

GORDON INSTITUTE  
OF BUSINESS SCIENCE

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# **Venture creation: building theory from South African case studies**

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A thesis submitted to the  
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## Abstract

In developing South Africa, a complex web of interacting historical, economic, organisational, social and personal factors influences entrepreneurial endeavour. Such phenomena cannot easily be explained by *a priori* theories largely based on data from the Western developed world rather than the developing world.

The 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.

A multiple case-study design was selected. The research was delimited by focusing on entrepreneurs in South Africa currently or recently engaged in venture creation for opportunity-based, rather than survivalist, enterprises. A series of thick narrative descriptions of individual entrepreneurs engaged in the start-up process was prepared. This was followed by within-case and cross-case analysis and comparison with the literature. Data analysis was conducted in the tradition of grounded theory, which is only rarely seen in the entrepreneurship literature.

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

## **Declaration**

I declare that this thesis is my own work. It is submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university.

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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## Table of contents

### PART I: FOUNDATION FOR THE RESEARCH

<b>1. INTRODUCTION TO THE STUDY .....</b>	<b>2</b>
1.1. THE SIGNIFICANCE OF ENTREPRENEURSHIP AS A FIELD OF STUDY .....	2
1.2. RELEVANCE TO THE SOUTH AFRICAN ENVIRONMENT .....	3
1.3. EXPLANATORY POWER OF PRIOR STUDIES .....	6
1.4. RESEARCH QUESTION .....	8
1.5. OVERVIEW OF DESIGN AND METHODOLOGY .....	9
1.6. STRUCTURE OF THE THESIS .....	10
<b>2. LITERATURE REVIEW .....</b>	<b>12</b>
2.1. DEVELOPMENT OF THE LITERATURE .....	12
2.2. DEFINITIONS AND SCOPE .....	14
2.3. THE PERSONAL CONTEXT .....	21
2.4. THE SOCIAL CONTEXT .....	43
2.5. THE BUSINESS CONTEXT .....	50
2.6. THE MACRO-ENVIRONMENTAL CONTEXT .....	64
2.7. MODELS OF NEW VENTURE CREATION .....	73
2.8. IMPLICATIONS OF THIS REVIEW .....	78
<b>3. RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>86</b>
3.1. METHODOLOGICAL ISSUES IN THE LITERATURE .....	86
3.2. RESEARCH DESIGN .....	88
3.3. CASE SELECTION .....	93
3.4. DATA COLLECTION .....	108
3.5. DATA ANALYSIS .....	113
3.6. ENSURING VALIDITY AND RELIABILITY .....	118
3.7. SHORTCOMINGS AND SOURCES OF ERROR .....	119

### PART II: CASE NARRATIVES

<b>4. CASE SUMMARY: AHMED .....</b>	<b>122</b>
4.1. PERSONAL CONTEXT .....	122
4.2. FAMILY AND SOCIAL CONTEXT .....	126
4.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	129
4.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	137
4.5. DESCRIBING THE EXPERIENCE .....	139
<b>5. CASE SUMMARY: ANDILE .....</b>	<b>141</b>
5.1. PERSONAL CONTEXT .....	141
5.2. FAMILY AND SOCIAL CONTEXT .....	145
5.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	149
5.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	156
5.5. DESCRIBING THE EXPERIENCE .....	157
<b>6. CASE SUMMARY: BYRON .....</b>	<b>160</b>
6.1. PERSONAL CONTEXT .....	160
6.2. FAMILY AND SOCIAL CONTEXT .....	164
6.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	169
6.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	176
6.5. DESCRIBING THE EXPERIENCE .....	178

<b>7. CASE SUMMARY: HANS .....</b>	<b>181</b>
7.1. PERSONAL CONTEXT .....	181
7.2. FAMILY AND SOCIAL CONTEXT.....	186
7.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	190
7.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	197
7.5. DESCRIBING THE EXPERIENCE .....	198
<b>8. CASE SUMMARY: MARGARET .....</b>	<b>201</b>
8.1. PERSONAL CONTEXT .....	201
8.2. FAMILY AND SOCIAL CONTEXT.....	206
8.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	210
8.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	215
8.5. DESCRIBING THE EXPERIENCE .....	217
<b>9. CASE SUMMARY: JOHAN .....</b>	<b>221</b>
9.1. PERSONAL CONTEXT .....	221
9.2. FAMILY AND SOCIAL CONTEXT.....	225
9.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	228
9.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	233
9.5. DESCRIBING THE EXPERIENCE .....	235
<b>10. CASE SUMMARY: ANDRE .....</b>	<b>237</b>
10.1. PERSONAL CONTEXT .....	237
10.2. FAMILY AND SOCIAL CONTEXT.....	243
10.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	247
10.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	253
10.5. DESCRIBING THE EXPERIENCE .....	254
<b>11. CASE SUMMARY: KENNETH.....</b>	<b>257</b>
11.1. PERSONAL CONTEXT .....	257
11.2. FAMILY AND SOCIAL CONTEXT.....	260
11.3. BUSINESS AND ORGANISATIONAL CONTEXT .....	263
11.4. MACRO-ENVIRONMENT AND COMPETITIVE CONTEXT .....	268
11.5. DESCRIBING THE EXPERIENCE .....	270

### **PART III: CASE ANALYSES**

<b>12. CASE ANALYSIS: AHMED.....</b>	<b>261</b>
12.1. EARLY INFLUENCES.....	261
12.2. SOCIAL CAPITAL.....	263
12.3. NEW VENTURE-CREATION PROCESS.....	264
12.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	265
12.5. SUPPORT REQUIRED .....	267
12.6. MEANING MAKING .....	268
12.7. LEVELS OF ANALYSIS.....	269
12.8. RESPONDENT DIFFERENCES .....	271
12.9. IMPLICATIONS OF THIS ANALYSIS.....	272
<b>13. CASE ANALYSIS: ANDILE.....</b>	<b>273</b>
13.1. EARLY INFLUENCES.....	273
13.2. SOCIAL CAPITAL.....	275
13.3. NEW VENTURE CREATION PROCESS .....	276
13.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	277
13.5. SUPPORT REQUIRED .....	279
13.6. MEANING MAKING .....	279
13.7. LEVELS OF ANALYSIS.....	280
13.8. RESPONDENT DIFFERENCES .....	281
13.9. IMPLICATIONS OF THIS ANALYSIS.....	282

<b>14. CASE ANALYSIS: BYRON</b> .....	<b>284</b>
14.1. EARLY INFLUENCES.....	284
14.2. SOCIAL CAPITAL.....	286
14.3. NEW VENTURE-CREATION PROCESS.....	286
14.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	288
14.5. SUPPORT REQUIRED.....	289
14.6. MEANING MAKING.....	290
14.7. LEVELS OF ANALYSIS.....	291
14.8. RESPONDENT SIMILARITIES AND DIFFERENCES.....	292
14.9. IMPLICATIONS OF THIS ANALYSIS.....	293
<b>15. CASE ANALYSIS: HANS</b> .....	<b>295</b>
15.1. INFLUENCES ON THE ENTREPRENEURIAL EXPERIENCE.....	295
15.2. SOCIAL CAPITAL.....	298
15.3. NEW VENTURE CREATION PROCESS.....	299
15.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	301
15.5. SUPPORT REQUIRED.....	302
15.6. MEANING MAKING.....	303
15.7. LEVELS OF ANALYSIS.....	305
15.8. RESPONDENT DIFFERENCES.....	305
15.9. IMPLICATIONS OF THIS ANALYSIS.....	306
<b>16. CASE ANALYSIS: MARGARET</b> .....	<b>308</b>
16.1. EARLY INFLUENCES.....	308
16.2. SOCIAL CAPITAL.....	310
16.3. NEW VENTURE CREATION PROCESS.....	310
16.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	312
16.5. SUPPORT REQUIRED.....	313
16.6. MEANING MAKING.....	314
16.7. LEVELS OF ANALYSIS.....	315
16.8. RESPONDENT DIFFERENCES.....	316
16.9. IMPLICATIONS OF THIS ANALYSIS.....	317
<b>17. CASE ANALYSIS: JOHAN</b> .....	<b>319</b>
17.1. EARLY INFLUENCES.....	319
17.2. SOCIAL CAPITAL.....	321
17.3. NEW VENTURE CREATION PROCESS.....	321
17.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	323
17.5. SUPPORT REQUIRED.....	325
17.6. MEANING MAKING.....	325
17.7. RELATIONSHIP BETWEEN DIFFERENT LEVELS OF ANALYSIS.....	327
17.8. RESPONDENT PERSPECTIVES.....	328
17.9. IMPLICATIONS OF THIS ANALYSIS.....	329
<b>18. CASE ANALYSIS: ANDRE</b> .....	<b>331</b>
18.1. EARLIER INFLUENCES ON THE ENTREPRENEUR.....	331
18.2. SOCIAL CAPITAL.....	333
18.3. NEW VENTURE CREATION PROCESS.....	333
18.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	335
18.5. SUPPORT REQUIRED.....	336
18.6. MEANING MAKING.....	337
18.7. LEVELS OF ANALYSIS.....	338
18.8. RESPONDENT DIFFERENCES.....	339
18.9. IMPLICATIONS OF THIS ANALYSIS.....	340

<b>19. CASE ANALYSIS: KENNETH.....</b>	<b>342</b>
19.1. EARLY INFLUENCES.....	342
19.2. SOCIAL CAPITAL.....	344
19.3. NEW VENTURE CREATION PROCESS .....	344
19.4. BUSINESS MODEL AND STRATEGY EVALUATION.....	345
19.5. SUPPORT REQUIRED .....	347
19.6. MEANING MAKING .....	348
19.7. LEVELS OF ANALYSIS.....	349
19.8. RESPONDENT DIFFERENCES .....	350
19.9. IMPLICATIONS OF THIS ANALYSIS.....	351

## **PART II: DISCUSSION AND CONCLUSIONS**

<b>20. CROSS-CASE ANALYSIS AND THEORY DEVELOPMENT .....</b>	<b>353</b>
20.1. EARLY INFLUENCES ON THE ENTREPRENEUR.....	353
20.2. MOTIVATION FOR ENTREPRENEURSHIP .....	356
20.3. PREPARATION FOR ENTREPRENEURSHIP .....	359
20.4. THE ROLE OF WORK EXPERIENCE.....	363
20.5. DIFFERENT APPROACHES TO OPPORTUNITY IDENTIFICATION .....	366
20.6. THE COMMITMENT PROCESS .....	369
20.7. MANAGING PARTNERSHIPS.....	372
20.8. HOW ENTREPRENEURS GATHER RESOURCES .....	376
20.9. MANAGING RISK.....	379
20.10. THE NEW VENTURE CREATION PROCESS .....	385
20.11. THE ROLE OF RELIGIOUS FAITH .....	388
20.12. WHY ENTREPRENEURS PERSIST WITH NEW VENTURE CREATION .....	391
20.13. USING METAPHOR TO DESCRIBE THE EXPERIENCE .....	394
20.14. CHAPTER SUMMARY .....	393
<b>21. CONCLUSIONS .....</b>	<b>404</b>
21.1. METHODOLOGICAL CONTRIBUTIONS TO THE LITERATURE .....	404
21.2. EMPIRICAL CONTRIBUTIONS TO THE LITERATURE .....	406
21.3. THEORETICAL CONTRIBUTIONS TO THE LITERATURE .....	410
21.4. IMPLICATIONS FOR POLICY AND PRACTICE .....	413
21.5. RECOMMENDATIONS FOR FUTURE RESEARCH .....	416

