number of forms, including the acquisition of knowledge, experience, resources and relationships that the nascent entrepreneur believes might later be applied to the entrepreneurial experience.

Six types of preparation have been identified during the conduct of this research. The first involves the individual in acquiring entrepreneurially relevant knowledge, either by reading entrepreneurial literature or by attending an appropriate course. The second involves the acquisition of relevant experience, through choosing particular employment or entrepreneurial roles, as detailed in 20.3.

Thirdly, individuals prepare financially for the entrepreneurial event, either through savings or, fourthly, by acquiring non-core assets which can be used as collateral for anticipated future borrowing. This financial preparation is primarily for the purpose of funding personal and family expenses in the earliest non-income-generating stages of new venture creation, although it may also be used to fund the acquisition of generic physical resources required for business development.

Fifth, entrepreneurs prepare by acquiring the physical resources they expect they will need once the venture has been initiated. Finally, preparation also involves identifying and establishing relationships with individuals and organisations that might later be useful to the entrepreneur, as well as preparing family and friends for the likelihood of the entrepreneurial event.

The acquisition of relevant knowledge and financial savings were the most common modes of preparation by individuals in this study, as illustrated in Table 26, overleaf:

**Table 26. Modes of preparation**

Cases	KA	WE	FA	FS	PR	ND	Illustrative quotations from transcripts
1 Ahmed		X	X	X			<i>You need to make sure you are debt-free and you have some cash reserves to get the business going. Because you don't know what's going to happen. (1A MIMG 9:299)</i>
2 Andile	X	X		X		X	<i>We've been saving from our jobs and saving so that if we do get to a point when we're working for six months and we are trying to break even, and there is no real income. We do know that we've still got our savings and our other investments that can keep us afloat. (2B YBMS 19:662)</i>
3 Byron	X	X	X	X			<i>So what we did is we bought four properties, and we managed to save a bit of money when we were in Australia as well. So when we came back we took what we had saved and refinanced one of the properties, and that was our start. (3A MBMS 11:353)</i>
4 Hans	X		X	X			<i>I worked for FAO and for the United Nations Development Programme, in Uganda, in Liberia and I was in southern Sudan, I was in Botswana and Lesotho and Swaziland, all over the place. And that's how I saw not to do agriculture. (4A MWME 2:58)</i>
5 Margaret	X	X		X	X		<i>The thing is to be ready, emotionally, financially and maybe have the right support structure from family and people around you. (5D MBFS 17:559)</i>
6 Johan	X	X		X			<i>I knew quite a lot of what was happening in the industry and where technology was going, where the opportunities lie, etcetera, etcetera. And that was a main drive for me to say "all right". (6A OWME 2:55)</i>
7 Andre	X			X			<i>I said OK, I don't know enough, I need to know a little bit more of my business. So I did a one-year course at the School of Business, incorporate business management. You know financial accounting, all those kinds of things, so as to give me a better understanding. (7D OBMS 11:391)</i>
8 Kenneth	X					X	<i>I can see that business is the way to go. Now I need to get a lot of knowledge, now I am acquiring a lot of knowledge, I want to do a lot of extra courses ... (10A YBME 16:588)</i>

**KEY**

- KA** Knowledge acquisition
- WE** Work experience
- FA** Financial asset acquisition
- FS** Financial savings
- PR** Physical resources
- ND** Network development

Apart from Kenneth, who had barely been employed prior to start-up, all subjects had saved specifically for the purpose of supporting themselves and their families during the start-up process, even though no particular opportunity had been identified. Similarly, while Ahmed relied on his work experience to prepare him for entrepreneurship, other subjects had specifically set out to acquire knowledge of the entrepreneurial process. It is also interesting to note that Kenneth and Andile, the two youngest subjects, deliberately created a potentially supportive network prior to start-up, at least in part as a proxy for their own lack of business experience.

The literature pays only cursory attention to the issue of preparing for entrepreneurship, with some studies casting previous work experience in this light (Harvey and Evans, 1995; Cope, 2005), and others noting that network development can perform the preparation function (Ozgen and Baron, 2007). Even though it is generally acknowledged that developing-country entrepreneurs usually finance new ventures from their own savings (Lingelbach *et al*, 2005), the process of assembling these savings is ignored. This neglect may be because the environment is assumed to be socially and culturally supportive, as well as economically munificent (Krueger and Brazeal 1994), which is not always the case in South Africa. It may be that the less supportive and munificent the environment, the more preparation is required by the entrepreneur, and the longer the time lag between formation of intention and actual start-up.

Further exploration of this issue is outside the scope of this study, but the implications for entrepreneurial development are thought to be significant. It seems likely that the entrepreneurs' assessment of their own preparedness for new venture creation might have a significant impact on their self-efficacy (Boyd and Vozikis, 1994), and therefore on perceived desirability and feasibility of entrepreneurship (Krueger and Brazeal, 1994).

The nature and scope of the preparation believed to be required by the novice entrepreneur may well be misplaced or underestimated, leading to a lower probability of venture survival and success. Further, it is likely that support programmes underestimate the time required for this preparation or may even overlook the notion that a prepared entrepreneur is a more effective entrepreneur, at least according to the entrepreneurs themselves.

#### 20.4. The role of work experience

The role of the prior work experience of the entrepreneur is a significant one. In most cases, the workplace acts as an incubator, allowing nascent entrepreneurs to develop the skills, knowledge and relationships they will later need in new venture creation (Shane, 2008). Industry experience also has a compelling hold over start-up activity, in that entrepreneurs typically start businesses in industries with which they are most familiar, even when they are not necessarily the most attractive or munificent (Shane, 2008).

However, it is interesting to note that the subjects tended to describe their careers as employees as rather temporary. Employment is given credit for its contribution to the individual's development, but is generally dismissed as a rather inferior rehearsal for the main event of new venture creation.

Negative experiences at work tended to be inspirational in that they further fuelled the desire for entrepreneurship (although this desire was believed to be ignited much earlier) and offered a template against which a more nurturing organisational model could be designed and implemented by the entrepreneur.

These findings are confirmed in several of the cases in this study. In particular, Ahmed, Hans, Margaret and Johan have started businesses that are directly related to the industries in which they worked, and are directly related to the occupational functions they previously held. In contrast, Andile and Byron have started businesses in industries unrelated to their prior work experience, while Andre and Kenneth have started businesses that require them to perform functions to which they had not previously been exposed.

Given the relative weakness of the South African education system at preparing its school-leavers and graduates for the business world, it might be tempting to dismiss the efforts of Andile, Byron, Andre and Kenneth as lacking in substance because of the weaknesses in their work histories. However, all four individuals have had prior *entrepreneurial* experience. Table 27 illustrates the work and entrepreneurial experience of the cases in the study:

**Table 27. The nature of experience**

		Work experience		Entrepreneurial experience		Illustrative quotation from transcript
		Industry	Occupation	Observed	Direct	
1	<b>Ahmed</b>	Related	Related	None	Survivalist	<i>They were a corporate, there was opportunity to move around, to get exposed to everything. I started off in the network department; I've been through the operational cycle, so I went to the network. Then I always wanted to get into programming, because that was the next step, and I had the opportunity to do all of those things. (1A MIMG 7:256)</i>
2	<b>Andile</b>	Unrelated	Related	Opportunity	Survivalist	<i>Everyone I've had an interaction with in my career has always been an employee. So, I've learned a lot in terms of the marketing side of things. But there's no-one I can really say, wow, I've learned a lot in terms of my own business. (2D YBMS 6:209)</i>
3	<b>Byron</b>	Unrelated	Related	Opportunity	Survivalist	<i>We felt that in order to be successful you need to be operating in a field where you don't have to start completely from zero. Remember going into business was something new for us, so we didn't want to add too many new things. At least if you come in with some sort of experience of some sort, or some understanding of some sort, it would become a bit easier. (3A MBMS 5:137)</i>
4	<b>Hans</b>	Related	Related	None	Opportunity	<i>I started my first business when I was in matric. I registered the cc and we had beehives, produced them and did all those things. (4D MWME)</i>
5	<b>Margaret</b>	Related	Related	None	None	<i>With me gaining experience and starting to really find my niche and me starting to enjoy and understand the industry, the credit industry which I was in as an employee, I thought this just might be it. (5A MBFS 2:49)</i>
6	<b>Johan</b>	Related	Related	None	Survivalist Opportunity	<i>Got the drivers and formalised a deal with the drivers, so that they can actually buy the taxi over a period of four years while operating it as a taxi, etcetera. And that I did for – well I – at that time – while studying with the money I had earned and I saved about, I think, it was about R23,000 or R24,000 that I saved in the process. (6D OWME 9:310)</i>
7	<b>Andre</b>	Related	Unrelated	None	Survivalist Opportunity	<i>I started painting people's houses. I made myself a ladder and then I started painting our house outside and people started asking me to come and paint their house. And that was my first job painting houses in my spare time. (7D OBMS 5:153)</i>
8	<b>Kenneth</b>	Related	Unrelated	None	Survivalist	<i>I had been selling this product, I had some training, some product knowledge training, not really sales training, knowledge stuff. (10A YBME 5:168)</i>

Individuals with prior entrepreneurial experience are believed by venture capitalists to be more likely to succeed (MacMillan *et al*, 1985), possibly because they can access an established network during the information and resource-gathering process (Smith and Lohrke, 2008). Moreover, it is well established in the literature that individuals who have observed family members or friends who run their own businesses are themselves much more likely to become successful entrepreneurs (Djankov *et al*, 2008), suggesting that exposure to entrepreneurship, even when it is vicarious and indirect, can stimulate interest in and learning about the entrepreneurial experience.

Both Andile and Byron confirm the findings of the literature, in that both have benefited from and been inspired by observing parents who were engaged in entrepreneurial endeavour.

However, not all entrepreneurial experience is the same. The literature distinguished between survivalist and opportunity entrepreneurs, who differ in terms of the goals they seek to achieve and the levels of sophistication with which they operate their businesses.

Historically low rates of entrepreneurship may account for the fact that only Andile and Byron were indirectly exposed to entrepreneurial role models who were sufficiently closely related to be cited as having had an influence on the individuals' decision to embark on entrepreneurship. However, all but one of the cases in the study have personally had prior entrepreneurial experience, often at a relatively young age, albeit in the form of a survivalist rather than an opportunity-seeking enterprise.

It is therefore argued that early direct entrepreneurial experience, however meagre, may act as a substitute for more traditional industry and occupationally based experience in terms of offering useful knowledge, skills, relationships and, most importantly, entrepreneurial self-efficacy to the individual involved.

In South Africa, where unemployment rates are among the highest in the world, very few school leavers are afforded the opportunity of full employment in their chosen occupation or industry. Individuals barred from entering traditional employment might nevertheless be able to develop entrepreneurial motivation and capabilities during early experience of survivalist enterprises.

## 20.5. Different approaches to opportunity identification

Currently, the opportunity is regarded as a central sub-process in new venture creation (Shane, 2003), incorporating the source of the opportunity, the process by which the entrepreneur becomes aware of the opportunity and the way in which the entrepreneur evaluates the opportunity. Opportunities are believed to drive the entrepreneurial process because they are assumed to be rare, difficult to detect, time-consuming to evaluate and expensive to exploit. The opportunity identification literature tends to fall into one of two camps, which are described by this candidate as the *archaeological* and the *architectural*

The *archaeological* approach to opportunity describes it as a process of *discovery*, following a systematic search by the entrepreneur. The opportunity is fully formed and is rationally evaluated against pre-determined criteria based on the entrepreneur's knowledge and personal circumstances. A key success factor in the *archaeological* approach is entrepreneurial alertness, the propensity to notice clues that will lead to the entrepreneur finding a particular opportunity (Shepherd and DeTienne, 2005). This *archaeological* approach conforms to Bhavens (1994) notion of externally stimulated opportunity recognition.

Byron's search for an appropriate business opportunity illustrates the *archaeological* approach to opportunity. Having defined his criteria for embarking on new venture creation, Byron actively searched for a particular opportunity that would meet his venture-related needs. During this process, he experimented with several different opportunities, discarding some and tentatively exploring others before selecting the one he believed represented the most attractive opportunity for exploitation.

*So, in that regard, I was looking for something that I would find comfort in, in terms of building a business I would be comfortable in, something that I've got knowledge in rather than going blank into something. (3A MBMS 4:128)*

Hans, too, exemplifies an *archaeological* approach. Having defined the dimensions of a desirable business, he embarked on an extensive research process (assisted by divine inspiration) aimed at identifying a particular product that would meet his criteria for success, and therefore could be pursued in new venture creation.

*There were a number of important factors. I wanted to do export because I realised that that's where the money is. And you can't export fresh things*



*because if you put something on an airport, some fool will leave it there and then your stuff is rotten when it gets to the other side and all that kind of stuff. Another problem was the huge volumes and fresh stuff and all this kind of stuff I looked at. And eventually I came onto essential oils. (4A MWME 3:83)*

The architectural approach, in contrast, describes a process where opportunities are created or developed to fill market gaps or solve customer problems (Sarasvathy *et al*, 2005). Once the entrepreneur notices the customer problem or market gap, he or she *designs* a product or service solution to meet the need or fit the gap in the market. A key success factor in the architectural approach is entrepreneurial innovation, which enables the individual to create the opportunity. This architectural approach conforms to Bhavens (1994) notion of internally stimulated opportunity recognition.

The architectural approach is exemplified by Andre's opportunity-development process. While employed, Andre experienced problems doing his job effectively and tried to have his employer solve the problem. Having been rejected by his employer, Andre began to realise that his problem was shared by others and this represented a gap in the market. He set out to design a solution to the problem and fill the market gap, thereby effectively creating the opportunity.

*I identified a need in the market, and then I went to the CEO of the shipping company. I said this is the solution that you need to have. And he said we in the business of shipping cargo, we are not doing IT products. (7A OCMS 20:724).*

Andile and Ahmed also adopted the architectural approach, in both cases defining a customer problem and then designing a solution for the problem, which became the product or service offered by the business.

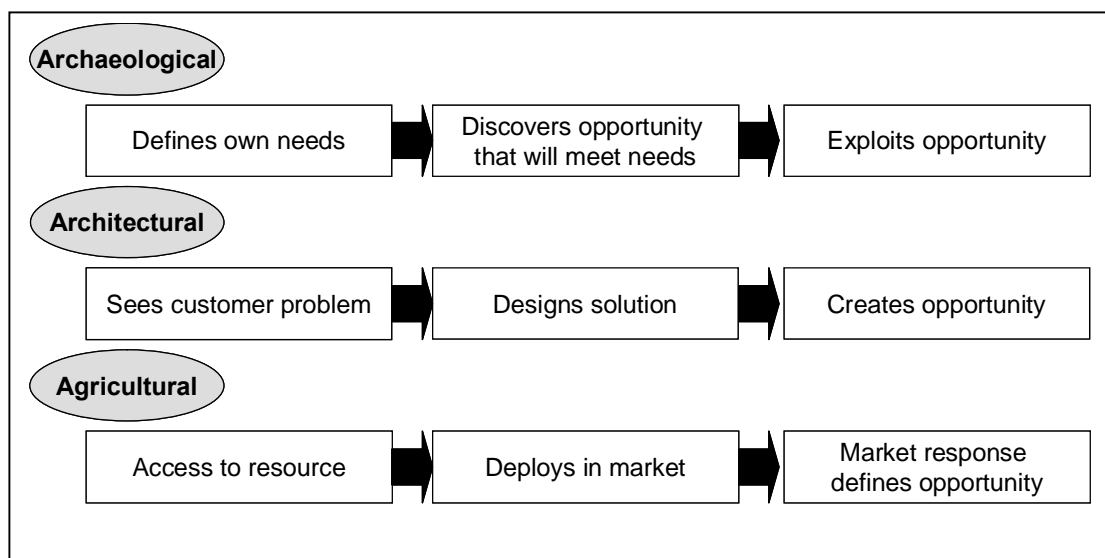
*My dad happened to be there the one day, and the idea actually started with him, that he said, you know what, the thing that he's kind of unhappy with is even my mother can't find anything that fits. She generally has to have her clothing taken in and out, and most of the time it doesn't really look nice from the point of view of the fit and all of that and so the idea basically came from there. (2A YBMS 9:276)*

*It was a strategy that the chap that was running environment followed. He felt that it was easier and sometimes cheaper to get guys from us than to employ them full time. Another factor was that they had internal pressures to only employ AA candidates. So they could still get the quality of skill they needed from us and bypass the problem. (1B MIMG 4:107)*



A third approach to opportunity, not mentioned in the literature, is discernible in three of the cases in this research. This may be termed the *agricultural* approach to opportunity. The entrepreneur starts with a valuable seed resource, which could be physical, human or social capital and *deploys* it in a potentially fertile market, feeding and nurturing the resource without knowing in advance exactly what the outcome might be. The entrepreneur closely monitors market reaction, adapting the resource and growing the opportunity on the basis of that reaction.

The three approaches are illustrated in Figure 20:



**Figure 20. Three approaches to opportunity<sup>1</sup>**

Kenneth's colourful description of the way in which his business developed illustrates the *agricultural* approach to opportunity. Having been given access to a physical resource, Kenneth began to experiment with using it and with different customers until he found a way to optimise the use of the resource and convert it into a sustainable business opportunity.

*So I started going to companies, and not companies, "guys, there's a new thing out there where you can take photos and you can actually give it to your clients, let me show you", so take picture of them, then print out head and shoulder and they loved it, and I thought okay, but when we print those photos I could design frames. (10A YBME 6:205)*

<sup>1</sup> The archaeological and architectural approaches are adapted from: Bhave MP, 1994. A process model of entrepreneurial venture creation, *Journal of Business Venturing*, Volume 9, page 223-242.

It could be argued that Kenneth's approach to opportunity development was simply the result of his own ignorance of the appropriate procedure for new venture creation, but this agricultural approach to opportunity development is also evident in the case of Margaret and Johan, both of whom are business-school graduates and would both have been aware of the conventional approach to opportunity search and evaluation. In both Margaret and Johan's cases, the seed resource was their own expertise developed over time in a particular employment niche. Neither was particularly clear about the exact nature of the opportunity they were pursuing, but instead allowed customer response to define the business.

*We knew that there's a huge opportunity and go into business, identifying the possibility within the business and taking that possibility, applying web technology. I sort of just knew that there must be opportunities. So it was sort of a leap of faith, I would say. (6A OWME 2:44)*

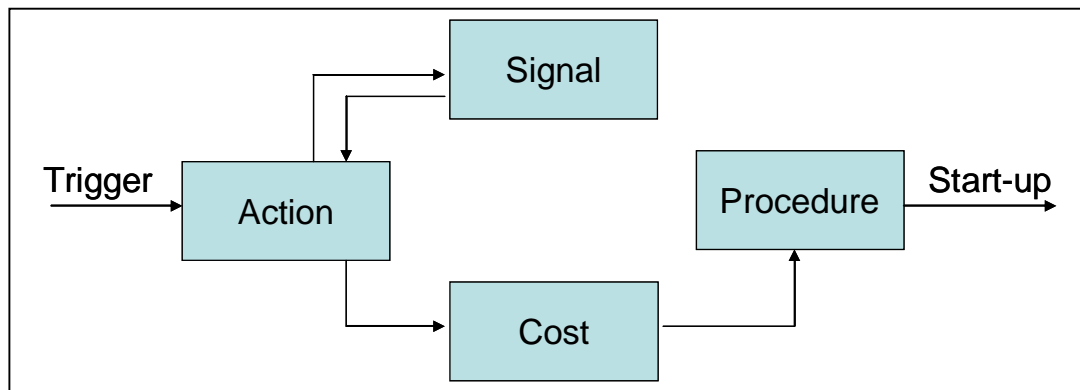
The preceding analysis provides a deeper understanding of the opportunity development sub-process of new venture creation, by adding resource-driven opportunities to Bhave's original conception of externally and internally driven opportunities. A caveat is that the resource-driven opportunity may be a feature peculiar to entrepreneurship in developing countries, where opportunities are more bountiful and resources are scarce.

## **20.6. The commitment process**

The literature tends to refer to the phenomenon of start-up as if it were an event, making the business not real and visible before, and obviously real and visible afterwards. However, this study suggests entrepreneurs commit to new ventures in different ways, and have different perceptions of what precisely constitutes start-up.

In each of the cases in this study, subjects described the point at which they made the transition to new venture creation as being significant, both personally and in terms of the life of the business. Commitment in effect represented the start of the business, and as such involved a transition from employee to entrepreneur, from planner to executor, from vision to reality. Commitment was found to be a sub-process of new venture creation, which varied in timing, initiation and outcome, but shared four common elements.

This sub-process is illustrated in Figure 21.



**Figure 21. The commitment process**

Commitment begins when action is triggered by a planned or unplanned event. The kind of trigger varies from case to case, but the entrepreneur waits for some signal or feedback from the environment that a concrete response is required before he or she is willing to proceed with commitment to new venture creation.

Once the commitment signal has been detected, the entrepreneur exchanges some form of resource for the ability to proceed with new venture creation, thereby incurring the cost of commitment. The cost of commitment could be surrendering a salary or other opportunities, for example. This price paid, the entrepreneur follows a relatively explicit set of consecutive steps, which vary from case to case, before he considers himself to be in business.

Table 28 illustrates how this process varied from case to case.

For Andile, Hans and Margaret, the need for action was signalled by the completion of their own preparation for entrepreneurship. The need for action was triggered for Kenneth and Byron by their access to a resource which could be used as the basis of a new business, while dissatisfaction with their employer triggered action for Johan and Andre. In Ahmed's case, the need for action was triggered by an approach from his potential partner.

**Table 28. Nature of commitment**

Case	Action trigger	Point of commitment	Cost of commitment	Method of commitment	Illustrative quotation from transcript
1 <b>Ahmed</b>	Partner initiated	Confirmed customer	Salary	Staged	<i>When we started he was still employed, he had his income, so the risk wasn't there. I did my usual, dived into it and we landed that business, so in essence when he came across we had two customers that were paying, so the risk was OK. (1B MIMG 15:493)</i>
2 <b>Andile</b>	Preparation complete	Positive customer feedback	Salary	Parallel	<i>I think for five years you're saying, "we're starting our own business, we're starting our own business", but in the back of your head you're thinking, there's always quite a little way to go. And now we are at the point where the product is done and we've managed to get some funding, so now everything is in place to actually happen. (2A YBMS 16:523)</i>
3 <b>Byron</b>	Access to resources	Suppliers found	Salary	All-in	<i>It was a brave step to take but I think it was a necessary step to take for us. We felt that for it to work, we really had to be in it, to be in it. So we said, "let's go in and see how it works", and we just went in. (3A MBMS 6:180)</i>
4 <b>Hans</b>	Preparation complete	Suppliers found	Opportunities	All-in	<i>I then sat in my office and I said "right, where did I go wrong in farming? What were the mistakes I made that got me here because it wasn't just the fact that I ran out of water". And then I started looking at all the things. (4A MWME 2:68)</i>
5 <b>Margaret</b>	Change in legislation	Offering defined	Salary	All-in	<i>And from just leaving work I think wherever I had been, I had formed relationships and I maintained them. Again I knew that I still had contacts with people that if this should not work I could still call and say, "you know what, can we talk?" So there is that opportunity to go back to full employment should it not work. (5A MWFS 8:243)</i>
6 <b>Johan</b>	Dissatisfaction with employer	Partner, shareholders found	Salary	All-in	<i>I resigned at Corptel in 1998, basically to – ag, because you're an entrepreneur and I've achieved the milestones in the company; and I wasn't feeling like taking a new direction in the company, etcetera. I said "no, I want my own business and I'm going to start my own business". (6A OWME 1:8)</i>
7 <b>Andre</b>	Dissatisfaction with employer	Positive supplier feedback	Salary	Parallel	<i>And, and so at some point, he had had enough. He said well this is a really good idea that I have and I'm just going to go for it. You know because he was just really frustrated at Shipcorp. (7C OCMS 10:339)</i>
8 <b>Kenneth</b>	Access to resource	Positive customer feedback	Opportunities	Staged	<i>I made R2 000 and I couldn't believe my luck. Okay, look I can make money from this, I love it, and that's how the business started. So within that month I actually made R10 000 to R12 000. (10A YBME 2:65)</i>

Although it might be expected that the primary feedback signal would be related to some form of customer feedback, as with Andile and Kenneth, or notice of a confirmed customer, for Ahmed, this did not always apply. For Hans and Byron, it was finding the right supplier that made commitment possible, while for Andre, it was positive feedback from a supplier that provided the appropriate signal. On three separate occasions, Johan perceived finding the right partners as the key start-up point, while for Margaret, it was a change in the external environment.

For most cases in the study, entrepreneurs surrendered a reliable salary to embark on new venture creation, and tended to feel that cost acutely. For Hans and Kenneth, the cost of commitment was related to the alternative opportunities they surrendered to pursue the current business.

For four of the subjects . Byron, Hans, Margaret and Johan . commitment was immediate and complete, as all non-venture related activities were surrendered at the same time. Andre and Andile remained employed while the business was being set up. This parallel method of commitment allowed the personal risks associated with immediate and complete salary surrender to be reduced. In a similar vein, Ahmed and Kenneth's commitment was executed in consecutive stages, also to reduce the level of personal risk associated with commitment to start-up.

This analysis provides a deeper understanding of the earliest stages of the new venture creation process, and highlights that actual start-up is perceived by different entrepreneurs to occur at different times and in different ways. It would appear that the main reason for this is perceived by the entrepreneur to be a way of managing the risk of start-up.

## **20.7. Managing partnerships**

The literature on entrepreneurial partnerships tends to focus on the notion of the entrepreneurial team, a group of like-minded individuals with complementary skills who initiate new ventures together (Shane, 2008). However, in practice, entrepreneurial teams that function in this manner are relatively rare. In the United States of America, new ventures tend to be started by an individual rather than a team. When more than one individual is involved, it is usually two spouses working together (Shane, 2008).

In six of the eight cases in the study, the entrepreneur considered him- or herself to be in a partnership in creating and managing the new venture. Two of these partnerships, those of Byron and Hans, were between spouses, two between friends in the case of Andile and Ahmed and two were more formal relationships between business colleagues, as with Johan and Kenneth. Margaret is without a partner of any kind, while Andre had initiated a partnership early in the life of his business development but this partnership had subsequently been dissolved. In each of the cases, the partnership was considered a vitally important feature of the new venture creation process.

The partnerships in this study were established for a variety of reasons. Peculiar to the South African environment is partnerships that were set up to meet the needs of, or the opportunities presented by legislation relating to, black economic empowerment. This applied to partnerships established by Ahmed and Hans, for example.