## **REFERENCES**

## List of figures

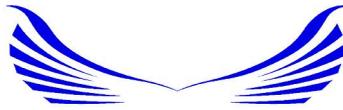
Figure	1	Data collection process	96
Figure	2	Coding procedures	101
Figure	3	Early influences on the entrepreneur	262
Figure	4	Ahmed's new venture creation process map	264
Figure	5	Early influences on the entrepreneur	274
Figure	6	Andile's new venture creation process map	276
Figure	7	Early influences on the entrepreneur	285
Figure	8	Byron's new venture creation process map	287
Figure	9	Early influences on the entrepreneur	296
Figure	10	Hans new venture creation process map	298
Figure	11	Early influences on the entrepreneur	308
Figure	12	Margaret's new venture creation process map	310
Figure	13	Early influences on the entrepreneur	319
Figure	14	Johan's new venture creation process map	321
Figure	15	Early influences on the entrepreneur	331
Figure	16	Andre's new venture creation process map	333
Figure	17	Early influences on the entrepreneur	342
Figure	18	Kenneth's new venture creation process map	344
Figure	19	Early influences on later development	355
Figure	20	Three approaches to opportunity	368
Figure	21	The commitment process	370
Figure	22	Approaches to managing risk	382
Figure	23	Model of new venture creation	386
Figure	24	Metaphor analysis framework	396
Figure	25	Metaphor clusters	400

## List of tables

Table	1	Contemporary definitions of entrepreneurship	18
Table	2	Profile of the developing country entrepreneur	23
Table	3	Typology of entrepreneurial personality types	29
Table	4	Sources of innovative opportunity	51
Table	5	Components of the business model	60
Table	6	Typology of new venture strategies	62
Table	7	Summary of literature review	79
Table	8	Personal and business characteristics of sample	94
Table	9	Rationale for selection of each case	95
Table	10	Business models and strategy	266
Table	11	Similarities and differences between respondents	271
Table	12	Business models and strategy	278
Table	13	Similarities and differences between respondents	282
Table	14	Business models and strategy	288
Table	15	Similarities and differences between respondents	293
Table	16	Business models and strategy	300
Table	17	Similarities and differences between respondents	305
Table	18	Business models and strategy	312
Table	19	Similarities and differences between respondents	316
Table	20	Business models and strategy	323
Table	21	Similarities and differences between respondents	328
Table	22	Business models and strategy	335
Table	23	Similarities and differences between respondents	339
Table	24	Business models and strategy	345
Table	25	Similarities and differences between respondents	350
Table	26	Entrepreneurial motivation	358
Table	27	Modes of preparation	361
Table	28	The nature of experience	364
Table	29	The nature of commitment	371
Table	30	Key dimensions of entrepreneurial partnerships	375
Table	31	Strategies for gathering resources	378
Table	32	The role of spirituality in the entrepreneurial process	390
Table	33	Ten forms of fun	392
Table	34	Anchors of entrepreneurial persistence	393
Table	35	Metaphors of the entrepreneurial experience	397
Table	36	Summary of empirical contributions	407



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## **Part I: Foundation for the research**

This part comprises chapters 1 to 3. Chapter 1 is the introduction to the research and outlines the rationale for the study. Chapter 2 contains a review of the literature relevant to the research question. Chapter 3 details the research design and methodology used in the conduct of the study.

## CHAPTER 1. INTRODUCTION TO THE STUDY

This chapter outlines the rationale for the study. It argues that entrepreneurship is practically and theoretically significant, that it is both important and relevant to the South African environment.

In developing South Africa, a complex web of interacting historical, economic, organisational, social and personal factors influences entrepreneurial endeavour. Such phenomena cannot easily be explained by *a priori* theories that are largely based on data from the Western developed world rather than the developing world. The research problem therefore focuses on gaining a deeper understanding of the venture-creation process from the perspective of entrepreneurs themselves.

### 1.1. The significance of entrepreneurship as a field of study

Since the middle of the 20th century, entrepreneurship has been the subject of study in a broad range of disciplines, including biology (White, Thornhill and Hampson, 2006), psychology (Shaver and Scott, 1991), sociology (Reynolds, 1991), business strategy (Chrisman, Bauerschmidt and Hofer, 1998) and fiction (Ramesh, 2005). The scope and volume of this work suggest that scholars and practitioners alike view entrepreneurship as relatively rare, important and different from other business domains.

Not only do very few people start businesses, even fewer succeed (Shane, 2008). Entrepreneurship is considered a distinctive domain because it focuses on a special kind of individual (Bolton and Thompson, 2004), who creates a new product or service and operates under conditions of risk and uncertainty (Amit and Glosten, 1993). This has given rise to the popular notion of the heroic nature of entrepreneurial effort (Ogbor, 2000; Mitchell, 1997).

The study of entrepreneurship is considered practically and theoretically important because it is the mechanism by which society converts technical information into goods and services, and inefficiencies in an economy are discovered and corrected (Shane and Venkataraman, 2000). It is generally agreed that innovation, growth and

development in any economy are achieved by virtue of entrepreneurship (Acs, Arenius, Hay and Minniti, 2004), notwithstanding that only a minority of new ventures can be termed highly innovative (Scheepers, 2005). The entrepreneur is also known as a fundamental worker in the job of wealth creation (Mitchell, Busenitz, Lant, McDougall, Morse and Smith, 2002).

Moreover, the need for entrepreneurial capabilities such as risk-taking and innovation is believed to be increasing, as governments and parastatals join businesses in the drive to become more efficient and more effective (Rwigema and Venter, 2004) and as knowledge-based economies become globally more prevalent (Henderson and Robertson, 1999).

## **1.2. Relevance to the South African environment**

In South Africa, the importance of entrepreneurship to the nation's development can hardly be overestimated. Small business accounted for over 40% of GDP in 2002 and provided some 57% of jobs (Louw, van Eeden, Bosch and Venter, 2003; Statistics South Africa), making it critically important, given a current unemployment rate of between 26% and 40% (World Bank, 2007). Approximately 400 000 jobs must be created annually simply to halt growing unemployment (Rwigema and Venter, 2004), since the formal economy is currently absorbing only about 10% of those entering the job market each year (World Bank, 2007). This situation exists despite South Africa's position as the largest economy on the continent and relatively high GDP growth rates (World Bank, 2007).

Moreover, entrepreneurship is frequently seen as a mechanism for achieving more widespread social stability (Ladzani and van Vuuren, 2002), as a vehicle for poverty relief and socio-economic empowerment (Schlemmer and Hudson, 2004) and a means of enhancing the nation's global competitiveness (Rogerson, 2004). The confluence of these factors makes entrepreneurship in South Africa particularly significant to social and economic development, thereby also making it a relevant and important subject of study in this country.

However, the economic contribution of South Africa's entrepreneurial sector is well below the developing-country norm (Foxcroft, Wood, Kew, Herrington and Segal, 2002; Orford, Wood, Fischer, Herrington and Segal, 2003; Orford, Wood, Herrington,

Shay, Hudson and Goldstuck, 2004) and has shown no improvement since 2001 (Maas and Herrington, 2006). The Global Entrepreneurship Monitor (GEM) reports that the total entrepreneurial activity (TEA) index for the South African population is relatively low at 5.3%, especially compared to other developing countries, where it averages a comparatively large 14.8% (Maas and Herrington, 2006). As a basis for comparison, the TEA rate in Brazil is 14%, 13% in Argentina, which has a similar GDP per capita to South Africa and 32% in Uganda, an economy which is substantially smaller than South Africa (Acs *et al*, 2004).

The data from the GEM report is supported by findings from the latest Labour Force Survey (LFS) published by Statistics South Africa (2007). According to this survey, of 30.4 million South Africans in the labour market, 6.2% are running their own businesses, which is consistent with findings from the GEM studies (Orford *et al*, 2004).

Compared to other developing countries, South Africa also suffers from a relatively low proportion of opportunity-seeking, as opposed to necessity enterprises. The former entrepreneurs are taking advantage of a perceived business opportunity, while the latter are people who have no better options for work. Opportunity-seeking entrepreneurs are more likely to create high growth firms and are generally thought to have a greater economic impact than necessity entrepreneurs, since they account for a disproportionate number of all jobs and wealth created by new ventures (Nicholls-Nixon, 2005; Audia and Rider, 2005).

The rate of opportunity entrepreneurship is currently 3.5%, well below the global average of 6.8% and the developing-country average of 9.7% (Maas and Herrington, 2006). In addition, South Africa has relatively high start-up failure rates compared to other developing countries (Orford *et al*, 2004). Moreover, the majority of existing new ventures innovate relatively little with only 15% claiming their products are new to all customers, only 11% claiming they were highly differentiated from competitors and fewer than 1% making use of the very latest technologies (Scheepers, 2005).

Historical conditions have clearly played an important role in discouraging entrepreneurial activity in the broader population (Rwigema and Venter, 2004). Barriers to entry were legislated in many markets, with the result that several sectors of the South African economy were dominated by large corporations, leaving little

space for an SMME . or small, medium and micro enterprise . economy to flourish (Kirsten and Rogerson, 2002).

Entrepreneurial activity, particularly among the black majority, was actively suppressed under the previous dispensation (Schlemmer and Hudson, 2004). A poor education system created several generations of people who were disempowered, lacking the basic knowledge and skill required for starting businesses, and socialised to seek employment rather than entrepreneurship (Louw *et al*, 2003; Nasser, du Preez and Hermann, 2003).

This situation persists despite a multitude of private and public sector efforts to identify, educate, finance and support entrepreneurial enterprises at every level of South African society . particularly in the past decade (Rogerson, 2004; Nasser *et al*, 2003). Government has built a comprehensive framework for stimulating growth of the SMME sector (World Bank, 2007), including establishing several funding institutions, business incubators and a country-wide network of advice and support centres.

Although there has been a steep rise in the number of new business registrations between 1990 and 2002 (World Bank 2007), it is considered misleading to view net growth in numbers of SMMEs as an indication of programme success (Rogerson, 2004). Other economic and social (Pretorius and van Vuuren, 2003) indicators of success have been disappointing.

A World Bank (2007) study of the effectiveness of governments' programmes describes them as suffering from a number of important flaws, including: over-ambitious programme goals; lack of targeting; duplication of effort; and an excessive administrative burden. These efforts have generally been in line with ~~the~~ best practice strategies pursued elsewhere in the world (Rogerson, 2004).