*I realised I was gaining a partner but I wasn't enabling the empowerment structure that I needed, so I just made a call at that time and said, "well it's early days, there is no cash flow at the moment, so let's rather tackle this thing together", so we made it 50/50 and we climbed into this thing. (1B MIMG 1:20)*

However, the primary reason for establishing a partnership was for the individual entrepreneur to expand the range of resources available to the business. Not only did this apply to financial resources, but also to complementary skills and personality traits specifically considered characteristic of the partnerships.

*The advantage between us is that we both have an IT background, so we can design some of our own stuff, but some of the PR companies, they just get journalists to come in, write a story, or what-what, so he can, sort of be involved, be both at the same time, and I don't think they have a lot of photographers that are working under them. (10A YBME 12:439).*

*My partner and I, the way we are as people, we are very complementary. We are probably complete opposites, he is very creative and that side of things. I've got a little bit of the creative field, which probably creates that bridge, but I can still handle all the numbers, the business and that side of things as well. (2A YMBE 6:197)*

*We couldn't be two different people if we tried, if we designed this thing. I'm Catholic, he's Muslim; I'm Portuguese, he's Indian; I'm white, he's black. He comes from a very disadvantaged background, from what I've heard and what*

*he's told me, he has been very disadvantaged. I wasn't. I came from Zim, I came across here after independence, or whatever the case may be. My parents aren't wealthy but I've never needed anything in my life. So it's two completely different approaches. (1B MIMG 12:369)*

Of great significance to the entrepreneurs in the study was the level of emotional encouragement and validation they continually received from their partners. This was believed to enhance entrepreneurial persistence and reduce the stress of new venture creation.

*When you've got a partner that you still don't feel alone. It's important that that person is there and you can bounce things off each other, and I think it's just easier having a partner than not. (2A YBMS 6:189)*

*Because it's the two of us doing it together it's that element of relief, if you know what I am saying, as opposed to me having pressure by myself. It's very difficult to relate those things to my family because, you know, my wife she wouldn't understand that level of stress. So I think that the best thing for me is really my partner. (1D MIMG 13:473)*

Some partnerships were very personal, in that the relationships were based on friendship or spousal affection. Johan, Andre and Kenneth described more formal, arm's-length relationships based on the need to share resources. In each case, the partnership was underpinned by a clear legal framework and agreement, but the relationships without the emotional dimension seemed more fragile and prone to conflict.

Trust was considered an important success factor in the successful management of partnerships, but this trust was on three different bases: mutual respect for each other's strengths and differences; a shared vision of the future and relationship longevity, in addition to the bases described in the literature (Hite, 2005).

*So it's so important to really get the right partners that could buy into you as a person, into where you want to go to, into your shared vision with the type of appetite or tolerance for what entrepreneurs and small start-up businesses are going through, that understand that type of environment. And make it performance-based, that was something else that I learnt through the process. (6A OWME 17:574)*

Day-to-day management of the partnership relationship required joint decision-making and a clear division of responsibilities. In the case of the spousal



relationships, this division also extended to the need to establish a clear boundary between work life and home life.

*And with decision making, we also sit down together and I tend to look at the long term and the disadvantages; whereas Hans gets really excited and almost wants to jump in. So I have to sometimes just hold him back and just say “listen we really have to think about this”. (4B MWME 8:273)*

*But in terms of the business planning and more of the strategy, he does a lot of that, and I am more operational. So it ends up as well defining the roles where he ended up being the MD and I ended up being the operations side of it, just because of that fact. When we started off, he started doing all the planning and how should we go about it. (3C MBMS &:205)*

According to the respondents, any conflict that arises between the partners needs to be dealt with quickly, openly and honestly to avoid long-term damage to the relationship. This would appear to be particularly difficult for spousal partnerships.

*I think we made it very clear, that if you’ve got a problem with me ... we’ve got to deal with it straight away, because you can’t take it into the business, it’s going to build up and build up and eventually, we are going to have a screaming match and we are going to do things we don’t want to do. (10B YBME 12:424)*

*It’s difficult at times because when you don’t have money at the office and you don’t have money at home, but in a way it’s reduced risk, working together because of the knowledge that we have both brought in and the commitment that we brought into the business. (3C MBMS 7:219)*

On the basis of this analysis, and building on the literature (Smith and Lohrke, 2008; De Carolis and Saporito, 2006; Welter and Smallbone, 2006; Hite, 2005), it is possible to define the key dimensions of an entrepreneurial partnership as follows:

**Table 29. Key dimensions of entrepreneurial partnerships**

<b>Basis of relationship</b>	<b>Benefit to partners</b>	<b>Basis of trust</b>
<ul style="list-style-type: none"> <li>- Friendship</li> <li>- Spousal</li> <li>- Reciprocity</li> <li>- Contractual</li> </ul>	<ul style="list-style-type: none"> <li>Complementary</li> <li>- Skills</li> <li>- Personality</li> <li>Resource holder</li> <li>- Legal</li> <li>- Network</li> <li>- Funding</li> </ul>	<ul style="list-style-type: none"> <li>Mutual respect</li> <li>Shared vision</li> <li>Longevity</li> <li>Good will</li> <li>Knowledge of competence</li> <li>Third party information</li> </ul>

Given the significance of the partnerships to the subjects of this study, it would appear that this relationship plays a pivotal role in new venture creation, to the



extent that entrepreneurs believe partnerships reduce the risks inherent in new venture creation. This is perhaps particularly true in South Africa where resources are scarce and institutional support is weak. Entrepreneurs seem to have deliberately constructed their partnership relationships with this in mind, suggesting that good partnerships make good businesses.

## **20.8. How entrepreneurs gather resources**

Resource gathering is generally regarded as a key function in the new venture creation process, to allow the entrepreneur to begin operations (Brush, 2001). This is complex and difficult because the entrepreneur must identify, assemble and acquire resources under conditions of uncertainty and without the benefit of a relevant track record and reputation (Brush, 2001).

Entrepreneurs will typically leverage their own human, financial, social and information capital to gain access to the resources they need (Brush, 2001). However, in developing countries, entrepreneurs often have relatively low levels of human, financial and social capital themselves (Lingelbach *et al*, 2005), but must nevertheless find ways to attract the resources required for start-up.

Education is an important component of human capital for new venture creation, but this can be supplemented with relevant work experience, both industry-related and business-related, as well as prior entrepreneurial experience, whether survivalist or opportunist. For example, although Hans is not well educated, his experience as an entrepreneur operating in the same industry has substantially increased his human capital.

With respect to financial capital, this study suggests it may be important to distinguish between funding required for the business and funding required by the entrepreneur to support himself and his family until the business is able to do so. For example, prior to start-up, Andile, Byron and Margaret accumulated assets and savings to support themselves, but did not have sufficient funds available to invest in the business.

Social capital refers to the personal and professional business relationships that an entrepreneur can use to access other resources relevant to the business, while information capital refers to the stock of knowledge and data the

entrepreneur can access about the products offered and markets entered. For example, although Byron's levels of human and financial capital were relatively high, he had no social or information capital relevant to the new venture.

The subjects in this study were relatively high in human and social capital, less so in information capital and noticeably weak in financial capital, as illustrated in Table 30, overleaf.

Although Ahmed is not particularly well educated, he had relevant work experience and had arranged his financial affairs carefully to ensure he was in a strong position domestically, had reasonably good relationships with potential employees and had a good understanding of the market he was entering. As a result, Ahmed and his partner were able to build their resource base organically without reference to external resource holders, at least initially.

Andile, on the other hand, is well educated but too young to have had sufficient business experience, and what he did have was not in an industry directly related to the new venture. His social capital could be considered high because he could access family and friends with direct experience in the industry. As a result, even though his personal information capital was low, he was able to use his social capital as a proxy for enhancing his human and information capital, which then allowed him to access the financial capital he needed to fund start-up.

Byron, who is highly educated and has a sound business and technology-related career, was in a relatively good financial position but low in appropriate social and information capital. He has had to build these resources organically over time, and the process has been slow and difficult, and has constrained the rate at which his business was able to develop.

Hans had relatively good levels of human and information capital due to his prior experience as an entrepreneur and in his chosen industry, but was low in both business and personal financial capital and relatively low in relevant social capital. Over time, he has used his human and information capital to build relationships with important suppliers, and thereby access some of the financial capital he needs.

**Table 30. Strategies for gathering resources**

Cases		Human capital	Financial capital	Social capital	Info capital	Resource strategy	<i>Illustrative quotation from transcripts</i>
1	Ahmed	M	M	M	H	Grow	<i>One of the biggest factors that has contributed to our success from a financial perspective is, you might not believe this, is the value of property. The fact that the value of property has escalated so much, it means that we were able to go and bond our houses and use that money in the business. (1A MIMG 7:250)</i>
2	Andile	L	M	H	L	Connect	<i>It's all about connection and about who you know. When you know someone, it makes things so much more easier, when you know someone on the inside who can kind of push for you. (2A YBMS 4:117)</i>
3	Byron	H	M	L	L	Buy Borrow	<i>Once we realised that we needed a tool, we went out there and got the tool, but as we got the tool we kind of repositioned our business again to say, "What are we into? We are not into pagers, we are into boosting customer service, using technology". (3A MBMS 4:117)</i>
4	Hans	M	L	L	M	Grow	<i>Before in my life I always thought that the only way to run a business is by getting money in from somebody else; and I did enough work hoping that I would build the framework so that somebody would invest in us. And about a year ago I decided that's it, I'm not going to do that anymore. (4A MWME 18:616)</i>
5	Margaret	H	M	H	H	Grow	<i>Although I had said that I had financially made sure that I have a cushion. That cushion was for the person, and the business, as it grows every day and whatever it takes to grow, and if it grows and starts to have other people in it, then maybe just the financial challenge will start to begin. (5A MBFS 17:545)</i>
6	Johan	H	H	L	L	Leverage Borrow	<i>I started shopping around and eventually got three alternative parties that said all right, they buy into this dream. There's synergy between what we're doing or where we are going, and what they are doing. And in such a way got the business resourced to actually start doing what we're supposed to be doing. (6D OWME 6:197)</i>
7	Andre	M	M	M	L	Buy Borrow	<i>We don't know how we did it. We got into the house and we couldn't even make the first bond payment. We had to double up on the second payment and pray that they didn't kick us out. We don't know how we have kept these kids in school. We've got dogs, you know, we look like normal people from the outside. (7C OCMS 13:442)</i>
8	Kenneth	L	L	H	L	Connect	<i>Ken is great with people, he knows how to sell. He also, with suppliers, he knows how to keep their prices down all the way and he knows how to collect money from clients that haven't paid us without, you know, irritating them or pushing them away. So he's a phenomenal people person. (10B YBME 9:309)</i>

Margaret's high levels of human, social and financial capital, developed as a result of her relevant education and work experience, were supplemented with good personal financial capital, although she is likely to require external funding for future business growth.

Johan was able to use his high levels of human capital and good financial standing to persuade a series of partners to join his businesses, thereby steadily enhancing both social and information capital for the business. Andre, aware of his low levels of information capital and lack of experience in the industry he selected, was able to use his access to financial capital to develop the resources he required. Kenneth depended solely on his social skills to gain access to a physical resource, which then allowed him to develop the human, financial and information resources he required to run his business effectively.

The literature notes that entrepreneurs may use different kinds of resource-gathering strategies, including buying, borrowing or leveraging (Brush, 2001). Another resource-gathering strategy suggested by this study is one involving the use of an entrepreneur's social network to gain access to resources at no cost to the new venture. Kenneth and Andile have been particularly effective at pursuing this strategy.

This analysis also suggests that, depending on the stores of human, financial, social and information capital they have at start-up, entrepreneurs might also grow their own resources without reference to external resource holders, as is the case with Ahmed, Margaret and Hans, although this strategy is apparently only possible where the entrepreneurs enjoy relatively high stores of information capital.

## **20.9. Managing risk**

Until relatively recently, risk taking was considered a defining characteristic of the entrepreneurial mindset, in that individuals who embark on venture creation were believed to be more risk tolerant than the non-entrepreneurial population (Mullins and Forlani, 2005). The literature agrees that while there may be no difference in risk propensity, entrepreneurs appear to perceive risk differently and categorise risk more positively (Palich and Bagby, 1995).

Although there is not a great deal of empirical evidence on the subject, some studies suggest entrepreneurs in developing countries seem willing to take more risks than might generally be true of entrepreneurs in developed countries (Morris and Zahra, 2000), a phenomenon which is likely to be related to the entrepreneurs' lack of access to resources (Lingelbach *et al*, 2005).

This risk literature tends to focus on risk taking during the opportunity identification and evaluation stage of the business (Mullins and Forlani, 2005). However, this study reveals that entrepreneurs believe they are continuously anticipating and managing risk as the new venture grows, apparently at three levels. Firstly, the entrepreneur must consider risk as it relates to his personal circumstances, both financial *and* social.

*He was thinking, I can't even look after my kids, I don't have money, I don't have money to pay for rent for my kids. So survival now is more for the family rather than for the business. But I think 80 or 90% of the time, survival of the business is first. (3C MBMS 15:497)*

*I became comfortable in saying, you know, I'm an entrepreneur and I'm going to have highs and lows and when I'm high I don't mind paying for you and everybody else. When I don't have, I don't have. (7D OCMS 20:721)*

Secondly, the entrepreneur considers what might go wrong with the business, in terms of possible erosion or misapplication of resources or a breakdown in relationships with resource holders.