However, given that the study of entrepreneurship in the developing world has been largely neglected until relatively recently (Acs and Kallas, 2007; Lingelbach, De La Vina and Asel, 2005), programmes intended to develop entrepreneurial activity are likely to have been based on ~~imported~~ beliefs and techniques (Mintzberg, 2006; Mueller and Thomas, 2000). It may be that existing entrepreneurial stimulation and support programmes have not been successful because they have not adequately taken into account the complex web of interacting historical, economic,

organisational, social and personal factors peculiar to the South African environment (Rwigema and Venter, 2004; Mueller and Thomas, 2000).

Business start-ups did occur in South Africa, even when an entrepreneurially inhibiting environment prevailed. This suggests that, given a context which clearly does not encourage small business, other factors may be influencing perceptions of the desirability and feasibility of entrepreneurship in the South African context.

Exploring that which is systematic and effective entrepreneurial action (Mitchell, Friga and Mitchell, 2005), and understanding the complexity of the individual and environmental influences on venture creation will allow for the development of an integrative model of the entrepreneurial process (Gartner, 1985; Gnyawali and Fogel, 1994; Shane 2003) that is relevant to South African conditions.

### **1.3. Explanatory power of prior studies**

Although the literature is rich in multi-disciplinary perspectives of this complex multi-level phenomenon, there is no obvious explanation for the low rates of entrepreneurial activity in South Africa, at least partly because developing world entrepreneurship has only rarely been the subject of study in the literature as a whole (Acs and Kallas, 2007; Lingelbach et al, 2005).

It may be that structural factors prohibit the emergence of opportunities (Orford *et al*, 2004; Shane, 2003; Gnyawali and Fogel, 1994). It may be that individuals are not capable of identifying the opportunities that exist because they lack the requisite creative, planning or visionary skills (Gaglio, 2004; Ward, 2004; Baron, 2003). Perhaps potential entrepreneurs have no desire to pursue new venture creation or perhaps they do not believe they are capable of doing so (Krueger, Reilly and Carsrud, 2000).

Cognitive (Baron, 2003) and affective (Forgas, 1995) capabilities may be inhibiting their ability to identify new means-ends frameworks or to evaluate risk effectively (Mullins and Forlani, 2005). An unsupportive family, a lack of entrepreneurial role models or a paucity of strong social networks (Anderson and Miller, 2003) may make resource assembly particularly difficult.

Alternatively, it may be that South African economic and legislative conditions represent an inhibiting operating environment (Ardagna and Lusardi, 2008; Hudson, 2004), or that entrepreneurial strategy is misaligned with industry structure (Sandberg and Hofer, 1987). Perhaps cultural values discourage individual enterprise or a bias for action (Tiessen, 1997; Mueller and Thomas, 2000).

Realistically, it is likely that all these variables influence new venture creation in South Africa in different ways for different individuals, in different combinations, at different times and in different places. In this respect, there is no such thing as an average entrepreneur or a typical venture (Gartner, 1985; Korunka, Frank, Lueger and Mugler, 2003). However, existing models of venture creation use generalised categories and tend not to distinguish between different types of entrepreneurial experience (Bhave, 1994).

Many of the conceptual frameworks used in entrepreneurial research are developed *a priori*, on the basis of informal observation, conjecture or prior theoretical arguments, which may not consider the lived experience of venture creation as perceived by entrepreneurs themselves (Kets de Vries, 1996). Indeed, recent studies found systematic differences between experts in the field of entrepreneurship and entrepreneurs themselves with respect to their attributions of the factors that cause and impede small business (Rogoff, Lee and Suh, 2004; Verheul, Uhlaner and Thurik, 2005).

The literature has suffered from a lack of methodological variety (Ogbor, 2000; Gartner and Birley, 2002; Hindle 2004), and is dominated by mono-factorial explanations and simplifications (Zafirovski, 1999). Only 18% of the studies conducted in the ten years ending 2001 used qualitative methods (Chandler and Lyon, 2001). Most empirical studies have run the risk of common method variance because of the use of single-source data (Chandler and Lyon, 2001), and analytical techniques are relatively unsophisticated (Hindle, 2004).

The South African environment is such that an exploration of venture creation must consider a complex web of interacting historical, economic, organisational, social and personal factors, that cannot easily be explained by *a priori* theories that are largely based on data from the Western developed world rather than the developing world.

A deeper understanding of the venture-creation process from the perspective of the entrepreneurs themselves is therefore expected to prove helpful in the development and implementation of policies and programmes to encourage and support much-needed entrepreneurial activity in South Africa. This suggests that a study which seeks to build a grounded theory of the venture-creation process in a developing country such as South Africa might have much to add to the body of entrepreneurship literature as a whole.

#### **1.4. Research question**

The main purpose of the study was to develop a mid-range theory of venture creation in a developing country, South Africa, 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.

The study was specifically designed to contribute to knowledge and understanding by addressing key issues in the scholarly literature that inhibit the explanatory power of previous research as it relates to entrepreneurship in South Africa. These issues include:

- The lack of a common definition of entrepreneurship
- Treating entrepreneurs as an homogenous group
- The tendency to ignore the entrepreneurs' point of view
- Failure to adopt an holistic view of new venture creation and instead to focus on a single level of analysis
- Treating the new venture process as linear and additive
- Assuming that there is no difference between entrepreneurship in the developed and the developing world

These issues are discussed in detail in Chapter 2 Literature Review, which informed the definition of the research question and formed the basis of the comparative method adopted in data analysis.

Key research questions that have been explored include:

- What do individuals actually do at each stage of the start-up process? What are they thinking? What are they feeling? What do they need most/least?

- How do different personal, social, organisational and environmental factors interact to influence the decision to pursue or not to pursue an entrepreneurial venture?
- What does success mean to South African entrepreneurs? At what stage of the process do they consider themselves to have been successful? At what stage of the process are they most vulnerable to failure? In what way?
- How do South African entrepreneurs experience the process of new venture creation?

This research contributes to existing practice by setting out to address the real-world problem (Mouton, 2001) of how best to attract economically active South Africans to the venture-creation process. It is envisaged that the research will inform policy-making and support programme development and implementation, as well as having implications for resource-holders and entrepreneurs themselves.

The research is intended to contribute to the existing body of literature on entrepreneurship in three ways. Firstly, the research examines venture creation from the perspective of process theory rather than from the perspective of variance theory (Langley, 1999). Secondly, the research uses a qualitative, case-study methodology to consider the phenomenon at multiple levels of analysis and from multiple perspectives, an approach which is seldom used in entrepreneurial research (Ogbor, 2000; Gartner and Birley, 2002; Hindle 2004; Chandler and Lyon, 2001). Thirdly, the research serves to extend existing theories of venture creation that do not adequately describe the process as experienced by South African entrepreneurs (Eisenhardt, 1989).

### **1.5. Overview of design and methodology**

A multiple case-study design was selected, as detailed in Chapter 3. The case-study design is characterised by a focus on the dynamics of a single setting (Eisenhardt, 1989), and on understanding a contemporary phenomenon in its real-life context (Yin, 1981). Multiple cases assist in the theory-creation process because such a design permits replication and extension (Eisenhardt, 1991).

The research was delimited by a focus on entrepreneurs in South Africa who are currently or were recently engaged in venture creation for opportunity-based, rather

than survivalist, enterprises. Although opportunity-based enterprises account for a minority of all entrepreneurial ventures in South Africa, they are believed to account for a disproportionate share of job creation and economic growth. For this reason, the study focuses exclusively on this group. Two semi-structured interviews of 1-2 hours duration were conducted with each core respondent, followed by interviews with a colleague and a family member of each core respondent. Interviews were taped and transcribed and then coded using computer-aided qualitative analysis software.

Data analysis was conducted in the tradition of grounded theory, which is only rarely seen in the entrepreneurship literature (Phan, 2004). A series of thick narrative descriptions of individual entrepreneurs engaged in the start-up process was prepared. This was followed by within-case and cross-case analysis and comparison with the literature (Eisenhardt, 1989).

Further details of the methodology employed during the conduct of the study are provided in Chapter 3 of this document.

## **1.6. Structure of the thesis**

The thesis is structured in four main parts. Part I: Foundation for Research comprises this introduction, Chapter 1. Chapter 2 reviews the literature relating to definitions of relevant terms, the new venture-creation process and the personal, social, business and environmental factors influencing its successful development. Chapter 3 provides a detailed description of research design and methodology used during the conduct of the study.

Part II: Case Narratives, contains Chapters 4-11, which present detailed narrative descriptions of each of the eight cases in the study, illustrated by verbatim quotations from interview transcripts. Part III: Case Analyses, comprises Chapters 12-19, which contain within-case analyses of each case, using a series of analytical frameworks for making sense of personal, social, business and environmental data, and making reference to the literature wherever relevant.

Part IV: Discussion and Conclusions comprises Chapter 20, which examines the major themes to have emerged across the analysis of the eight cases and enfolds the literature. Finally, Chapter 21 draws conclusions based on the entire study, specifies shortcomings and highlights the key empirical, methodological and theoretical contributions made by the work and makes suggestions for future research.

The appendix to this document contains copies of interviewee release forms, discussion guides used during the interview process, transcripts of the interviews conducted for each case and outputs of the coding process.

## CHAPTER 2. LITERATURE REVIEW

This chapter contains a review of the literature relevant to explaining entrepreneurial development, or the lack of it, in South Africa. It focuses on understanding the new venture-creation process, and the personal, social, business and environmental factors that influence its initiation and development.

The emphasis is on the more-recent literature, to best incorporate the relatively recent explosion of growth in entrepreneurial studies, as well as to capture signs of maturity in the discipline (Reader and Watkins, 2006). However, this candidate has also taken care to ensure that the most important authors, journals and papers have been covered, as they are identified by a variety of reviews and citation analyses of the literature (Ratnatunga and Romano, 1997; Shane, 1997; Cornelius, Landstom and Persson, 2006; Reader and Watkins, 2006).

The chapter first outlines a brief history of the development of entrepreneurial thinking and then examines definitions relevant to delineating the boundaries of the domain. The literature review is organised thematically (Hart, 2007), first focusing on the different levels of analysis, namely the personal, social, business and environmental contexts, in the tradition of the existing literature. Next the literature relating to venture creation as a process is examined. Finally, the implications of gaps in the literature and linkages between different approaches are discussed.

### 2.1. Development of the literature

The purpose of the substantial literature on entrepreneurship is arguably to understand or, if possible, predict the phenomenon and/or to understand or predict future entrepreneurial success, failure or performance (Bryat and Julien, 2001).

The term entrepreneurship is thought to have been coined by Cantillon, an Irish banker working in France in the 1760s (Murphy, Liao and Welsch, 2006). Having described differences between supply and demand as opportunities to buy cheaply and sell, Cantillon's work foreshadowed a period of several hundred years in which entrepreneurial theory was dominated by classical economics (Murphy *et al*, 2006).

Building on the earliest notions of supply/demand arbitrage, theorists began to contemplate the entrepreneur's ability to assume risk and uncertainty and to consider the role of competition. With the advent of the Austrian School in the 1920s, the entrepreneur emerged as an individual who was uniquely alert to environmental change (Murphy *et al*, 2006), able to combine existing resources in new ways and the agent of destructive innovation (Grégoire, Noël, Déry and Béchar, 2006). Schumpeter's association of the entrepreneur with innovation has had a particularly lasting influence on the literature (McMullen and Shepherd, 2006; Nieuwenhuizen, 2006).