*The guys can call a shareholders' meeting tomorrow and they can collectively decide – and I'm a 25% shareholder – and they can decide they're not going to continue to support my business anymore which is unlikely but that's the reality of being an entrepreneur, of being a small business. (6A OWME 18:643)*

Thirdly, the entrepreneur must consider the environmental risk, including competitive risk, customer risk and the uncertainties of an economic, political and regulatory nature (Lingelbach *et al*, 2005).

Entrepreneurs claimed they were aware of the risks inherent in their new ventures at all three levels, but believed they had acted to avert or minimise them. This reinforces the notion that entrepreneurs specifically see themselves as risk averse (Sarasvathy, 2006).

*He doesn't take risks, everything is calculated. He will analyse something to death before he takes a step. I know in his personal life, everything is structured and organised and he knows exactly what's going on. To the point where he goes shopping with his wife and he knows exactly what pennies are going where. (1B MIMG 13:414)*

*I basically started with very little risk and I utilised people as I need them. If they want a contract or something they move on. And it's been like that from the beginning. You know I don't take any risks. But you know when you are building something, whether it's a car or producing a chocolate bar there is always people in the process that you are going to utilise, in you know information, systems, you name it. There is always going to be a risk out of it. (7A OCMS 23:835)*

For some, readiness to take risks was a result of the belief that no other option was open to them, a phenomenon which could be particularly characteristic of the developing-country entrepreneur. In this situation, the outcome is unknown, but the entrepreneur takes action in the hope of a positive result because he or she has nothing to lose.

*But I took the printer and the consumables, and for a month, I just took photos of my family and friends, and it really didn't sink in that I should need to pay this back, or I can actually make money from this. (10A YBMS 2:45)*

Alternatively, the entrepreneur takes risks out of ignorance of the true nature of the circumstances facing him. Given that information resources seem particularly scarce in the developing-country context, it may be that this happens more often than the entrepreneur would like to admit.

*We didn't understand what we were doing. It's only now you realise that when you talk to the IT director of a customer, you need to talk business. You need to show him solutions, you need to show the business benefit of this, you need to demonstrate how it's going to affect him. We were nowhere near ready to have that discussion. (1A MIMG 2:64)*

Generally, however, the entrepreneur tends to view risk as something that could go wrong, but is nevertheless manageable, or as Andile put it, *“a risk is mistake you can avoid making”*. Risk management actions may be taken either before the risk emerges, as the risk plays out or after the risk has impacted on the individual or the business.

One of three approaches to managing risk is generally followed: by acting *preventatively*, prior to the individual or business facing the risk; by acting to *absorb* the risk and minimise potential downside; or by reacting to and *repairing* any damage caused by the risk once it has impacted on the business.

Figure 22 illustrates that, given a particular approach to risk, entrepreneurs tend to use particular strategies to manage risk at the personal, business and environment level.

		APPROACH TO RISK		
		Prevent	Absorb	Repair
LEVEL OF RISK	Personal	PREPARE	PARTNER	RENEW
	Business	PLAN	DIVERSIFY or PARTNER	FOCUS
	Environment	NETWORK	STORE	CHANGE

Figure 22. Approaches to managing risk

In minimising personal risk, entrepreneurs such as Andile, Andre and Byron tend to focus on preparation (as discussed in 20.3) as a preventative measure. For the business, preventative risk management tends to focus on careful research, analysis and planning, and appears to be a powerful reassurance that everything is under control.

*I know there is a lot of risk there, but if we do it step by step we can minimise the risk. (2B YBMS 19:641)*

*We plan three, four months in advance, where if it's quiet and it's slow, there is money to sustain us for those two, three months, while we have to bring in*



*business or whatever the case is ... ja. We've had a couple of slow months where I've used my credit card, the credit limit on 45 or whatever it might be. When things go bad, I can always go back to that. (10A YBME 16:553)*

At the environmental level, preventative action centres on gathering relevant information from the network, with the goal of avoiding major risks in the competitive environment.

*Wherever we have gaps in terms of our knowledge, we have gotten outside people to help us out. So having mentioned the fact that our parents are involved in the fashion industry helps. (2A YBMS 5:160)*

Entrepreneurs improve their capacity to absorb risk at the business and personal level by establishing partnerships and alliances. These relationships include dyadic equity partnerships such as those described in 20.7, and partnerships and alliances with internal and external resource holders. Such partnerships reduce the risk for the entrepreneur because the impact is shared across a number of different role players.

*I couldn't understand why I had to pay someone when I'm taking the risk. Someone comes to work for me and when I turn my back, they sit and relax. I couldn't really understand why I had to take all the risk with the bank, with everybody and with my staff. (4A MWME 7:233)*

*But we had already foreseen the risk of such a thing happening, so what we had done was at the time we had identified another product, another customer feedback system. So when it happened, it struck us ... and that those pagers would be 10 to 15% of our business. So that was one of the biggest risks that we had, being the distributor of somebody's product, a single product that could easily be pulled out. (3A MBMS 12:375)*

*But I believe that somebody needs to put skin in the game to make it work. I mean I could be wrong, so I'm making mistakes. I've had lots, I've had more failures than I have had successes. But I draw on the success that I have had. (7A OCMS 26:933)*

The subjects in this study also improved their businesses capacity to absorb risk by expanding the range of customers served, reasoning that if one segment failed to respond to the offering then another might respond differently.

*So what we've done is we have identified two or three blue-chip companies and we are working something with them so that if one fails we can still have something else, so it's like balancing that risk. We are not waiting for one thing to happen, if it fails at least we've got other things that are happening at the same time that we can always shift our attention to. (3A MBMS 18:583)*



Using a similar logic, subjects like Byron, Hans and Johan argued that risks could be minimised if a broader range of products was marketed, even though this sometimes effectively resulted in a diversification by the business.

*On top of that, we've now brought a bunch of products into it: face creams, pimple gels, that kind of thing to supplement cash flow, so that if things go wrong – which they have in the past – we're able to sustain ourselves and keep the ball running by having cash flow. (4A MWME 1:12)*

This finding reinforces the notion that entrepreneurs in developing countries adopt a portfolio approach to managing risk (Lingelbach *et al*, 2005), not only by playing the strengths and weaknesses of different businesses against each other, but also by playing the different strengths and weakness of different markets and products.

However, this may lead to the proverbial lack of focus, a weakness that several of the subjects in this study recognised they suffer from. After a risk has been averted or has impacted on the business, entrepreneurs like Kenneth and Hans will seek to repair the damage by regaining focus on the core business.

*So I want to focus on growing this business to that level. Of course it is good to have other opportunities and other sources of income, but if it is going to make me stop what I am doing now to focus on that, it is going to be a problem. (10A YMBE 20:699)*

*Probably me, to force myself to stay focused because one of the great things I think that I am good at is I am creative and I'm able to put things together. But on the other side I also get bored very easily if something doesn't work nicely and I have to force myself to go back. So maybe that's one of the threats. (4A MWME 27:959)*

Alternatively, entrepreneurs will assume that a change of direction is necessary and may as a consequence redefine the product/market opportunity dramatically, as with Johan and, to a lesser extent, Byron.

*So the reason for that product was to give us short-term sales cycles to hedge that gap in terms of money that would come in. But it was still the same challenge because essentially the product was targeted at corporates, and hence the cash flow challenge was there, even though it shifted. (3A MBMS 3:87)*

This analysis provides insight into risk from the entrepreneur's point of view, and highlights some peculiarities relating to risks faced by developing-country entrepreneurs. The major implication of this is that entrepreneurs can be taught how to manage the various kinds of risk they face, thereby potentially enhancing

the desirability and feasibility of entrepreneurship generally as well as improving the odds of survival for a particular business.

## **20.10. The new venture creation process**

Although there are numerous models of the venture creation process in the literature, the models also differ significantly from each other in terms of: start and end points; the categorisation of different activities and behaviours into phases of development; the order in which behaviours and events take place; and the degree of comprehensiveness in terms of what is included as part of new venture creation and what is not.

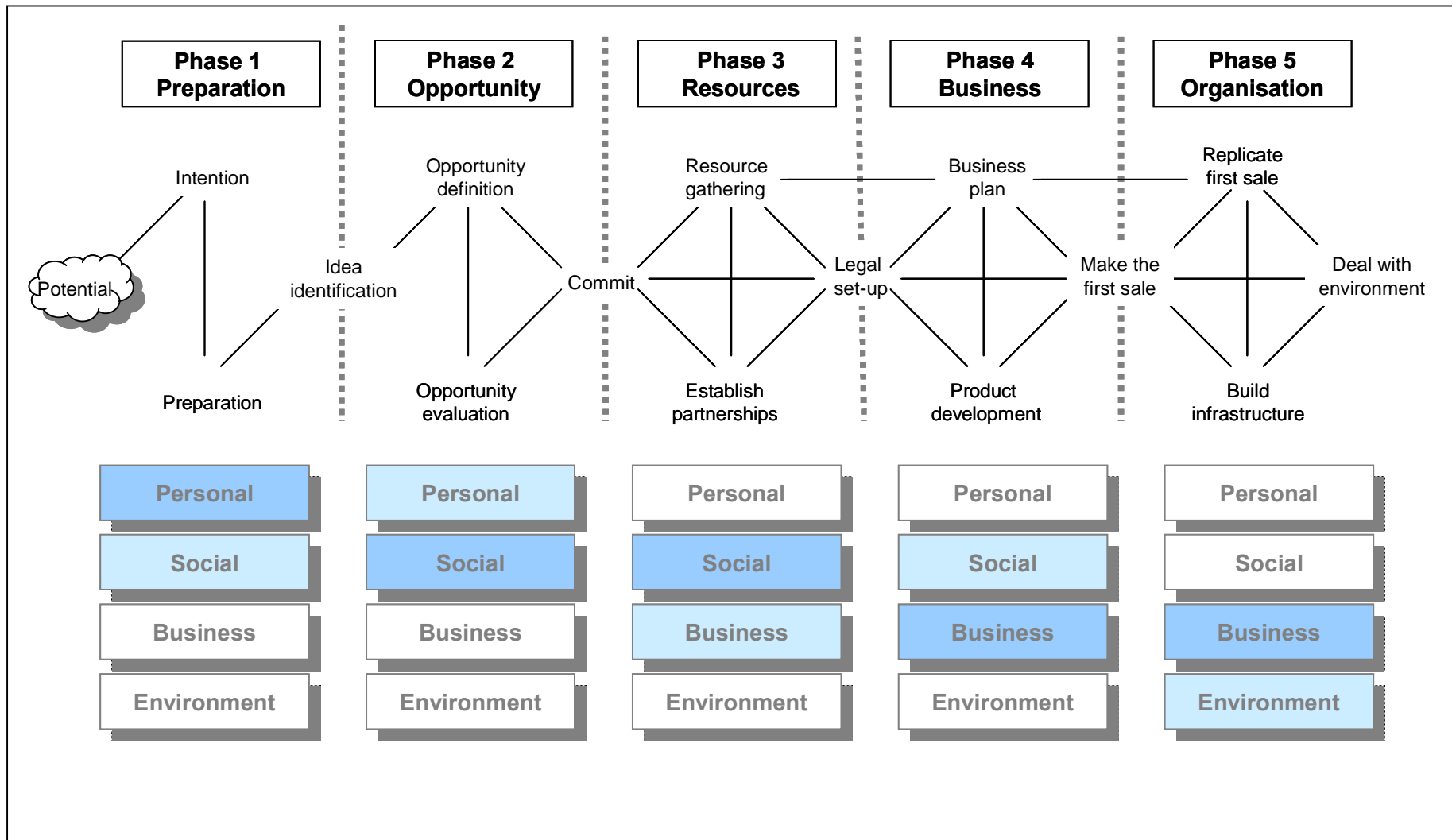
This lack of consensus makes it difficult to describe new venture creation in a way that is sufficiently reflective of reality (especially South African reality) at the same time as being representative of best practice. As a result, there is no way to identify the impact of an idiosyncratic approach to new venture creation, especially an approach which evolved in reaction to the peculiarities of local conditions. Moreover, it is difficult to define what kind of support can and should be provided to the nascent entrepreneur, and at what point.

The model presented in Figure 23, overleaf attempts to synthesise the efforts of other scholars, while incorporating the lived experience of the entrepreneurs in this study, as detailed in the venture creation maps in each case study.

The model represents the venture creation process in five phases, each separated by an event which signals transition from one phase to another, in the tradition of Bhave (1994). Each phase is a sub-process in its own right, making up a coherent whole of naturally co-occurring activities and events. These phases are not in practice entirely distinct from one another, nor do they necessarily follow each other in a linear or additive fashion. Entrepreneurs in this study often moved from one phase to another and back again, or missed certain activities or events entirely as they engaged in all the activities they believed necessary for start-up.

The model links the new venture creation process, as it unfolds over time, with primary and secondary influences at different levels of analysis, namely the personal, social, business and environmental.

Figure 23: Model of new venture creation



**Phase 1: Preparation** draws on the findings of this study and incorporates all the deliberate arrangements, capacity and resource building the individual undertakes following the decision to pursue entrepreneurship. The preparation phase ends when the entrepreneur has selected a particular business idea and opportunity development begins. The intention to become an entrepreneur emerges as a consequence of early influence on the entrepreneur and is followed by a period of preparation prior to a particular business idea being identified. Personal factors are of primary influence in this phase, with social factors acting as a secondary influence.