In the 1960s, focus shifted to the individual, when David McClelland's seminal work (Grégoire *et al*, 2006) sought to explain entrepreneurship with reference to the psychological characteristics that distinguish entrepreneurs from non-entrepreneurs. This effort has been sustained to the present day and has ranged widely across personality, behaviour, cognitive and affective dimensions. At the same time, the strategic management literature began to examine entrepreneurship from the strategic adaptation, population ecology and resource-based perspectives (Low and MacMillan, 1988).

The publication of the first encyclopaedia of entrepreneurship, together with the first major entrepreneurial conference during the early 1980s are events believed to have signalled a transition from a relatively narrow discipline to a more broadly-based understanding of the phenomenon (Nieuwenhuizen, 2006). Entrepreneurial learning and a series of sociological concepts came to be viewed as important explanatory variables, and the domain of entrepreneurship began to be considered truly multi-disciplinary (Murphy *et al*, 2006).

The 1990s saw the beginning of the recognition that, with respect to entrepreneurial effectiveness, social value is as significant as market value or financial value, and the role of networks as mechanisms for providing information and resources took on new significance (Murphy *et al*, 2006). At the same time, research became more applied, focusing on entrepreneurial actions and competencies (Nieuwenhuizen, 2006). The turn of the century began to be dominated by a focus on opportunity as a unit of analysis (Murphy *et al*, 2006).

While these multiple perspectives serve to potentially enrich entrepreneurship research, the field suffers from fragmentation which inhibits its own development

(Grégoire *et al*, 2006; Nieuwenhuizen, 2006). Certainly there is consensus that the field of entrepreneurship is a developing one, although there is much criticism that it is characterised by an ill-defined theoretical paradigm (Murphy *et al*, 2006).

The Reichers and Schneider (1990) framework describes the development of scientific constructs as a predictable sequence of three stages, namely concept introduction and elaboration, concept evaluation and augmentation and concept consolidation and accommodation. Considered through the lens of this framework, entrepreneurship is relatively immature as a domain of study, even to the extent that there is no definitional consensus and continued debate over whether the phenomenon is worthy of study in its own right (Grégoire *et al*, 2006).

However, recent analyses of the literature appear to indicate that entrepreneurship scholarship is beginning to be more collaborative in nature (Reader and Watkins, 2006), as evidenced by an increasingly internal orientation and early signs of a stabilisation of topics (Cornelius *et al*, 2006). This suggests that the field may be moving towards maturity.

## **2.2. Definitions and scope**

Definitions of entrepreneurs and new venture creation are as diverse as the literature itself (Louw *et al*, 2003; Rwigema and Venter, 2004), such that the term has accumulated different meanings over time (Murphy *et al*, 2006).

The roots of the body of research may be traced to a wide variety of different disciplines, each with its own perspective of and assumptions about the phenomenon (Gartner, 2001). This complexity is exacerbated by popular, sensationalised accounts of the entrepreneur as hero or villain (Nicholson and Anderson, 2005) and by the apparent gap between the perceptions of academics and practitioners (Hartmann, 1959; Mitchell, 1997; Rogoff *et al*, 2004).

Lack of a common definition is thought to inhibit the development of the entrepreneurial research domain because assumptions inherent in definitional diversity are seldom made explicit (Gartner, 2001), making it difficult for scholars to build on each others work and almost impossible to compare and contrast different empirical studies (Brazeal and Herbert, 1999). Many scholars avoid the definitional problem altogether, while others argue that definitional confusion only exists between

the specialist disciplines of entrepreneurship (Nieuwenhuizen, 2006) or that its meaning is socially constructed and there will, therefore, never be a single agreed definition (White *et al*, 2006).

Rather than ignoring the issue, this author seeks to justify the choice of a particular definition, firstly by comparing a variety of definitions in search of useful similarities and differences (Louw *et al*, 2003) and, secondly, by deconstructing an increasingly popular definition to better understand its meaning and relevance to the study. This represents a response to the call for clarity and explicit statement of assumptions about the concepts under investigation.

### ***2.2.1. Elements of the entrepreneurial construct***

Definitions do not readily distinguish between: the entrepreneur or actor; that which is entrepreneurial, or the behavioural dimension; entrepreneurship, the process in which the actor is involved; and new venture creation, the outcome or result of the actor behaving in a particular way throughout a particular process.

The entrepreneur or actor has been the focus of much entrepreneurial research, although early attempts to define him/her with reference to non-entrepreneurs were not successful. Many theorists have concluded that there is no single stable entrepreneurial characteristic that differentiates some people from others in all situations (Shane and Venkataraman, 2000). Sarasvathy (2003) argues that it would be more constructive to consider the distribution of entrepreneurial potential in any society. Some individuals will become entrepreneurs no matter what, others will not become entrepreneurs under any circumstances, while the large majority will become entrepreneurs in some situations but not in others.

With this in mind, the focus in some quarters is beginning to shift to understanding differences between, for example, small business owners, the self-employed and the entrepreneur (Feldman and Bolino, 2000). Whereas the small business owner has limited resources and limited expansion goals, the self-employed works as an independent contractor, consultant and service provider, and the entrepreneur invests his own and others' capital to build a growing sustainable business. Similarly, the GEM reports (Acs *et al*, 2004) distinguish between the survivalist entrepreneur who seeks income replacement and the

opportunity entrepreneur, who seeks to identify and exploit an opportunity to create a sustainable business. Opportunity entrepreneurship is generally associated with higher per capita GDP and higher rates of economic growth (Acs *et al*, 2004). In South Africa, necessity entrepreneurs generally operate in the informal sector, which is described in more detail in section 2.6.2. While the informal sector is thought to be much larger than the formal sector (Morris *et al*, 1996), productivity is generally assumed to be low, the scale of operations small and growth potential limited.

Entrepreneurial behaviour scholars focus on the behaviours with the highest potential to influence performance. However, the dimensions selected for study are not always clearly behavioural in nature, for example Timmons (1999) highlights six key themes from the literature: commitment and determination; leadership; opportunity obsession; tolerance of risk, ambiguity and uncertainty; creativity, self-reliance and ability to adapt and motivation to excel.

Thompson's (2004a) list includes focus, advantage, creativity, ego, team and social, which incorporates internal locus of control. Adherents of the Entrepreneurial Orientation construct use personal characteristics to assess firm-level orientation (Lumpkin and Dess, 1996). Finally, scholars began to agree that no neat set of behaviours separated entrepreneurs from non-entrepreneurs (Bygrave, 2003).

The new venture process may take weeks, months or even years to complete and involves many activities and decisions along the way (Shane and Venkataraman, 2000; Shaver and Scott, 1991). Entrepreneurs themselves often describe their occupation as a journey (Dodd, 2002; Bolton and Thompson, 2004), involving a complex process which requires a step-by-step approach.

The GEM reports distinguish between nascent, start-up and established businesses (Acs *et al*, 2004), which reflect the developmental process through which each new venture passes. A nascent venture has not paid salaries or wages for more than three months. A start-up venture has paid wages for more than three months but less than 42 months and an established venture has paid wages for more than 42 months.

The outcomes of the entrepreneurial process are assumed to be beneficial, but there is inadequate consideration of the consequences of new venture creation at different levels of analysis (Davidsson and Wiklund, 2001). Although an individual entrepreneur may benefit from new venture creation, his or her employees may not, since it is well established that employees in smaller firms earn less than those in larger firms (Shane, 2008). Understanding the real outcomes of new venture creation is particularly important in South Africa, where diverse societal expectations about what new venture creation is capable of achieving are often in conflict with one another (Centre for Development and Enterprise, 2007).

### **2.2.2. Examination of a range of definitions**

Previous attempts to reconcile the wide range of definitions in the literature have not proved successful (Black, 1998), making yet another attempt somewhat redundant. However, a review of the definitions used contemporaneously in the literature examined in this review might be expected to reveal the beginnings of some consensus as the field begins to mature, which might be helpful in the process of delineating the scope of the research.

The definitions listed in Table 1 including some of the most-cited authors in the entrepreneurship field between 1986 and 2004, according to a recent analysis of 3 952 articles containing 151 560 references (Cornelius *et al*, 2006). Examination of even this small list of definitions reveals a remarkable diversity of opinion, although common elements are discernible (Louw *et al*, 2003; Verheul *et al*, 2005; Nieuwenhuizen, 2006).

Table 1 illustrates that most definitions make specific reference to the individual as an important or vital actor in the entrepreneurial process. This individual is active in identifying the opportunity, and in building an organisation in an innovative and creative manner, not simply reacting to the ebb and flow of environmental conditions. The central role of risk-taking as a defining feature of entrepreneurial activity appears to be receding.

Consensus seems unlikely in the near future. Close examination of a single definition might prove more helpful.

**Table 1. Components of contemporary definitions of entrepreneurship**

Definition	Author/s	Date	Individual	Opportunity	Innovation and creativity	Risk	Action	Organisation building
Someone who recognises an opportunity, acts on it by creating an organisation and in the process risks a significant amount of personal wealth	Bygrave and Minniti	2000	X	X		X	X	X
An active agent who shapes/creates his/her own reality and as such is simultaneously the driver of the entrepreneurial process operating within a reality which sets limits on the choice of action possibilities	Chell	2000	X			X	X	
Someone who discovers, evaluates and exploits opportunities to create future goods and services	Shane and Venkataraman	2000	X	X	X			
Someone who perceives an opportunity and creates an organisation to pursue it	Bygrave	2003	X	X	X			X
One who owns, launches, manages and assumes the risk of an economic venture	Greve and Salaff	2003	X			X	X	
A person who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds	Nieuwenhuizen	2003	X	X		X		X
A person who habitually creates and innovates to build something of recognised value around perceived opportunities	Bolton and Thompson	2004	X	X	X			X
The process in which pioneers, innovators or champions of innovation, immersed in and guided by a creativity perspective, engage in the practice of innovation-driven activities, which lead to a certain level of performance as indicated by the realised creation and innovation	Ma and Tan	2006	X		X			
Significant involvement in the creation of a new venture	White, Thornhill and Hampson	2006			X		X	X
Individuals who recognise and exploit new business opportunities by founding new ventures	Baron	2008	X	X				X

### **2.2.3. Deconstruction of a popular definition**

In their influential article proposing a framework for entrepreneurial research, Shane and Venkataraman (2000) see the entrepreneur as *someone who discovers, evaluates and exploits opportunities to create future goods and services*. This definition is gaining increasing credence in the literature, because it clearly delineates the appropriate scope of entrepreneurship research (Gartner, 2001).

The Shane and Venkataraman (2000) definition implies that entrepreneurship is an activity initiated by an individual. As such, understanding the phenomenon requires consideration of all the diversity and complexity associated with an individual's thoughts, feelings, behaviours and interactions with others (Woo, Daellenbach and Nicholls-Nixon, 1994; Shaver and Scott, 1991).

Entrepreneurship is deliberate and intentional, requiring that an individual make a series of decisions and take action within the context of a particular environment, rather than simply responding to properties of and conditions in that environment (Chrisman *et al*, 1998).