**Phase 2: Opportunity Development** incorporates the finding, construction or evolution of a business idea (as per 20.5), opportunity definition and evaluation, an iterative and cyclical process (Ardichvili *et al*, 2003). The end of this phase is signalled by the commitment sub-process (as per 20.6), during which the entrepreneur makes an internal decision, surrenders other options and begins the process of convincing potential partners and resource holders that her preferred route deserves their involvement and support. Social factors are of primary influence during this phase, with personal factors playing a secondary role.

**Phase 3: Resource gathering** involves the entrepreneur in growing, borrowing, buying, connecting or leveraging her own resources to attract those required to establish and run the business. While this process may in practice continue for some time after the business is launched, this phase conceptually ends with the set-up of the legal framework required for operation, including registration and the establishment of key contracts and agreements with selected resource holders. During this phase, social factors continue to represent the primary influence, while business factors begin to have a secondary influence on the process.

**Phase 4: Business development** involves the more orthodox view of start-up, including business planning, product development and market research, and typically concludes with a prototype product and one or a series of potential customers being identified. The first sale marks the transition from a nascent business to a functioning business. Factors which emphasise business influence play the primary role during this phase of analysis, while social factors take on a secondary role.

**Phase 5: Organisation development** includes a range of activities and behaviours that begin to take on the managerial or operational role. The entrepreneur begins to replicate the first sale and develop the infrastructure required to sustain the business over time. This will include hiring employees, and establishing formal systems and controls. Typically, this phase ends with the realisation that the business is embedded in a larger context and the entrepreneur must therefore proactively engage with both the macro environment and competitive environment. It is at this point that the new venture creation process can be considered complete. While the strongest influencing factors are business oriented during this phase of the process, environmental factors begin to have an influence on the process.

This model enables the researcher to depict an idiosyncratic venture creation process visually, thus facilitating the comparison of different process to determine which is most effective. In addition, the model highlights what kind of support would be most helpful for the entrepreneur at particular stages in the new venture creation process.

#### **20.11. The role of religious faith**

The popular Western concept of the entrepreneur as rugged individualist and rule breaker does not readily align with the notion of the entrepreneur as a religious adherent. Nevertheless, there is a fairly long history of association between religion and entrepreneurial activity (Dodd and Seaman, 1998; Johnson, 1990). This heritage is particularly apparent in the relationship between entrepreneurship and Protestant values such as thrift, labour, duty and self-sufficiency.

In their study of the religious affiliation, and attendance, and their impact on entrepreneurs, Dodd and Seaman (1998) argued religiosity might add to environmental munificence for entrepreneurship because religious affiliation might have practical benefits for an entrepreneur operating in a particular community, and would influence the way in which an entrepreneur managed and operated a particular business. However, their UK-based study failed to find any positive or negative relationship between religious affiliation and entrepreneurial activity.

In their substantial study of the demographic profile of entrepreneurs in Brazil, Djankov *et al* (2008) note that adherence to the Protestant religion was strongly associated with entrepreneurship, which is particularly surprising in a predominantly Catholic country.

Apart from these two studies, there is little in the literature to suggest that religion has any place at all in the theory and practice of entrepreneurship. However, in the current study, the researcher was startled to find that in all but one case, respondents spontaneously mentioned their religion as an important factor influencing a number of aspects of the new venture creation experience.

Ahmed and Margaret find guidance for decision-making, and derive emotional support from their religious practice. For Byron, religion offers emotional support, comfort when the business is not functioning well and encouragement to persist. The origin of his business idea was attributed by Hans to divine inspiration, who also credits his religion with providing guidance in decision-making and access to resources. Johan similarly draws inspiration and guidance from his religion, while Andre and Kenneth look to their religious beliefs for encouragement and support. Even Andile, who did not refer directly to his religious conviction in relation to entrepreneurship, makes reference to new venture creation as his destiny.

According to the subjects in this study, therefore, religious practice influences the new venture experience by: fuelling inspiration and creativity; providing motivation to embark on entrepreneurship, supporting commitment and perseverance; guiding decision-making, and delivering resources. Entrepreneurs in this study readily find parallels between religious faith and commitment to a particular new venture, in that the latter requires a similar non-rational belief, at least until evidence of the viability of the new business idea is available.

Table 31 illustrates the role religion plays in the entrepreneurial experience for the cases in the study.

**Table 31. The role of religion in the entrepreneurial process**

Case		Role of religion	Illustrative quotation from transcript
1	Ahmed	Guidance	<i>I think he prays a lot and that's another thing that helps him succeed. (1C MIMG 11:376)</i>
2	Andile	None	<i>I think you get the itch, and it keeps at you and at you and at you. And eventually you think, you know what, this is something I have to do. Whether I succeed at it or I fail at it, but I have to do it. And you'll never be happy until you do. (2D YBMS 21:727)</i>
3	Byron	Support, comfort, encouragement	<i>It is more about faith now to me, it is faith. You need some power that says go on, go on it will work, you know, your time will come. (3D MBMS 15:545)</i>
4	Hans	Inspiration, guidance and resources	<i>I sat there in my house and I said "oh God I've got no money, please, please, I need something. I want to do this business" and the phone rang. It sounds so stupid but I promise you this is what happened. (3A MWME 20:709)</i>
5	Margaret	Guidance and support	<i>Because ambition and faith – I mean we ask ourselves, can we separate them, because it's the faith that drives you to achieve those things that other people would see as unachievable. (5C MBFS 6:194)</i>
6	Johan	Inspiration, guidance	<i>I strongly believe today that things like creativity, things that we are thinking of, many of those things – whether we know it or not – are God inspired, okay. (6D OWME 21:741)</i>
7	Andre	Encouragement and support	<i>I believe that you know there is come-back in whatever you do. So I'm more spiritual than I am religious. You know, but I also believe, you know the Bible says, you know you can ask for whatever you want. You have to believe that you can have anything. (7D OCMS 15:518)</i>
8	Kenneth	Encouragement and support	<i>I am very religious. Now, I am actually kind of sponsoring a golf day for my church, and I try to go to church a lot of the time, and I believe that He has been carrying me ever since ... there is a path that He wants me to lead and slowly but surely rolling it out. (10D YBME 14:489)</i>

There are at least three possible explanations for this phenomenon. The first is that, in South Africa, religion plays a significant role in everyday life, with 56% of the population claiming they attend religious ceremonies regularly (World Values Survey, 2004), which puts the country fourth-highest in the world in attendance. This might explain why a convenience sample of South African entrepreneurs produced a group dominated by individuals who strongly adhere to their religions.

Secondly, it may be that, as suggested by Dodd and Seaman (1998), this is a group that is knowingly and consciously acting out a role aligned to their religious convictions. If so, we would expect to find a predominance of Calvinists in the group, but this is not the case, as it includes at least one Muslim and one individual who does not belong to an established religious group.

A third explanation is that, in the context of a religious society, entrepreneurs find religion a useful framework for deriving meaning from the new venture creation experience. Entrepreneurs must regularly communicate with their stakeholders and explain matters that are ambiguous, uncertain, serendipitous and seemingly without ordinary cause and effect. A religious reference provides a convenient explanatory infrastructure for attributing seemingly random events to something other than personal weakness or helplessness.

*There is no way that you can stay sane and just believe in yourself. You have to believe in some other higher power or something you can blame if it doesn't rain, or praise when it does rain or whatever the case is. And that is my rationale; that's the way I look at the universe. (4A MWME 5:162)*

## **20.12. Why entrepreneurs persist with new venture creation**

New venture creation is difficult and ostensibly unrewarding. Entrepreneurs generally work longer hours, earn less money and experience greater stress than employees. And yet they persist, even in environments that are hostile, when their friends and families are less than supportive, when resources are scarce and expensive. Some will persist when it seems certain they will fail, many will repeat the experience of new venture creation over and over, even when they have been unsuccessful. This behaviour has contributed to the notion that entrepreneurs are different from non-entrepreneurs and has led to a host of studies attempting to find out why this is so (Shane and Venkataraman, 2000).

This study offers a simpler explanation. Entrepreneurs do what they do because they are having fun. An emerging theory of fun (Garneau, 2001) developed to guide design in the \$40-billion<sup>2</sup> video game industry provides some insight into what it is that individuals mean by the term fun. Fun, even as it applies something as apparently trivial as a video game, involves a variety of different cognitive, sensory and emotional features that collectively form a gestalt of challenge, experience and reward. Garneau (2001) 14 forms of fun, summarised in Table 32, illustrate the complexity of this construct.

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<sup>2</sup> Business Week, 2006. Media Outlook Report, PricewaterhouseCoopers, 23 June 2006, downloaded from [www.businessweek.com](http://www.businessweek.com) on 28 August 2008



**Table 32. Ten forms of fun<sup>3</sup>**

Form of fun	Definition
<b>PERSONAL</b>	
Immersion	Involvement in an environment different from usual
Intellectual problem solving	Finding solutions to problematic situations
Thrill of danger	Exhilaration from a dangerous activity
Creation	To bring into existence that which did not exist previously
Discovery	Finding out something that wasn't known before
Advancement and completion	Going forward in and eventually finishing an activity
Application of an ability	Using one's abilities in a difficult setting
<b>SOCIAL</b>	
Competition	Activity where the goal is to show one's superiority
Social interaction	Doing things with other human beings
Power	Capacity to have a strong impact on others

Ahmed experiences the thrill of danger when making deals or taking risks, while Andile regards new venture creation as comprising an endless series of intellectual problems to be solved. For both Byron and Johan, the fun is in making progress toward a goal, while for Hans, the act of creation inherent in entrepreneurship is the basis of his enjoyment. Margaret enjoys applying her abilities to solve client problems, while entrepreneurship gives Andre a platform for competing with others and Kenneth's pleasure is centred on the learning that business development offers.

It is therefore suggested that entrepreneurial persistence is anchored in a particular form of fun that an entrepreneur experiences during new venture creation. It is unlikely that the individual anticipates this fun prior to embarking on entrepreneurship, but once experienced, it acts as a persistence anchor, connecting the individual to new venture creation.

Table 33 illustrates the way in which each of the subjects in this study describes their experience of fun in new venture creation, and indicates how this fun anchors entrepreneurial persistence.

<sup>3</sup> Adapted from: Garneau P-A, 2001. Fourteen Forms of Fun, unpublished essay, downloaded from [www.gamasutra.com](http://www.gamasutra.com) on 7 February, 2008

**Table 33. Entrepreneurial persistence**

Cases		Persistence anchor	Illustrative quotation from transcripts
1	Ahmed	Thrill of danger	<i>Where we are right now in the business, it's a new experience. It's not something that I can relate to, it's not something that you can always share and get knowledge or experiences from other people, unless they've been in this situation. So it's really exciting. (1D MIMG 16:561)</i>
2	Andile	Intellectual problem-solving	<i>The best thing is probably the constant challenge. There's always something challenging you, it's never stale, it's never the same. I probably am starting to get a little bit of a taste for it now. I'm starting to spend more and more time on it. There's always something else to look for, something else to understand, something else to learn. (2D YBMS 17:612)</i>
3	Byron	Advancement and completion	<i>The other side is to say okay, this is my vision, this is where I want to be. I can't go back to work although I know I am worth much more than what these guys can offer, so what can I do for myself and you have got this goal that you need to be at this point and that becomes the driving force to say okay, let's push on, let's push on. (3D MBMS 18:648)</i>
4	Hans	Creation	<i>Well, isn't that the fun? I mean some guys are artists and they draw these wonderful paintings and they get inspired. I'm an entrepreneur, I just create it in a different way. I think, to me, it's art isn't it? It's the same kind of thing. (4A MWME 12:428)</i>
5	Margaret	Application of an ability	<i>So it's been exciting but it is now, it is for me, so even when you wake up, you know, you do it for you, and nobody else. And if you may mess up, it's you, if you do it good, it's you. (5D MBFS 21:742)</i>
6	Johan	Advancement and completion	<i>I think what drives me is the feeling of setting my mind or creating this picture in my mind that I have something that can be done and then diligently, constantly driving to achieve that. (6D OWME 20:708)</i>
7	Andre	Competition	<i>And I said to myself you know what, let me go out and do it for myself. Let me get away from this comfort zone. And I haven't made as much money as I wanted and I haven't done everything I wanted to do, it is still a struggle every day, but you know what, I wouldn't change it for the world. (7D OCMS 16:564)</i>
8	Kenneth	Discovery	<i>You don't know where your next pay cheque is going to come from ... or if you are going to get work the next year, if the same client has the same event, it's the same job and you don't get it. It has been very challenging and it has been very exciting. I have learned a lot. I have learned a heck of a lot in the past couple of years. (10D YBME 16:566)</i>

The pleasure these entrepreneurs experience appears unrelated to the motives that drove these individuals to new venture creation in the first place. In turn, these motives are simultaneously unrelated to goals and outcomes such as wealth or independence that they expect to achieve as a result of venture creation. This suggests that for the entrepreneurs in this study, new venture creation is an autotelic experience, a self-contained activity undertaken for its own reward, rather than with the expectation of some future benefit (Czikszenmihalyi, 2002). Entrepreneurs may regard new venture creation as an optimal or flow experience (Czikszenmihalyi, 2002).