Entrepreneurship is concerned with the discovery of opportunities that exist in the environment. This assumes that such opportunities do, in fact, exist to be discovered, and that the nature of the environment influences the quality of the opportunities available (Chrisman *et al*, 1998; Gnyawali and Fogel, 1994). Discovery of opportunities requires specialised knowledge (Shane and Venkataraman, 2000), but also a particular kind of cognitive processing (Baron, 2003; Gaglio, 2004), affect infusion (Baron, 1998) and social capital (Baron and Markman, 2000).

The phenomenon involves innovation and a future orientation, which means it requires creativity on the part of the individual entrepreneur (Ward, 2004), who must anticipate future needs or envisage new ways of meeting them (Rwigema and Venter, 2004; Shane, 2003). In particular, entrepreneurs need to discover new means-ends relationships, a creative skill which is unevenly distributed in the population. Entrepreneurial creativity is typically the result of cognitive processes such as conceptual combination, analogical reasoning (Ward, 2004) and mental simulation (Baron, 2003; Gaglio 2004).

As a result of the innovation requirement, entrepreneurship is fraught with risk and uncertainty (Mullins and Forlani, 2005; Simon, Houghton and Aquino, 1999), which must be carefully evaluated and managed if the venture is to be successful. Scholars have recently turned their attention to the possibility that, rather than being more risk tolerant, entrepreneurs actually perceive risk differently because they suffer from a variety of cognitive biases, including for example an unrealistic belief in their own ability to retain control over business conditions in unforeseen circumstances (Simon *et al* , 1999). Risk evaluation is also influenced by affect infusion, because individuals often use their feelings as a convenient heuristic in the decision-making process, especially in highly uncertain conditions (Baron, 1998).

Unless and until exploitation occurs, entrepreneurship has not taken place. However, this is not to suggest that exploitation only occurs via the medium of a new enterprise, since it might involve the sale of the opportunity to an existing firm, for example. Nor does the Shane and Venkataraman (2000) definition imply that entrepreneurship is limited to profit-focused private-sector enterprises, as opposed to socially oriented or public-sector enterprises (Rwigema and Venter, 2004; Bolton and Thompson, 2004).

Finally, entrepreneurship is a process of discovery, evaluation and exploitation, rather than an event (Woo *et al*, 1994). The actual start-up of the business is preceded by a variety of activities and decisions, including the accumulation of resources, the development of strategy and establishment of an organisation capable of executing the strategy.

This cursory analysis of a single definition of entrepreneurship reveals the existence of a complex, multi-level phenomenon characterised by multi-directional causality between distinctive elements, as experienced by an individual (Shane, 2003) in the context of a particular environment (Park and Bae, 2004).

This, together with the increasing use of this definition by a variety of scholars, tends to favour its adoption for the current study, which therefore defines the entrepreneur as *someone who discovers, evaluates and exploits opportunities to create future goods and services* (Shane and Venkataraman, 2000).

## 2.3. The personal context

At the individual level of analysis, a substantial body of research attempts to identify individual characteristics that systematically differentiate entrepreneurs from non-entrepreneurs (Gartner, 1985). Such research would contribute to this study if it were able to show that a series of stable, universal characteristics that predict entrepreneurial potential in individuals (Mitchell *et al*, 2002b), no matter what kind of environment they are operating in.

### 2.3.1. *Demographic characteristics*

Demographic differences have proven to be a fruitful avenue for investigation, in that age, ethnicity, education and income have all been demonstrated to distinguish entrepreneurs from non-entrepreneurs (Shane, 2003; Bolton and Thompson, 2004; Rwigema and Venter 2004; Louw *et al*, 2003).

Globally, most entrepreneurs fall between the ages of 25 and 34 years (Acs *et al*, 2004), highlighting that new venture creation is indeed a young man's game (Lévesque and Minniti, 2006). In their discussion of the effect of aging on entrepreneurial activity, Lévesque and Minniti (2006) suggest that there is a negative relationship between entrepreneurial attitude and age. Unlike salaried employees, entrepreneurs work in expectation of uncertain future earnings, the appeal of which declines as the time available to collect future earnings shrinks. Moreover, the fact that older, more experienced executives are at the peak of their earning power may add to the relative unattractiveness of entrepreneurial endeavour (Lévesque and Minniti, 2006).

Gender is increasingly a focus of attention for entrepreneurial studies, as scholars seek to explain why men are about twice as likely to start a new business as women (Shane, 2008; Acs *et al*, 2004). A common finding is that there are more similarities than differences between male and female entrepreneurs (Mueller, 2004). However, women in the general population are less likely to see themselves as entrepreneurs (Verheul *et al*, 2005). In addition, women-owned businesses reportedly underperform with respect to: the sectors they choose; their business experience; the time they are willing to dedicate and their risk propensity (Shane, 2008; Verheul *et al*, 2005).

Perhaps in response to these findings regarding the differences between men and women, an innovative study recently found that entrepreneurs have higher testosterone levels than non-entrepreneurs, for both male and female respondents, and that testosterone is positively related to risk propensity (White *et al*, 2006). Whether higher testosterone levels in entrepreneurs are an antecedent or consequence of new venture creation has yet to be determined.

Differences in rates of entrepreneurship in South Africa are sharply divided on ethnic lines, reflecting the legacy of apartheid. Rates of entrepreneurship are highest among the Indian ethnic group, followed by whites, then blacks, with the coloured (mixed-race) group demonstrating the lowest (Maas and Herrington, 2006). Differences between ethnic groups are not merely a feature of the South African environment, however. In the US, more than twice the proportion of whites are self-employed than the proportion of African Americans (Shane, 2008), in spite of the belief in some quarters that ethnic minorities who are alienated from the mainstream will be more likely to be motivated to achieve economic success (Sleuwagen and Goedhuys, 1998).

There is strong evidence of a positive association between higher levels of education and higher entrepreneurial activity rates in high-income countries (Acs *et al*, 2004). Robinson and Sexton (1994) suggest that returns on education are higher for self-employed people, who gain from increased self-efficacy as well as entrepreneurially relevant skills. Enrolment at tertiary institutions in South Africa is 15% of the relevant age group, compared to 28% in Malaysia and 24% in Brazil (Blanke, Paua, Sala-I-Martin, 2003).

Recently, a series of large-scale studies conducted consecutively in Russia, China and Brazil provide a definitive demographic and sociological profile of the developing country entrepreneur (Djankov, Qian, Roland and Zhuravskaya, 2008), as illustrated in Table 2.

**Table 2. Profile of the developing country entrepreneur <sup>1</sup>**

<p><b>Entrepreneurs are more likely to:</b></p> <ul style="list-style-type: none"> <li>• Have parents who were directors or senior managers</li> <li>• Come from a wealthier family</li> <li>• Have friends or family members who run their own businesses</li> <li>• Be married</li> <li>• Have stronger cognitive abilities</li> <li>• Show lower tolerance for corruption</li> <li>• Have high levels of trust in others</li> <li>• Be more patient than non-entrepreneurs</li> <li>• Be taller than non-entrepreneurs (by one centimetre, on average)</li> <li>• Adhere to Protestant religion</li> </ul> <p><b>Entrepreneurs are NOT more likely to:</b></p> <ul style="list-style-type: none"> <li>• Have more highly educated parents</li> <li>• Have been in the top 10% at school</li> <li>• Display higher levels of self-confidence</li> <li>• Be more tolerant of risk</li> </ul>
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There is evidence to suggest that, in some instances, the relationship between demographic variables and the incidence of entrepreneurship might differ for developing countries in general and for South Africa in particular. For example, in South Africa, there is no difference in rates of entrepreneurship between males and females (Maas and Herrington, 2006). Nor are men and women found to differ in entrepreneurial tendencies or key personality characteristics such as need for achievement or internal locus of control (Mahadea, 2001).

In other low-income countries, those with lower levels of education are more likely to start businesses (Orford *et al* 2004; Acs *et al*, 2004), possibly because there is more pressure to develop businesses (Escher, Grabarkiewicz, Frese, and van Steekelenberg, 2002). In South Africa, where the unemployment rate is high and the pressure to develop businesses is therefore be assumed to be significant, business owners tend to be better educated than the general population (Maas and Herrington, 2006).

Studies of the personal demographics of entrepreneurs have been criticised for being atheoretical (Vecchio, 2003), particularly with respect to the establishment of causal associations between entrepreneurial behaviours and demographic characteristics (Vecchio, 2003).

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<sup>1</sup> Adapted from Djankov S, Qian Y, Roland G and Zhuravskaya E, 2008. What makes an entrepreneur, International Finance Corporation, January 2008, downloaded from <http://www.doingbusiness.org/documents> on 26 April 2008.

### **2.3.2. Motivation and intention**

Although demographic variables might increase an individual's propensity to initiate new venture creation, entrepreneurial potential, a pre-existing preparedness, must be in place before intention is formed, often by a precipitating event (Krueger and Brazeal, 1994). Entrepreneurial potential arises from an environment that is socially and culturally supportive of entrepreneurial effort as well as economically munificent (Krueger *et al*, 2000).

Some scholars argue that intentions are consistently found to predict planned behaviours to a greater extent than is true of personal and situational variables (Krueger *et al*, 2000). This suggests that entrepreneurs may decide to start a business long before they find a particular opportunity (Krueger *et al*, 2000), rather than simply responding to the opportunity stimulus as a conditioned response.

Potential entrepreneurs must be motivated to act (Shane, Locke and Collins, 2003), however supportive the environment. They are motivated to create a new venture when they perceive entrepreneurship to be desirable and feasible and there is propensity to act. Desirability is shaped by the individual's perception of likely outcomes, including intrinsic and extrinsic rewards, both financial and non-financial, and by the social norms of the environment in which he or she is embedded (Krueger *et al*, 1994). Perceived feasibility incorporates an objective assessment of the potential barriers and risks involved, but is most strongly influenced by the individual's self-efficacy, or task-specific self-confidence (Krueger *et al*, 2000; Shane *et al*, 2003).

Conventional views of entrepreneurship have tended to view profit as the main motivating factor for entrepreneurs (Zafirovski, 1999), but empirical evidence suggests that wealth attainment is less important to entrepreneurs, who tend to value the goal of innovation to a much greater extent (Amit, MacCrimmon and Zietsma, 2000).

Several categories of reasons that individuals give for starting a business are identifiable: innovation, independence, recognition, roles, financial success and self-realisation (Carter, Gartner, Shaver and Gatewood, 2003). Entrepreneurs were found to be similar to non-entrepreneurs in independence, financial

success, self-realisation and innovation. The most frequently cited career anchor among the self-employed is autonomy and independence, followed by entrepreneurial creativity (Feldman and Bolino, 2000). However, entrepreneurs were not concerned with fulfilling roles or recognition from others, suggesting that they need less personal validation from others than do non-entrepreneurs (Carter *et al*, 2003).

### **2.3.3. Work experience**

Most entrepreneurs have experienced employment prior to initiating the new venture-creation process (Shane, 2008). The workplace acts as a critical source of human capital for the nascent entrepreneur, who gains general business skills, specialised technical knowledge, useful networking relationships and a deep understanding of a particular industry and its customers (Shane, 2008). Not only does this experience help the entrepreneur to run a business, it has an important impact on the individual's ability to identify opportunities and successfully exploit them in the first place (Crosa, Aldrich and Keister, 2003; Waistad and Kourilsky, 1998; Chen, Greene and Crick, 1998). This phenomenon is particularly evident in the careers of habitual entrepreneurs (Ucsbaran, Wright and Westhead, 2003).

The development of these skills and capabilities may be conceived of as preparation on the part of an individual for the entrepreneurial career. As a result, it may be that there are particular times in the career/family life-cycle when an individual may be better prepared for entrepreneurship than others (Harvey and Evans, 1995).

On the face of it, entrepreneurship seems like a poor career choice, albeit with high levels of job satisfaction (Bradley and Roberts, 2004). Entrepreneurs work long hours (Douglas and Shepherd, 2002), usually earn less than their employed counterparts (Markman, Balkin and Baron, 2002), take greater risk and experience frustration and failure (Segal, Borgia and Schoenfeld, 2005). In an effort to understand how and why entrepreneurs choose to create new ventures rather than remain in paid employment, a group of scholars have approached this question from the perspective of career theory (Douglas and Shepherd, 2002; Feldman and Bolino, 2000; Harvey and Evans, 1995; Gibb Dyer, 1994; Bowen and Hisrich, 1986).

Individuals who have positive attitudes to risk tolerance and a preference for independence are more likely to be attracted to an entrepreneurial career than those who have less positive attitudes (Douglas and Shepherd, 2002). However, not all entrepreneurs are the same, in that those with different career anchors find different aspects of entrepreneurship attractive, and experience different levels of job satisfaction and psychological well-being (Feldman and Bolino, 2000).

Although individuals considering career options generally consider income to be the most important criterion, this is not a significant determinant of entrepreneurial intention (Douglas and Shepherd, 2002), nor does personal wealth act as a stimulus for new venture creation (Crosa *et al*, 2003). The socialisation effect of self-employed parents seems to have a much more important impact (Crosa *et al*, 2003).

Individuals are thought to choose an entrepreneurial career when they are in some way dissatisfied with their current employer (Harvey and Evans, 1995). The entrepreneur is seen as having been displaced from an unfavourable work environment (Shapiro and Sokol, 1982) and seeks independence and autonomy in self-employment (Shane, 2008). However, a study of the entrepreneurial tendencies of managers concludes that the ranks of frustrated employees are unlikely to be fertile ground for nascent entrepreneurs (Cromie, Callaghan and Jansen, 1992).

The work experience literature barely addresses situations in which unemployment is high, and nascent entrepreneurs have no other choice but to create new ventures. There is some evidence to suggest that where the chances of finding a good job are small and the variation in wages is high, the individual will tend to favour self-employment (Sleuwagen and Goedhuys 1998).

#### **2.3.4. *Personality characteristics***

The attempt to identify personality characteristics unique to the entrepreneur has occupied scholars for over 40 years. Scholars reasoned that entrepreneurship is essentially an individual act (Stewart, Watson, Carland and Carland, 1998), and therefore the reasons for this behaviour may be found within the individual (Shaver and Scott, 1991).

Latterly, theorists have argued for the importance of individual characteristics on the grounds that venture capitalists, as experts in the field, make a direct link between the lead entrepreneurs' characteristics and the expected performance of the firm. Despite the wide variety of studies conducted in a wide variety of settings (Green, David, Dent and Tyshkovsky, 1996), this personological endeavour has largely proven fruitless (Gartner, 1985; Shaver and Scott, 1991).

McClelland linked the psychological characteristic of need for achievement with the Protestant work ethic and economic development (Johnson, 1990). Individuals who are high in need for achievement: have a desire to do things as well and as rapidly as possible; take personal responsibility for finding solutions to problems; set moderate goals and take calculated risks; and prefer clear feedback on their performance (Shane *et al*, 2003). Innumerable studies have demonstrated a positive relationship between need for achievement and entrepreneurship, although methodological problems have been identified (Johnson, 1990). The relationship between need for achievement and entrepreneurship has also been demonstrated in several different locations (Green *et al*, 1996), highlighting that the phenomenon may be multi-culturally relevant (Stewart *et al*, 1998).

High need for achievement individuals were also believed to be associated with a moderate need to take risks. This was considered important because risk-taking is a defining feature of entrepreneurial behaviour (Shane *et al*, 2003). Studies have generally found that business owners do not differ from managers or the general population with respect to risk-taking. In South Africa, risk-taking propensity is reportedly the most underdeveloped of all entrepreneurial traits (Louw *et al*, 2003).

A tolerance for ambiguity, the tendency to view uncertain situations as appealing rather than threatening has not been consistently shown to be associated with entrepreneurial behaviour (Shane *et al*, 2003).

Internal locus of control refers to the individual's tendency to believe that his own actions and behaviours affect outcomes, as opposed to being the passive recipient of events. This characteristic has also been studied intensively (Shane

*et al*, 2003) although again with little conclusive evidence that entrepreneurs differ from the rest of the population.

In addition to the big four entrepreneurial personality characteristics studied, a number of minor characteristics have also received attention, including self reliance (Lee and Tsang, 2001), need for control (Kets de Vries, 1985) and preference for innovation (Stewart *et al*, 1998). Meta-analyses of the personality characteristics research point to methodological problems such as variability of samples, different operationalisations and lack of consistency in measurement as possible reasons for relatively weak results (Johnson, 1990; Shane *et al*, 2003).

Entrepreneurial orientation is a construct devised to assess firm-level entrepreneurial capability (Lumpkin and Dess, 1996), but on the grounds that the measures are self-reports by individuals, Krauss, Frese, Friedrich and Unger (2005) argue that it can be usefully applied to assessing entrepreneurial potential in individuals. The construct incorporates seven dimensions: learning orientation; achievement orientation; autonomy orientation; competitive aggressiveness; innovative orientation; risk-taking orientation and personal initiative (Krauss *et al*, 2005). Their study of South African business owners found evidence of a positive relationship between entrepreneurial orientation and business performance, the achievement orientation and personal initiative being the most important dimensions (Krauss *et al*, 2005).

A small number of scholars have adopted a clinical approach to researching the psychology of entrepreneurship (Kets de Vries, 1996). This perspective tends to view the entrepreneur as aberrant, an outsider who constructs her own environment and whose personality quirks are largely responsible for success (Kets de Vries, 1985). Other observations of entrepreneurs drawn from this clinical research include: entrepreneurs have a high need for control and are often perfectionists; they use work to escape from a painful inner reality; they experience excitement when dealing with an unpredictable environment; entrepreneurship delivers social status and admiration from others; the entrepreneurial individual may be skilled at constructing a façade of confidence, while managing a lack of self-confidence internally (Kets de Vries, 1996).

Much of the work examining personality characteristics assumes that entrepreneurs are a homogenous group who differ from non-entrepreneurs in

some way (Shaver *et al*, 2001; Smith-Hunter, Kapp and Jonkers, 2003). Studies that focus on understanding how entrepreneurs differ from each other are less common. Possibly the best recognised is the Miner typology (1996a; 2000) of entrepreneurial personalities which was developed from the literature and empirical research and has been validated in several quantitative studies since the mid-1980s (Smith and Miner, 1983; Miner, 1996b, 2000). The key features of each of the four types are illustrated in Table 3.

**Table 3. Miner’s (2000) typology of entrepreneurial personality types <sup>2</sup>**

<b>Personal achiever</b>	<b>Empathic super salesperson</b>	<b>Real manager</b>	<b>Expert idea generator</b>
<ul style="list-style-type: none"> <li>• Need to achieve</li> <li>• Desire for feedback</li> <li>• Plans and sets goals</li> <li>• Strong personal initiative</li> <li>• Strong personal commitment</li> <li>• Belief that one person can make a difference</li> <li>• Belief that work should be guided by personal goals</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity to empathise</li> <li>• Desire to help others</li> <li>• Belief that social pressures are important</li> <li>• Need to have strong positive relationships with others</li> <li>• Belief that sales force is crucial</li> </ul>	<ul style="list-style-type: none"> <li>• Desire to be a corporate leader</li> <li>• Decisiveness</li> <li>• Positive attitude to authority</li> <li>• Desire to compete</li> <li>• Desire for power</li> <li>• Desire to stand out from the crowd</li> </ul>	<ul style="list-style-type: none"> <li>• Desire to innovate</li> <li>• Love of ideas</li> <li>• New product development is crucial</li> <li>• Good intelligence</li> <li>• Desire to avoid taking risks</li> </ul>

The Miner (2000) types are distinctive but equally capable of high-performance entrepreneurship, although each uses a different set of skills and processes and may follow a different time line in achieving success.

### **2.3.5. Cognitive style and cognitive bias**

The cognitive perspective also operates from a psychological basis and has similarly pursued the goal of distinguishing between entrepreneurs and non-entrepreneurs, albeit with a greater degree of success (Shaver *et al*, 1991). Scholars have also sought to uncover which cognitions represent successful responses to the unusually uncertain environments entrepreneurs face (Baum,

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<sup>2</sup> Adapted from Miner JB, 1996. The four routes to entrepreneurial success. San Francisco: Brett Koehler Publishers.

2003). This has proven a theoretically rigorous and empirically testable approach (Mitchell *et al*, 2002a), although entrepreneurs tend to be treated as cognitively homogenous, even though some studies indicate they are not (Forbes, 2005).

Particular kinds of cognitive processing have been found to influence the way in which opportunities are identified (Baron, 2003). Scholars have also hypothesised that entrepreneurs would make greater use of cognitive heuristics such as availability, representativeness and anchoring to speed cognitive processing and minimise cognitive load (Gaglio, 2004), which is probably especially valuable during the opportunity-assessment process (Shaver and Scott, 1991). Entrepreneurs have also been demonstrated to be particularly creative (Ward, 2004), and able to make decisions with incomplete information (Simon *et al*, 1999).

As a result of human limitations on the ability to process information, and our tendency to minimise cognitive effort, individuals are subject to a wide range of cognitive errors and biases. These are believed to be particularly applicable to entrepreneurs, who operate in high-stress, highly emotional and highly uncertain conditions (Baron, 1998). Entrepreneurs who pioneer a product or process are thought to be particularly prone to cognitive bias in their information processing (Simon and Houghton, 2002).

Entrepreneurs are particularly prone to an overconfidence bias (Mullins and Forlani, 2005), the generalised tendency to overestimate the correctness of their own ability to assess moderate to difficult situations (Forbes, 2005).

It was long believed that entrepreneurs had a greater propensity for risk, but it has recently been demonstrated that they do not knowingly accept higher levels of risk, they simply perceive risk differently (Simon *et al*, 1999). Entrepreneurs' optimism bias means they consistently underestimate the amount of risk involved in a new venture (Baron, 2003). In addition, entrepreneurs suffer from the illusion of control whereby the individual overemphasises the extent to which his/her skill can increase performance where chance plays a more significant role than skill. Entrepreneurs also believe that a limited number of informational outputs can be used to draw firm conclusions (Simon *et al*, 1999).