Czikszenmihalyi (2002) notes that flow experiences are characterised by several major features. Firstly, the activity is sufficiently challenging but just balances the person's capacity to act. As a result, the individual's attention is completely absorbed by the activity, actions become automatic and there is deep concentration on the task at hand. The activity has clear goals and there is regular feedback about progress towards the goal. During the flow experience, the individual experiences a sense of control in a difficult situation, loses consciousness of the self and loses track of time.

The theory of flow (Czikszenmihalyi, 2002) explains why individuals persist even when their businesses are failing by any objective measure. It explains why any prior entrepreneurial activity, even childhood survivalist-style activity, appears to have such a significant influence on subsequent decisions to embark on new venture creation. And it explains the passion many individuals feel for the entrepreneurial way of life.

The key implication of this analysis is that the experience of flow may encourage individuals to attempt entrepreneurship who might otherwise not have done so. This highlights the importance of early exposure to entrepreneurship in building a more entrepreneurially orientated culture in South Africa.

### **20.13. Making sense of the entrepreneurial experience**

In this study and in the literature, entrepreneurs tend to use strong, emotive language when they discuss their businesses, and frequently use metaphors, not only to describe their experience but also to explain themselves to resource holders and potential customers (Branzei and Zietsma, 2004).

Metaphors are not simply ornamental parts of speech; they are tools for understanding and communication, allowing people to express difficult concepts in a vivid and compact way (Ortony and Fainsilber, 1987; Schmitt, 2005). This is well illustrated by Byron's description of the way he motivates himself to meet high goals:

*Am I going to the Promised Land, am I reaching my goal, where am I? So those things, I use that to keep me ... which borders on insanity now when I am talking to someone. I also believe, you know, this person is blocking me from leaving Egypt. Or I am thinking, I am now thinking of going back to Egypt when I should be moving forward. (3D MBMS 16:564)*

Although the entrepreneur may favour a single metaphor, used in several different ways, to describe his business and his experience of new venture creation, he will often use several different metaphors to communicate different dimensions of his world view. For example, Andile uses Ahmed's journey metaphor to describe the decision to forego a regular salary in favour of start-up.

*So it's kind of like a junction in your life, there is two paths that you can take and it's one of those things that can make that much of a difference in your life. (2A YBMS 16:539)*

Kenneth uses a parenthood metaphor to describe a new business he and his partner have set up, but is not yet fully operational.

*So we are just cautious, we're just treating it like a baby, like a fragile baby, we don't want anything to happen to it. (10A YBME 20:721).*

Metaphor is typically used to describe situations that are highly emotive, rather than describing actions (Ortony and Fainsilber, 1987). This is illustrated by Hans's rejection of the possibility of selling equity in his firm to access greater financial resources.

*I don't know why some people think it's OK – this is my baby. This is what I do. How could I sell a part of me? It's like saying "okay, well buy my arm if you give me another hand here". You know, it doesn't work; you can't do that. It's a part of you, a business. (4A MWME 17:581)*

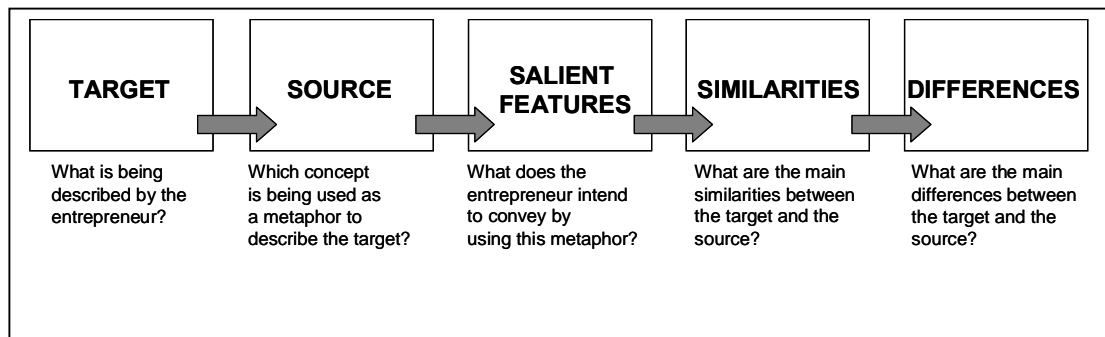
The use of metaphor may be unconscious, reflecting what users see as truth, but a truth that is not easy to articulate (Schmitt, 2005). Andre describes how his entrepreneurial history has contributed to the development of his unique opportunity identification capabilities, for example.

*One guy said to me on Saturday when I watch you play, you see things that other people don't see. And that's exactly the same with an entrepreneur. You*

*know you start seeing like in golf, when I look at the ball going into the hole, I can see there is a line, there is an invisible line that goes to the hole. But if somebody else stands at the hole, all they see is grass. (7D OCMS 27:981)*

In using a particular set of metaphors, entrepreneurs give insight into the common mythology and meaning they share with other entrepreneurs, as well as revealing something about their conception of the entrepreneurial role and their own identity. Analysis of the metaphors used by entrepreneurs therefore offers useful insight into the entrepreneurial experience.

Analysing metaphors requires distinguishing between the *target*, the phenomenon the metaphor seeks to describe . in this case, entrepreneurship . and the *source*, the construct in terms of which the target is described . for example, parenthood (Cornelissen, 2005). The use of the metaphor is intended to highlight salient features (Reimer and Camp, 2006) of the source and ascribe them to the target, for example nurturing, responsibility and attachment. Since metaphor always creates a tension between the literal meaning and the figurative meaning (Reimer and Camp, 2005), analysis also examines the implied differences and similarities between the source and the target. This procedure may be illustrated as follows:



**Figure 24: Metaphor analysis framework**

Table 34 summarises the metaphors used in each case study and provides an analysis of each metaphor on the basis of the procedure illustrated in figure 24 typically used in the literature.

**Table 34. Metaphors of the entrepreneurial experience**

Cases		Source	Salient features	Differences	Similarities	Illustrative quotation from transcript
1	Ahmed	Journey	Starting point Movement Goal Progress	Stability Aimlessness	Unexpected Overcoming difficulties Exploration	<i>Yes, well I can tell you it has been a journey of unknowns. It's been, for me, it's been very different, because coming out growing up, not being exposed to the corporate world. (1D MIMG 22:799)</i>
2	Andile	Challenge	Difficulty Engagement Manageable Enjoyable	Simplicity Routine Tedium	Demanding Exciting Satisfying	<i>There have been a lot of challenges along the way that have kept it interesting. There has always been something to figure out, a problem to solve, there has always been an issue. (2A YBMS 8:257)</i>
3	Byron	Change	Transformation Development Learning	Enduring Permanent Stable	Present difficulty Future hope Innovation	<i>When you start off, you are wondering where am I going to get these skills but then after a while you see that your financing is running out and maybe it's too posh where I am staying, I need to move to this place and what I am doing is not right. And then you adjust. (3D MBMS 16:538)</i>
4	Hans	Play	Enjoyment Excitement Creativity	Seriousness Difficulty Tedium Anxiety, stress	Challenge Experimentation Fun	<i>Well it's the thrill of doing business. It's like I can sell this to you for that much but let's see if I can push it to that amount (chuckling). Let's see if you'll actually take it for that. Isn't that what business is about? It's fun. (4D MWME 3:87)</i>
5	Margaret	Turbulence	Ambiguous Irregular Disorder	Progress Development	Uncertainty Lack of control Discomfort	<i>Like I'm saying nothing is smooth, and if you ever thought that it would be plain sailing then you find yourself being very wrong. (5D MBFS 12:386)</i>
6	Johan	War	Conflict Ruthlessness Danger	Cooperation Productivity Progress	Competitiveness Opposition Complexity	<i>I would say there were no morals in business for that matter. It's war. That's what it boils down to. (6A OWME 14:472)</i>
7	Andre	Growth	Develop Increase Productive	Stasis Entropy Tedium	Progress	<i>I think it's good to be, to go through this process because as you are answering questions you learn more about yourself and you, you can see how you have progressed. (7D OCMS 22:784)</i>
8	Kenneth	Vision	Focus Future Understanding	Uncertainty Ignorance	Learning Mastery	<i>I think I had my head screwed the right way on and my heart was in the right place, and just focusing on what I was busy with at that time. Just keep persisting in whatever I was doing ... and focusing and keeping the main thing ... the main thing. (10D YBME 15:548)</i>

By using the journey metaphor, Ahmed is reflecting on his own development, and communicating his ability to learn and progress, even in the face of obstacles. Ahmed simultaneously admits to the difficulties he has faced during the entrepreneurial experience and celebrates his ability to successfully overcome them. He even implies that without risks and obstacles, the entrepreneurial experience would not be as enjoyable or rewarding.

Andile makes sense of his entrepreneurial experience primarily by referring to the challenge it represents. Andile's description of the challenge is reminiscent of one of Garneau's (2001) 14 forms of fun. This is termed an intellectual problem-solving game whereby the individual gains pleasure and personal satisfaction from finding solutions to problematic situations. The challenge is a game, a metaphor Andile often uses to describe the experience of new venture creation.

Byron frequently refers to the entrepreneurial experience as an instrument of personal change. This change metaphor compares and contrasts the pre-entrepreneurial and post-entrepreneurial experience, highlighting the learning and development that takes place throughout new venture creation (Cope, 2005).

Hans understands his entrepreneurial experience primarily through the medium of a play metaphor (Hill, 1995). He frequently describes new venture creation as fun and refers to his own enjoyment and pleasure in the process. Experimentation is also strongly associated with play and fun as is a denial of the possibility of failure or any negative consequences to less-than-successful endeavour.

Most notable in Margaret's descriptions of new venture creation is the notion of turbulence the unexpected, irregular and uncertain nature of the process. The idea of turbulence is applied to the market's reaction to Margaret's offerings, which did not immediately live up to her expectations, something she was surprised by at the time and still finds difficult to understand. She was surprised by rejection, and equally surprised by the relatively slow speed of corporate decision-making.

Johan's way of making meaning is by reference to a hostile external environment. When his assumptions about the competitive environment proved incorrect, his idealism was undermined and he responded by developing a vivid set of war-like



metaphors (Lakoff, 1991) to explain his experiences. Johan seeks to evoke sympathy and support for his own actions through the use of this metaphor, because the intensity of his rivalry can be justified if it is seen in relation to the immoral actions of others. He also communicates the intensity of his frustration and anger at being prevented from developing his business in the way he originally envisaged doing.

Andre makes meaning from his entrepreneurial experience primarily through referring to it as a mechanism for personal growth. The growth that takes place is not seen merely as a by-product of new venture creation, but is to be valued for its own sake, whatever the success or failure outcomes of the business itself. Without the kind of growth experienced during entrepreneurship, the subject believes that individuals are in entropy, and will eventually die

Kenneth constructs meaning from his entrepreneurial experience by using visual metaphors. The visual metaphors are used to describe his awareness of and ability to identify opportunities, as well as to describe his intentions and the future direction of the business. Visual metaphors also describe his decision-making process and the need to be disciplined about what activities are undertaken by the entrepreneur. Indeed, Kenneth ascribes his business success to his ability to concentrate on his business to the exclusion of all else, and uses a visual metaphor to do so.

Although the metaphors used by the entrepreneurs in this study seem on the surface to be quite different from each other, by applying the analysis presented on Table 34, four clusters of common meaning are discernible, as illustrated in Figure 25.

The expedition cluster contains elements of personal growth and development while simultaneously making reference to the risk and uncertainty inherent in an uncertain outcome, and the need to be adequately prepared prior to commencement.



**Figure 25: Metaphor clusters**

As Turner (2008) points out, the journey is a primary conceptual metaphor used with reference to reasoning, learning and even life. It assumes a starting point and movement towards a goal. Journeys may involve careful planning and resource management, but they also involve randomness and the unexpected (Turner, 2008). This makes the journey difficult, although overcoming obstacles is in itself a reward. The journey metaphor also implies exploration and consequent learning, in that the traveller starts out from the known and proceeds to the unknown, to make it known (Turner, 2008).

By suggesting that personal growth and development are an important component of new venture creation, the entrepreneur communicates his/her positive feelings while simultaneously suggesting that the process is as important as the outcome. This appears to contradict a socio-cultural convention that entrepreneurial endeavour is measured only by the accumulation of wealth on the part of the entrepreneur (Zafirovski, 1999).

The *battle* cluster highlights the complex and difficult nature of business generally, especially for the new entrant, who may not be adequately resourced to compete with more established rivals. The battle cluster suggests an extreme form of competition in which the entrepreneur becomes a villainous enemy that must be beaten by the heroic entrepreneur (Lakoff, 1991). The metaphor also makes reference to the danger or risk involved and suggests that ordinary rules of social engagement do not apply to entrepreneurship (Lakoff, 1991).

The *battle* cluster also points to the relentless and unforgiving nature of new venture creation (Simon *et al*, 1999), as well as evoking the emotional intensity experienced by the individual during the entrepreneurial process. In particular, the entrepreneur communicates his/her fear, anger and frustration at the lack of control over events he/she must respond to (Singh *et al*, 2007), a struggle which is particularly discomfiting for those entrepreneurs with a high need for control (Kets de Vries, 1985).

The *lesson* cluster compares and contrasts the pre-entrepreneurial and post-entrepreneurial, highlighting the learning that takes place throughout new venture creation (Cope, 2005). The metaphor describes entrepreneurship as a personal transition process that is neither easy nor comfortable, but the end state is nevertheless desirable. Moreover, by conceptualising venture creation as personal transformation, the entrepreneur again rationalises that the experience is significant, whether or not the business is successful.

As Vervoorn (2006) demonstrates, vision universally serves as a metaphor of knowledge acquisition, an aspect of new venture creation that offers the entrepreneur inherent satisfaction. The implication is that this growth is uniquely associated with the entrepreneurship and is not achievable through other educational or occupational experiences.

Interestingly, the uncertainty implied by the learning process implies ignorance, which in turn may offer a feasible explanation for what is more commonly thought of as entrepreneurial boldness. Perhaps entrepreneurs do not take risks because they are braver or more optimistic (Palich and Bagby, 1995), but simply because they do not know what lies before them.

The game metaphor highlights the entrepreneur's interest in new venture creation and makes specific reference to the pleasure he derives from the entrepreneurial experience. The game metaphor highlights the competitive dimension of entrepreneurship, especially in the context of the entrepreneur's own need to achieve (Johnson, 1990). The use of this game metaphor implies that entrepreneurship could be considered an activity that requires both skill and luck, but occurs within a well-defined structure that can be learned (Cope, 2005).

The use of this metaphor provides some insight into how the entrepreneur might conceptualise risk-taking. Not only does he enjoy the experience, and optimistically believe the probability of failure is small (Palich and Bagby, 1995), he also rationalises that the consequences of failure are minor. One dimension of this metaphor refers to the sensation of excitement Hans feels when faced with the uncertainty of a particular outcome (Douglas and Shepherd, 2002).

Finally, the play metaphor also carries with it strong elements of creativity, which is seen as both a productive and a pleasurable experience, in both the mundane and extraordinary contexts. This is suggestive of the extent to which the creative function is fully integrated into new venture creation (Amabile, 1998). Moreover, by connecting 'creativity' to 'fun' the entrepreneur finds a way to communicate that his/her pleasure has a purpose. He/she is productive, not merely self-indulgent.

In summary, although the entrepreneurs in this study perceive themselves vulnerable to a hostile environment, and engaged in a difficult and challenging process, they look forward to a better future and to achieving their goals, while finding opportunities for learning and development as well as pleasure in new venture creation. This shared understanding can be compared to the active, emotionally charged nature of the metaphors used by North American entrepreneurs (Dodd, 2002) and the mature, emotionally neutral metaphors used by Northern European entrepreneurs (Koiranen, 1995).

The main implication of this analysis is that the metaphors used in the study point to a shared understanding of the benefits and challenges of entrepreneurship, which has the potential to make communication with and between entrepreneurs more effective. However, it should also be noted that this description may also be regarded as daunting for the aspirant and perhaps more hesitant entrepreneur

(Down and Warren, 2008), with the effect of scaring off youthful entrepreneurs (Maas and Herrington, 2007).

## **20.14. Chapter summary**

This chapter comprised an analysis of themes emerging from across the eight cases in the study and presented a series of models and typological frameworks for describing different dimensions of the phenomenon of new venture creation in South Africa.

A model describing how early experiences shape behaviour and decision making as an entrepreneur was presented. By examining the motivation of entrepreneurs in the study, different types of influence on the perceived desirability and feasibility of entrepreneurship were examined. It was demonstrated that entrepreneurs deliberately prepare for new venture creation, long before a particular opportunity is identified, and six types of preparation were discussed. The role of work experience in this preparation was examined closely, with particular emphasis on the role of prior entrepreneurial experience.

An approach to opportunity identification which might be peculiar to South African entrepreneurs was defined. The way in which entrepreneurs manage risk during the process of commitment to a new venture was considered and key dimensions of entrepreneurial partnerships were defined. The way in which the entrepreneur gathers resources and manages risk was also considered. A model of venture creation in developing countries was discussed, and the role of spirituality in this process highlighted. It was argued that entrepreneurs persist in new venture creation because of the deep personal satisfaction it offers. Finally the analysis identified the common meaning underlying metaphors of entrepreneurship in South Africa.

That such a variety of theoretical frameworks is derived from one data set highlights the richness and depth of the discourses and narratives that emerged from the interviews and reinforces the importance of understanding new venture creation from the entrepreneurs' perspective.

## CHAPTER 21. CONCLUSIONS AND IMPLICATIONS

The main purpose of the study was to develop a mid-range theory of venture creation in a developing country, based on an in-depth understanding of the experiences of a sample of South African opportunity entrepreneurs currently or recently engaged in setting up a new venture.

This chapter concludes the thesis titled *New Venture Creation: building theory from South African case studies*. The chapter sets out the major methodological, empirical and theoretical contributions of the study to the literature, and considers their implications for policy and practice. The chapter is completed by a number of suggestions relating to future research.

### 21.1. Methodological contributions to the literature

The research used a qualitative case-study methodology to consider the phenomenon at multiple levels of analysis and from multiple perspectives, an approach seldom used in entrepreneurial research (Ogbor, 2000; Gartner and Birley, 2002; Hindle 2004; Chandler and Lyon, 2001). Throughout the study, a deliberate effort was made to view new venture creation at multiple levels of analysis. The literature review was arranged thematically to focus on personal, social, business and the environment levels of analysis. The case narratives and case analyses were similarly arranged, with the latter explicitly considering relationships between different levels of analysis.

Cases were selected to ensure the study focused on entrepreneurs currently engaged in the venture creation process, rather than students or managers (Vecchio, 2003). Seeking to understand entrepreneurial variation (Sarasvathy, 2003), the emphasis was on comparing and contrasting the lived experience of a variety of entrepreneurs with each other, rather than with any non-entrepreneurial group. A broad spectrum of entrepreneurs was chosen to avoid over-selecting successful entrepreneurs (Markman *et al*, 2002) and to ensure that data was captured at different stages of venture development. The study also adds to the

body of knowledge because it researches entrepreneurship in the *developing* world rather than the *developed* world (Park and Bae, 2004).

For each case, four interviews were conducted, two depth interviews with the subject of each case and these were triangulated with interviews conducted with a business colleague and a family member (Hussey and Hussey, 1997). These interviews provided a multi-dimensional view of the entrepreneurial process, allowing some case-level findings to be uncovered, and other findings confirmed by cross-referencing the respondents' descriptions.

While respondents' memories are of interest in this analysis, of equal interest is what respondents did not remember or chose not to mention. For example, Ahmed did not mention his strong religious affiliation, Andile did not mention the failure of his father's business, while Byron omitted several entrepreneurial failures from his recollections and Hans was silent on his early learning difficulties. It is not clear whether these omissions signalled some form of shame or embarrassment or were simply considered by the entrepreneur to be irrelevant to the discussion.

A systematic coding process was developed and documented, using CAQDAS software to manage data volumes and enhance analytical rigour (Roberts and Wilson, 2002). This provides a blueprint for data analysis in the grounded theory tradition that can be replicated by future researchers using this method.

The case narratives provide a series of *thick* descriptions of individual entrepreneurs engaged in the start-up process (Babbie and Mouton, 2003) and represent *the* slow methodological process of description which constitutes good scientific research (Gartner, 2005). These narrative summaries capture the complex, non-linear nature of new venture creation (Howarth *et al*, 2005) from the entrepreneurs' point of view (Sarasvathy, 2003).

Frameworks for presenting the case narratives and case summaries were derived from the literature, and specifically set out to examine multiple levels of analysis and the relationships between them (Low and MacMillan, 1988). The use of such frameworks is said to help scholars avoid reaching premature conclusions (Singh *et al*, 2007). In turn, the use of established models of social capital (Aldrich and Cliff, 2003), strategy (Park and Bae, 2004; Chesbrough and



Rosenbloom, 2002; Rumelt, 1991; Mintzberg, 1991) and the environment (Porter, 1980), also enriches and enhances these models. For example, by allocating each of the entrepreneurs in the study to a type on the Miner (2000) model of entrepreneurial personality, our understanding of both the individual and the framework is deepened. In addition, three new analytical frameworks were devised by the candidate for use during case analysis:

- **The Life Stage Framework** depicts events in five consecutive life stages, categorises them as positive or negative, and estimates their impact on later entrepreneurial cognition and behaviour. This framework assists researchers in unravelling the influence of early events on later entrepreneurially relevant needs and behaviour.
- **The New Venture Mapping Framework** is used to examine the idiosyncratic process of new venture creation by using generic events and activities and then mapping the sequencing of and relationships between them. Future research can use this framework to evaluate the effectiveness of different venture creation processes.
- **The Metaphor Analysis Framework** specified a set of dimensions for deconstructing metaphors to enable systematic comparison across a range of sources. This framework encourages the researcher to look beyond the surface expression of a metaphor used in the entrepreneurial discourse and to identify the shared meaning behind the metaphor.

The major themes presented in Chapter 20 emerged from a cross-case analysis of the data, as captured by the coding process, and presented in a series of comparative tables, supported by quotations from the data. The themes were derived through a process of analytic induction (Ratcliff, 1994) and comparison with the literature (Eisenhardt, 1989), which helped to establish the chain of evidence and to ground the theory in the data, rather than it being detached from empirical evidence (Ogbor, 2000).

## 21.2. Empirical contributions to the literature

In the course of achieving and in-depth understanding of the South African urban opportunity entrepreneur, this study explicitly sought to address a number of gaps or weaknesses in the literature as it applies to the local context, as illustrated in Table 35:

**Table 35: Summary of empirical contribution**

LEVEL OF ANALYSIS	DIMENSION	CONSIDERED BY THE LITERATURE ON SOUTH AFRICAN ENTREPRENEURSHIP	CONSIDERED BY THIS STUDY
<b>Personal</b>	Demographic characteristics	X	
	Motivation and intention		X
	Work experience		X
	Personality characteristics	X	X
	Cognitive style and cognitive bias		X
	Entrepreneurial self-efficacy	X	X
	The role of affect		X
	Attitude to entrepreneurship	X	
	Behaviour during entrepreneurship		X
	Entrepreneurial creativity		
	Intuition and learning		X
	Making sense of the experience		X
<b>Social</b>	Social psychology perspective		X
	Family embeddedness	X	X
	Network emeddedness	X	X
<b>Business</b>	Discovery of opportunity		X
	Risk and uncertainty	X	X
	Resource gathering	X	X
	Strategy process	X	X
	Strategy content	X	X
	Organisation building		X
	New venture survival, success, growth		
<b>Macro-environment</b>	Regulatory environment	X	
	Economic environment	X	
	Institutional and support environment	X	X
	Industry environment		
	Socio-cultural environment	X	

Table 35 illustrates how the study contributed to a greater understanding of the personal and social dynamics of entrepreneurship, as well as incorporating the business and environmental levels of analysis.

A key requirement of the research was to understand the venture creation process from the entrepreneurs' point of view, while simultaneously treating the cases as heterogeneous within the bounds of a common definition of entrepreneurship. Throughout the case analysis, this has meant a careful presentation of the entrepreneurial narrative, from the perspective of the entrepreneur and his or her family members and colleagues. This approach has resulted in a rich and detailed view of the new venture creation process in South Africa that is firmly grounded in the data.

Ahmed described the new venture process from the perspective of an entrepreneur whose business is growing rapidly, but continues to suffer from the liabilities of novelty, size and lack of resources that characterise much smaller and younger businesses. The case demonstrated how early influences shaped Ahmed's desire for financial security and how this in turn led him through a career which simultaneously developed his skills, confidence and risk propensity.

Andile's business had yet to launch at the time of the study, but had been in development for over five years. The case illustrates the entrepreneur's ability to persist over time, even when financial, physical and information resources are constrained. Andile's narrative highlights that the entrepreneur is embedded in the social context in that family, friends and business networks have been actively used in the new venture creation process.

At the time of the study, Byron's business was faltering, with long customer decision cycles causing severe cash-flow problems. This case illustrates the extent to which the entrepreneur's personal and family lives are intertwined and highlights the multiplicity of risks facing the individual engaged in new venture creation. Byron's narrative demonstrates the fluid nature of the opportunity development process and points to the significant barriers the entrepreneur must overcome en route to a sustainable business.

Hans is a serial entrepreneur with a portfolio of businesses. The case illustrates the energy and ingenuity required to successfully create a new venture, but also

vividly illustrates the pleasure and challenge the entrepreneur gains from new venture creation. Hansq narrative typifies the developing entrepreneurs approach to risk management, which is characterised by diversification rather than focus.

Margaret's business is in the earliest stages of development, with customer interest beginning to be demonstrated after some 12 months of full-time effort on her part. Margaret's narrative was emotional, demonstrating the personal intensity of the venture creation process. This case shows how even the most carefully planned ventures can encounter problems, often related to timing rather than to poor strategy development or execution.

Although Johan's business is fairly well-established, he has yet to be able to access the most important resource his business needs to flourish . information. The case highlights the unforgiving nature of the competitive conditions facing the entrepreneur and warns against environmental naiveté a phenomenon frequently in evidence in the entrepreneurial discourse. Johan's narrative was rich in reference to the role of his religion in supporting his venture creation effort, highlighting that entrepreneurs require mechanisms extracting meaning from the entrepreneurial experience.

At the time of the study, one of Andre's businesses had stalled after a lengthy period of product development, while he sought funding to commercialise and launch. The case demonstrates how early experiences drive entrepreneurial motivation by creating powerful personal needs that can be satisfied by the venture creation process. Andre's narrative demonstrates the role of the spousal partner in supporting new venture development psychologically, socially and financially.