Entrepreneurs are also thought to engage in another cognitive bias, counterfactual thinking, which may be described as a mental simulation of past and future events that creates the emotion of regret, less often than non-entrepreneurs (Baron, 1998; Gaglio, 2004). This suggests that entrepreneurs may be more willing to learn from past mistakes (Vecchio, 2003). Mental simulation also helps entrepreneurs to develop and maintain an intense vision of a desirable future throughout the difficulties inherent in new venture creation (Baum, 2003).

Entrepreneurs are susceptible to the planning fallacy, overestimating how much they can accomplish in a given period, because they deal with so much uncertainty (Baron, 1998; 2003). Moreover, once a new venture has been established, the entrepreneur may experience pressure to continue investing time effort and money . even in a loss-making business . because of the need to justify previous decisions. Commitment irrationality escalates instead of declining (Baron, 1998).

Attribution theory provides a helpful framework for understanding entrepreneurial cognition. Attributions refer to the explanations that entrepreneurs use to explain success or failure in business-related activity (Shaver and Scott, 1991), and are defined by three theoretical dimensions: stability; internal or external locus of causality; and intentionality. If failure is attributed to bad luck (internal, stable) or insufficient internal motivation (internal, variable), the perceiver can reassure himself that in future things will be different. If the success or failure is attributed to internal stable causes, the result will be to produce feelings of pride or shame (Shaver and Scott, 1991).

It appears that entrepreneurs may suffer from a self-serving bias (Rogoff *et al*, 2004), a strong tendency to attribute positive outcomes to internal causes such as their own skill, talent or hard work and a corresponding tendency to attribute negative outcomes to external causes (Baron 1998). This attribution process is seen as having an important role in sustaining entrepreneurial behaviour over time (Shaver *et al*, 2001).

Some theorists suggest that while the average manager uses causal reasoning, entrepreneurs are more likely to use effectual reasoning (Sarasvathy, 2005). Causal reasoning begins with a predetermined goal and a given set of means

and seeks to identify the best way to achieve the goal. Effectual reasoning begins with a given set of means and allows goals to emerge over time in response to changing circumstances (Sarasvathy, 2005).

### **2.3.6. Entrepreneurial self-efficacy**

Self-efficacy describes an individual's cognitive estimate of their ability to mobilise the motivation, cognitive resources and courses of action needed to exercise control over events, and is strongly associated with entrepreneurial propensity (Chen *et al*, 1998) and persistence (Gatewood, Shaver, Powers and Gartner, 2002). In the entrepreneurial context, it refers to the individual's belief that he/she can muster and implement the necessary personal skills and competencies to attain a level of achievement on a given task (Shane *et al*, 2003). Self-efficacy has been demonstrated to have a strong effect on entrepreneurial intention but may not always positively influence entrepreneurial performance (Chen *et al*, 1998). In South Africa, individuals who believe they have the skills to start a business are seven times more likely to be engaged in entrepreneurial activity than those who are not confident in their entrepreneurial ability (Orford *et al*, 2004).

Beliefs about the self flow from three major sources, namely from direct experience, from indirect experience and from other beliefs about the self and the world (Gatewood *et al*, 2002). Such beliefs have important consequences because individuals will avoid activities that they believe exceed their capabilities, while choosing those activities that they feel capable of handling. More significantly, people who expect to perform well, very often do (Gatewood *et al*, 2002).

Self-efficacy is powerfully influenced by causal attribution, the mechanism individuals use to give meaning to events and outcomes that they personally experience (Grundlach, Martinko and Douglas, 2003; Baron, 1998). In other words, it is the perception of performance that most profoundly influences an individual's self-efficacy, rather than the performance itself (Chen *et al* 1998). Entrepreneurial self-efficacy may also be influenced by the individual's assessment of the availability of resources (Boyd and Vozikis, 1994).

Individuals can develop and strengthen self-efficacy through: mastery experiences, in which the individual overcomes obstacles; modelling the behaviour of other successful individuals; social persuasion or encouragement that they are capable; and their own judgements about the physiological states that are aroused by the behaviour (Boyd and Vozikis, 1994).

The literature seems to suggest that self-efficacy may be based on the unrealistic optimism characteristic of those who choose self-employment (Arabsheibani, de Meza, Maloney and Pearson, 2000). There is strong support for the idea that entrepreneurs are more optimistic than non-entrepreneurs, a feature related to more favourable perceptions of work, a willingness to work longer hours for a longer career period, and expectations of a longer life (Puri and Robinson, 2007). Overconfidence may be necessary if the entrepreneur is to embark on the risky process of new venture creation (Vecchio, 2003).

Most entrepreneurs vastly overestimate their chances of success, even when they are relatively poorly prepared. Over-optimism may therefore have a negative impact on the new venture-creation process, particularly if it causes the entrepreneur to underestimate the resources required and difficulties involved (Cooper, Woo and Dunkelberg, 1988). Interestingly, entrepreneurial self-efficacy has recently been shown to change during the life of the venture. At start-up, the individual's belief in her own ability to influence the execution of plans is stronger than during the sixth year of operation (Littunen, 2000). This reinforces the notion that entrepreneurs are unrealistically optimistic at start-up, at least partly because they know no better.

### ***2.3.7. The role of affect***

Many of the activities in which entrepreneurs are routinely involved have been previously shown to be strongly influenced by affect, including creativity, decision-making, persuasion and the establishment and maintenance of personal relationships (Cross and Travaglione, 2003). Moreover, affect is particularly salient to individuals functioning in highly unpredictable, changing environments (Baron 2008).

Emotional self-awareness and emotional self-control influence how individuals make attributions about success or failure and therefore impact on

entrepreneurial self-efficacy (Grundlach *et al*, 2003) and the motivation to initiate a new venture in the first place.

Affect influences the opportunity-recognition process because it has been shown to enhance an individual's ability to notice a wide range of stimuli (Baron, 2008). So-called affect-priming influences judgement and decision-making by focusing the individual's attention on some factors and not on others (Forgas, 1995). In addition, during fast, heuristic cognitive processing, affect is sometimes used as information in decision-making (Forgas, 1995). Few decisions entrepreneurs make are the result of rational calculation, simply because they often lack the grounds for doing so (Zafirovski, 1999). It is therefore likely that affect influences opportunity evaluation and risk assessment.

An entrepreneur's ability to be persuasive and enthusiastic directly influences the establishment of a social and business network and the acquisition of resources required to set up a new venture (Baron, 2008; Cardon, 2008). Some scholars suggest that affect may be a defining feature of entrepreneurial success, both in terms of an individual's commitment to start-up and to persist over time (Dodd, 2002; Shane *et al*, 2003; Branzei and Zeitsma, 2002).

Many entrepreneurs are afflicted by high levels of stress, which may be caused by loneliness, conflicts with employees and partners, an unusually demanding work schedule and uncertainty about future outcomes (Askande, 1994). One study found that business risks were closely followed by work stress, time for family and friends and fear of failure as issues considered by entrepreneurs to be significant barriers to new venture creation (Kouriloff, 2000). Coping with stress may require awareness and regulation of intensely experienced emotion (Goleman, 2004).

Entrepreneurs also derive intense pleasure and satisfaction from their careers (Douglas and Shepherd, 2002). This pleasure forms one dimension of the core affective experience at work, capable of stimulating both motivation to act and persistence of actions that are goal directed (Seo, Barrett and Bartunek, 2004). It has been hypothesised (Morris, 2003) that entrepreneurs experience a psychological state characterised by intense concentration, loss of time, space and self, and the perception of mastery and control (Csikszentmihalyi, 2002).

Another relatively under-researched aspect of entrepreneurial affect is the passion individuals have and display for their business ideas. The passion that an entrepreneur experiences may represent personal illusions of mastery and optimism, but these emotions also act as important buffers to stress and may have the ability to enhance and restore positive perceptions, even under conditions of adversity (Branzei and Zietsma, 2004).

Displays of passion on the part of the entrepreneur have important implications for attracting resources (Cardon, 2008), in that contagion of positive emotion within the nascent firm can lead to improved employee cooperation, decreased conflict and increased perceived task performance (Goleman, Boyatzis and McKee, 2001), while contagion of negative emotion may lead employees to increase their efforts, but will be detrimental if prolonged. However, entrepreneurs are not believed to be homogenous in their willingness and ability to share their passion for their enterprises (Cardon, 2008).

Apart from the commonly reported euphoria associated with business start-up (Cooper *et al*, 1988), perhaps the most intense emotional experience the entrepreneur endures is that associated with business failure (Singh, Corner and Pavlovich, 2007; Shepherd, 2003). This experience represents a personal loss, for which entrepreneurs typically feel grief capable of triggering a range of psychological and behavioural symptoms. Such a loss must be dealt with on an economic, psychological, social and physiological dimension (Singh *et al*, 2007) and entrepreneurs may need to learn special skills to cope (Shepherd, 2004), adopting different strategies such as rejection, removal or reconciliation (Mitchell, 1997).

Importantly, the emotions experienced during the grieving process which follows failure may inhibit the entrepreneur's ability to learn from the experience (Shepherd, 2003). This is particularly significant because the more experienced the entrepreneur, the more likely he/she will be successful in the following venture (Shepherd, 2004).

### **2.3.8. *Attitude to entrepreneurship***

Attitude is not the subject of a great deal of research in the entrepreneurial domain, possibly because scholars seem to have paid little attention to the

entrepreneurs' experience of new venture creation (Morris, 2003). A study of owner-managers' perceptions of the freedoms and constraints they face during the process suggests that although many entrepreneurs expected greater personal freedom from venture ownership, they also experienced unexpected constraints, mainly arising from a lack of access to resources (Wahlgren and Stewart, 2003).

The attitudes of entrepreneurs and non-entrepreneurs towards the range and intensity of barriers to new venture creation differ markedly. Barriers were perceived to be highest among those who had no wish to become an entrepreneur and lowest among those who were already entrepreneurs (Kouriloff, 2000).

Scholars have examined the attitude of young people to entrepreneurship, as a way of predicting intention (Henderson and Robertson, 1999; Waistad and Kourilsky, 1998). Results have been mixed, with some studies showing that socio-economically underprivileged youths are more positively disposed to entrepreneurship (Waistad and Kourilsky, 1998) and others that deprived youths are less positive (Henderson and Robertson, 1999).

It may be that attitudes towards entrepreneurship differ between the developed and developing world. In Jamaica, for example, it was found that self-employment and employment in the informal sector are considered temporary holding measures for those awaiting limited but highly desirable formal sector employment (Honig, 1998). In South Africa, a study of entrepreneurial attitudes of accountants and pharmacists revealed attitudinal differences between those who were employed and those in private practice, particularly relating to innovation and self-esteem (Van Wyk and Boshoff, 2004).

### ***2.3.9. Behaviour during entrepreneurship***

Entrepreneurial behaviour is generally considered to be different from managerial behaviour because of the uncertain, and resource-poor situations entrepreneurs typically face (Baum, 2003).