Kenneth's narrative appears to demonstrate the role of serendipity in the entrepreneurial process, but close examination reveals the role of his prior work experience and highlights the significant personal effort and energy the entrepreneur is required to contribute. The case illustrates how the entrepreneur experiments with different product/market combinations before finding one that will function most effectively. Kenneth's narrative illustrates how the entrepreneur learns throughout the venture creation process.

A further empirical contribution was to highlight differences between new venture creation in South Africa and that in the developed world, as articulated in the entrepreneurial literature, especially as it relates to: preparation for entrepreneurship; the role of work experience, different approaches to opportunity identification; the importance of partnerships; and the way in which entrepreneurs gather resources and manage risk, as detailed in Chapter 20.

However, as noted in Chapter 3 the generalisation of these findings is limited to theoretical propositions rather than a larger population of entrepreneurs, either the developed or the developing world.

### **21.3. Theoretical contributions to the literature**

The study was conducted in the idiographic, rather than the nomothetic, tradition and therefore seeks to define themes and typologies and the sub-categories that comprise them.

The primary contribution this study makes is to an enhanced theoretical perspective of the venture creation process and the sub-processes it comprises. The model synthesises the efforts of other scholars, incorporates the lived experience of the entrepreneurs in this study, adds new components to conventional models of new venture creation, and reconsiders the ordering of events in the process.

In particular, the model incorporates the individual's preparation for entrepreneurship, and her commitment to new venture creation, both features of the process which have not previously been explored in depth. The model has particular application to the developing-country context because it highlights that the entrepreneur may spend less time and energy identifying and evaluating opportunities because they are abundant, and more time and energy gathering resources, which are scarce. The model also reveals that the developing-country entrepreneur seems relatively unaware of the environment until the business is trading regularly, possibly because opportunities are broad in scope and relatively low in competitive intensity (Lingelbach *et al*, 2005).

The model indicates the relative importance of personal, social, business and environmental influences at each stage of the process, suggesting that entrepreneurial *readiness* could be assessed for each stage, which could in turn point to appropriate support requirements for moving from one stage to another, although no particular order is mandated.

The study also contributes to the theory of entrepreneurship by defining a series of typologies inherent in venture creation sub-processes. For example, with respect to motivation, the study suggests that the desirability of new venture creation might stem from a variety of different sources, and that perceived feasibility might be powerfully influenced by a series of different factors. This allows us to view motivation as socially constructed rather than as an intrinsic characteristic and points to the possibility of *stimulating* motivation rather than searching for it.

The preparation sub-process defines six different modes of preparation that an individual might undertake prior to new venture creation; a phenomenon which might be hypothesised as peculiar to the developing-country environment because of the relative weakness of institutional support. It is suggested that preparation be considered an integral part of the venture creation process, because it in effect comprises a resource-gathering process that occurs prior to a particular opportunity being identified.

The role of work experience in this preparation is examined particularly closely, and two findings are of interest. The first is that entrepreneurs in this study viewed employment as a poor substitute for new venture creation, in contrast to the literature (Harvey and Evans, 1995; Gibb Dyer, 1994; Bowen and Hisrich, 1986) which hypothesises that developing-country entrepreneurs perceive the reverse to be true. The entrepreneur does not embark on new venture creation because he is unhappy in a particular job, but because employment generally fails to meet his needs. The second finding is that early entrepreneurial experience, however meagre or unsuccessful, may act as a substitute for traditional industry and occupationally based experience. This has significant implications for school curricula and occupational training programmes.

A third approach to opportunity was uncovered by the study. An *agricultural* or *resource-based* approach was described in addition to the literature.

archaeological and architectural approaches (Bhave, 1994). It is hypothesised that this might be peculiar to entrepreneurship in developing countries, where opportunities are more plentiful and resources are scarce.

The commitment sub-process defines how the individual makes the transition from employee to entrepreneur, from planner to executor, and from vision to reality. This process appears to perform a personal risk management function for the entrepreneur, who uses this time to increase his own appetite for risk and to reinforce his dedication to new venture creation.

The study reveals that partnerships play a vital role in new venture creation for the entrepreneurs in this study and a set of dimensions of partnerships is defined. Partnerships are the source of complementary skills, financial resources and emotional encouragement and support and act as an important substitute for institutionally provided resources and support. However, managing partnerships requires special skills that may not come naturally to all entrepreneurs, particularly given a high need for autonomy and control.

Resource gathering is particularly challenging in the South African environment and occupies a central position in the venture creation process, much more so than opportunity development which is currently a focus of attention for much of the literature (Shepherd and DeTienne, 2005). In addition to the strategies of buying, borrowing or leveraging, the study highlights that the entrepreneur might seek to attract resources *pro bono*, based on the quality of the relationships in her network. The entrepreneur might also seek to grow her own resources, provided she has high levels of information capital at start-up.

A model for describing the entrepreneur's approach to risk management was presented. This suggests that entrepreneurs in a developing country like South Africa must simultaneously manage personal, business and environmental risk, either by acting preventatively, by improving absorptive ability or by repairing any damage retrospectively.

The study explores the role an individual's spirituality plays in new venture creation, in terms of fuelling inspiration and creativity, stimulating motivation to embark on entrepreneurship, supporting commitment, guiding decision-making and delivering resources. In the context of a religious society, a religious



reference provides a convenient explanatory infrastructure for attributing seemingly random events to something other than personal weakness or helplessness.

New insight into entrepreneurial persistence was offered using an emerging theory of fun (Garneau, 2001) to highlight that different entrepreneurs derive different kinds of pleasure from the process. It is suggested that new venture creation is an autotelic experience, a self-contained activity undertaken for its own reward, during which the entrepreneur experiences flow which offers a deep sense of enjoyment and satisfaction (Czikszenmihalyi, 2002) that anchors persistence and commitment.

Finally, the study applied a metaphor analysis framework to the metaphors used by entrepreneurs to describe the venture creation experience. This allowed the candidate to uncover a shared understanding of the new venture process in the South African context. The entrepreneur perceives new venture creation as a battle fraught with difficulty and risk, requiring a well-equipped expedition to undertake the journey into an uncertain future. At the same time, he views the journey as an opportunity for learning and personal growth which is both pleasurable and satisfying. A deeper understanding of entrepreneurial perspectives of new venture creation offers new insight into the way in which the entrepreneur can best be encouraged and supported.

#### **21.4. Implications for policy and practice**

The empirical and theoretical contributions of this study have a number of practical and policy implications for policy-makers, resource-holders, support agencies and entrepreneurs in South Africa. Each of these is dealt with in turn.

The suggestion that entrepreneurs are made as a consequence of their early influences, rather than born implies to policy-makers that they can be created through appropriate motivational and skill development programmes. In particular, the importance of early exposure to the experience of entrepreneurship, even survivalist entrepreneurship, to later awareness of an interest in new venture creation highlights the need to incorporate this into all secondary and tertiary education curricula more effectively. Similarly, the role of

tertiary education institutions in enhancing self-efficacy and providing relevant skills suggests they be incentivised to become more involved in entrepreneurial development and education.

The different types of preparation described in Chapter 20 outline the dimensions of a more holistic approach to entrepreneurial development which includes: knowledge acquisition; work experience; financial preparation; the acquisition of physical resources and the establishment of useful and relevant relationships. This implies that a more integrated, multi-departmental approach to entrepreneurial development may be required, requiring greater coordination between government departments such as Trade and Industry, Finance, Education and Social Welfare to stimulate and support new venture creation.

Programmes directed at entrepreneurial development might also consider differentiating between the needs of entrepreneurs at different stages of the venture process.

Policy-makers should be aware that entrepreneurs require access to a greater diversity of resources than merely the financial. In particular, in South Africa, information may be the most valuable and rarest resource available to new ventures. Wherever possible, public sector businesses should be encouraged to make such information accessible to entrepreneurs and the agencies that support them.

While it is acknowledged that legislation promoting corporate support of small business is already in place, policy-makers might also consider incentivising public and private sector businesses to support and promote entrepreneurship within their own organisations, given the important role that these play in helping nascent entrepreneurs to develop the requisite skills, experience and networks.

The major implication of the study for support agencies is that entrepreneurs are not homogenous in their motivation to embark on new venture creation, their approach to opportunity or the processes they follow in venture development. Support programmes need therefore be better tailored to the needs of different types of entrepreneur and different stages of the new venture process.

Again, the nature of preparation that entrepreneurs typically undertake offers insight into the needs they believe require to be met prior to start-up and could usefully form the basis of integrated support programmes. In addition it should be noted that preparation time dramatically extends accepted notions of new venture creation time-frames, and this has implications for the way in which support agencies measure and evaluate their own effectiveness. An evaluation of preparedness might also be helpful to potential resource-holders.

Support agencies and resource holders might also consider adding an evaluation of personal and social risk facing the entrepreneur in addition to the business and environmental risk when assessing new venture proposals, as this is possibly a significant influence on new venture survival rates. Resource-holders should be particularly aware that prior entrepreneurial experience, even at the survivalist level, offers the entrepreneur valuable skills and networks that could be applied to new venture creation in a more formal sector context.

Finally, it should be noted that the emotional intensity of entrepreneurship indicates that entrepreneurs require emotional and spiritual support throughout the venture creation process, which implies the need for counsellors and advisors to be trained in offering some level of such support and to be able to make appropriate referrals.

Nascent entrepreneurs could draw encouragement and inspiration from the cases described in this study, which highlight that entrepreneurs differ widely in their demography, education, work experience, personality and social capital. These real-life experiences belie the glamour and heroism of entrepreneurial metaphor which might attract some to entrepreneurship, but also help to make the entrepreneurial experience feasible and accessible to a wider audience.

Youthful entrepreneurs, even those without work experience or tertiary education, might be able to compensate for this lack by embarking on even the smallest survivalist enterprise, an endeavour which would not only offer valuable experience and a track-record in the eyes of resource-holders, but also act as a preparation and a mechanism for resource acquisition in more formal enterprises.

The study also suggests that orthodox text-book approaches to new venture creation might not be particularly helpful, especially given that they may set a bench-mark against which the entrepreneur evaluates him or herself, with consequent negative effects on self-efficacy and possibly even business effectiveness. This seems particularly applicable to mechanisms for identifying opportunities, gathering resources, managing risk and start-up processes in the South African context.

Entrepreneurs should be aware of the importance of developing networks and partnerships to the successful creation of a new venture, and might therefore specifically seek out opportunities to create such relationships and to develop the skills required to manage them.

Finally, entrepreneurs should actively seek out a business that they will enjoy, in the sense that it potentially offers one or more forms of fun (Garneau, 2001) as it is suggested that his might anchor persistence and help the individual to overcome the physical, cognitive, emotional and spiritual challenges that seem characteristic of the new venture creation process.

## **21.5. Recommendations for future research**

Future researchers are encouraged to make use of the multiple case study design as it offers deep insight into the entrepreneurial experience which, despite many decades of research, remains something of a mystery. The rich data generated by the qualitative method is particularly suited to exploring entrepreneurship in the developing-country context, which remains an under-researched phenomenon in spite of the contribution of this candidate.

The candidate cautions that researchers adopting this method must ensure maximum variation in sampling to capture the diversity of the entrepreneurial experience fully. Moreover, the use of multiple interviews per case is particularly helpful in entrepreneurial research because entrepreneurs have a tendency to construct and articulate reality in a way that conforms to their self-image. The researcher must actively probe for meaning in interviewing and in data analysis or risk being misled by formulaic explanations.

The model presented in this study will allow future researchers to depict idiosyncratic venture creation processes visually, using a standard set of events and activities. Such mapping could form the basis of a typology of venture creation processes in future research, and in turn lead to research which evaluates the effectiveness of different types of process. The venture creation model could also be used to assess entrepreneurial readiness at each stage of the process, and point to appropriate support mechanisms for each stage. This research would be of great benefit to those designing support programmes as well as to entrepreneurs just beginning or engaged in the venture creation process.

A series of factors that influence perceived desirability and feasibility of entrepreneurship have been defined. A longitudinal study of a cohort of individuals exposed to these factors would provide important insight into the way in which entrepreneurship can be stimulated in South Africa. In particular, such a study could examine the way in which early exposure to entrepreneurship influences later propensity for and success at new venture creation.

The establishment and management of partnerships in new venture creation deserves focused empirical and theoretical attention. Partnerships play a significant role in South African entrepreneurship, but the phenomenon is under-researched in this context. This is equally true of the way in which the developing-country entrepreneur perceives and manages risk. Although this study confirms that the entrepreneur may use a portfolio approach to managing risk, it also highlights the complexity of the risk management task facing him. Research which seeks to unravel this complexity is likely to contribute to the body of knowledge and be helpful to both entrepreneurs and resource holders.

The notion that spirituality has a role to play in new venture creation is radical, if not particularly new, and for this reason alone it deserves greater attention in future research. It is suggested that such a study could focus more carefully on the relationship between entrepreneurial propensity and religious adherence, and also on the relationship between entrepreneurial success and religious adherence, paying due attention to entrepreneurial definitions of success.

Finally, it is recommended that future researchers consider the role the experience of flow plays in entrepreneurial persistence. Since it is argued that the individual can learn how to seek out and benefit from flow in everyday life (Csikszentmihalyi, 2002), it seems possible that the entrepreneur can be taught how to do so in the venture creation process, which might have significant consequences for persistence and even success.