Regulatory focus theory is considered helpful in explaining how entrepreneurs regulate their own behaviour to achieve desired ends (Baron, 2003). Individuals

tend to adopt either a promotion or a prevention focus. The goal of promotion-focused behaviour is the attainment of positive outcomes, whereby many hypotheses may be generated and all possible means to achieve them are explored. Prevention-focused behaviour seeks to avoid negative outcomes (Baron, 2003).

The literature generally agrees that the entrepreneurial task includes: creating the new venture, evaluating the opportunity; deployment to market and exploiting opportunity (Markman and Baron, 2003). One study suggests that the required personal capabilities include: opportunity recognition, social skills, personal perseverance, human capital and self-efficacy (Markman and Baron, 2003). Another lists five categories of activities that must be performed during start-up, including: gathering market information, estimating potential profit, finishing the groundwork for the business; developing the structure of the company and setting up business operations (Gatewood, Shaver and Gartner, 1995). Scholars are largely silent on exactly how this might optimally be achieved.

Key entrepreneurial behaviours are considered to be: ability to focus on essentials; decision making, flexibility; goal direction; length of work day; management style; organising; planning; problem analysis and risk-reducing behaviour (Chrisman *et al*, 1998). More specifically, a comprehensive study of nascent entrepreneurs found 14 activities typically associated with new venture creation, including: organising a start-up team, preparing a business plan, buying or renting facilities and equipment; asking for funding and applying for the necessary licences or patents (Carter, Gartner and Reynolds, 1996).

A relatively recent series of studies considers how entrepreneurs improvise, deliberately composing and executing novel action without planning and preparation (Hmieleski and Corbett, 2007). The greater the degree of entrepreneurial self-efficacy, the more likely the individual will engage in Improvisational behaviour as a strategy for dealing with uncertainty and change. Improvisational behaviour was found to be positively related to new venture performance within start-ups lead by entrepreneurs who were high in self-efficacy (Hmieleski and Corbett, 2007).

Baum (2003) suggests that the most characteristic entrepreneurial behaviours include: developing and sharing a compelling vision of the future; making use of

prior experience and expert scripts; making quick incremental decisions; borrowing the resources they don't own or control; adapting goals to suit changing circumstances and deliberately benefiting from trial and error. In a longitudinal case study, Lichtenstein, Dooley and Lumpkin (2006) identified three different modes of organising, into which different actions, decisions and interventions enacted by the entrepreneur may be categorised. They termed these visioning, strategic organising and tactical organising modes.

### **2.3.10. Entrepreneurial creativity**

The need for innovation may be the entrepreneurial characteristic that enjoys the greatest degree of consensus among theorists in the domain (Ward, 2004), in spite of empirical evidence which suggests that the majority of entrepreneurial new ventures innovate very little (Shane, 2008; Scheepers, 2004). While innovation incorporates implementation or execution, creativity is concerned with the production of novel and useful ideas (Scott and Bruce, 1994).

Creativity is important because it incorporates the ability to identify opportunities; the development of innovative products and the implementation of distinctive strategy (Ko and Butler, 2007). In less-developed countries, entrepreneurial firms tend to move from imitating established products toward product development and innovation, making creativity increasingly important to new venture sustainability (Ko and Butler, 2007).

An individual's creative capability (Pretorius, Millard and Kruger, 2005) is thought to require motivation (El-Murad and West, 2004), be dependent on his or her self-efficacy, the amount of relevant knowledge individuals have at their disposal (Ko and Butler, 2007) and creative thinking skills and procedures (Pretorius *et al*, 2005). Individuals are believed to be most creative when they have a passionate desire to achieve something (Amabile, 1998). A minimum level of intelligence is a requirement for only a few measures of creativity (Runco, 2004).

Creative motivation can be stimulated (Amabile, 1998) and creative skills such as divergent thinking and pattern recognition (Runco, 2004) can be learned (Ward, 2004). There is some indication that entrepreneurial training in South Africa does not in general cover the full range of performance requirements (Ladzani and van

Vuuren, 2002), and is particularly lacking in creativity and innovation components (Pretorius *et al*, 2005).

Creativity refers to the way in which individuals approach problems and solutions and their capacity to put ideas together in new combinations (Amabile, 1998), which is in turn influenced by the prior possession of relevant knowledge and skill (Cohen and Levinthal, 1990). Although highly systematic problem solvers seem to struggle to achieve high levels of innovative behaviour, an individual does not need to be a highly intuitive problem-solver to be creative (Scott and Bruce, 1994).

### **2.3.11. *Intuition and learning***

Entrepreneurs often describe their thought processes as intuitive, sometimes even attributing their success to intuition (Mitchell *et al*, 2005). Intuition refers to the ability to access direct knowledge or understanding without the intrusion of rational thought or logical inference (Sadler-Smith and Shefy, 2004) and is thought to be particularly useful in the opportunity-identification process (Mitchell *et al*, 2005). In effect, intuition is the exploitation of tacit knowledge, which is at least partly the result of the knowledge experience that an individual cannot easily articulate (Leonard and Sensiper, 1998).

Venture capitalists place great store on prior experience as a measure of the probability of future entrepreneurial success (MacMillan, Siegel and Narasimha, 1985), possibly because they perceive expert entrepreneurs are more likely to succeed. Expert entrepreneurs are thought to perceive information differently from novices, noticing that which is relevant and perceiving good solutions, even in highly complex and uncertain situations (Read, Wiltbank and Sarasvathy, 2003). When the future is difficult to predict by rational means, the ability to discern intuitive insights can be particularly helpful (Sadler-Smith and Shefy, 2004).

Scholars note that it is important to distinguish between the stock of skills, experience and abilities with which an entrepreneur enters the entrepreneurial process and the learning that takes place during and as a result of the new venture-creation process (Cope, 2005).

With respect to the stock of learning the entrepreneur brings to new venture creation, management, industry and start-up experience is relevant (Politis, 2005). This effectively indicates the level of preparedness of an individual to embark on entrepreneurship (Cope, 2005). Experience provides tacit knowledge that facilitates decision making under uncertainty and time pressure (Politis, 2005; Sternberg, 2004), and facilitates creativity (Cohen and Levinthal, 1990).

Learning helps entrepreneurs to identify new opportunities because they can consider a wider possible range and more readily detect the most promising. The probability of successful exploitation is also increased because the cost of doing so is lowered (Politis, 2005). Learning also provides methods and heuristics that help individuals to solve complex problems more effectively (Cohen and Levinthal, 1990) and more quickly. Increased knowledge in a particular field also helps the entrepreneur to focus attention on what is most important and facilitates the integration and accumulation of new knowledge (Shepherd and DeTienne, 2005).

Experienced entrepreneurs cope better with the liabilities of newness and smallness by being better able to access resources and leverage an established relationship network (Cope, 2005). However, entrepreneurial expertise is not dependent on simple intelligence, nor is it generalisable out of context (Read *et al*, 2003). Sternberg (2004) suggests entrepreneurs are characterised by success intelligence, a combination between creative, analytical and practical intelligence.

During new venture creation, entrepreneurs learn from their own experience and they learn vicariously, both by observing the behaviour of other entrepreneurs and through advice and assistance from a network of business and social relationships. Such networks are in effect learning systems (Cope, 2005). Entrepreneurs are not necessarily good students in a formal sense, however (Sexton, Upton, Wacholtz and McDougall, 1997). In terms of formal development programmes, entrepreneurs prefer short bursts of information that are highly specific to their context, and prefer to learn from other entrepreneurs (Sexton *et al*, 1997).

Older entrepreneurs are less likely to adjust their beliefs about the business and its environment rapidly, instead giving much more weight to prior experience than new information (Parker, 2006). This may make them more susceptible to making

inappropriate decisions simply because they have made them before (Politis, 2005). This is not to argue that experienced entrepreneurs do not make mistakes, instead they view failure as an opportunity for reflection, the process that brings meaning to experience (Cope, 2005).

### ***2.3.12. Making sense of the experience***

The less-than-fruitful attempts to find enduring personality traits and other dispositional measures highlight the need for theorising on the subjective experience of the entrepreneur (Hoang and Gimeno, 2005). Of particular interest is the way in which entrepreneurial behaviour can be explained by the individual's perceptions, attitudes and motivation towards entrepreneurial activity.

Structural identity theory suggests that individuals engage in entrepreneurial activity because they seek to verify important self conceptions (Murnieks and Mosakowski, 2007). Individuals believe that entrepreneurs possess certain traits, and if they take on an entrepreneurial role, they will be motivated to act out those traits until they are successful at achieving relevant feedback from others (Murnieks and Mosakowski, 2007). Entrepreneurial activity is thought to be ideally suited to allowing the individual to pursue his personal desires and to enact their subjective representations of reality (Kisfalvi, 2002). Often, the entrepreneur's identity is so wrapped up with that of his organisation that he cannot readily distinguish between the two (Howorth, Tempest and Coupland, 2005)

The individual receives important psychological benefits from defining his identity as an entrepreneur: there are feelings of satisfaction derived from being part of the entrepreneurial group; from receiving positive feedback from others (Hoang and Gimeno, 2005); and from knowing that he is in some way unique and different from others (Howorth et al, 2005). The use of metaphor is said to play an important role in the entrepreneur's attempt to construct a viable sense of self (Down and Warren, 2008).

However, it is sometimes argued that tendency to describe the entrepreneur as mythical heroic figure (Nicholson and Anderson, 2005; Ogbor, 2002) may serve simultaneously to hide the true nature of the experience and/or to discourage the

more tentative aspirant entrepreneur from pursuing new venture creation (Down and Warren, 2006).

Entrepreneurs are said to operate at the edge of what they do not know (Nicholson and Anderson, 2005; Hill, 1995), and are often deeply emotionally involved with their businesses (Branzei and Zietsma, 2004). The uncertain and ambiguous environments they occupy are often difficult to understand and even more difficult to explain to others (Gaddefors, 2007; Hill, 1995).

As a result, entrepreneurs use colourful, exciting language (Branzei and Zietsma, 2004) and often make extensive use of metaphor when they describe the opportunities they are intent on pursuing (Gaddefors, 2007) and their experience in new venture creation. The use of metaphor helps entrepreneurs to interpret large amounts of data, articulate evocatively, communicate experiences with high emotional content (Ortony and Fainsilber, 1987) and to distinguish between what is important and what is unimportant (Hill, 1995).

In many ways, metaphors create realities and guide future action because they define and reinforce experiential coherence (Nicholson and Anderson, 2005), and effectively make meaning (Krauss, 2005). Entrepreneurs do not merely tell stories about the entrepreneurial experience, they enact them, so that the stories provide legitimacy and accountability for their actions (Pentland, 1999).

Two seminal studies of the metaphors entrepreneurs use illustrate how they view themselves (Dodd, 2002). In her study of secondary data comprising 24 high achieving entrepreneurs' descriptions of their experiences, Dodd (2002) found that the metaphors entrepreneurs used included: journey, race, parenting, building, war, lunacy and passion. In his survey of entrepreneurs, managers and others, Koiranen (1995) uncovered six key metaphors to describe the entrepreneur: as creative or industrious actor, as a special character or feature; as machine or other physical object; as natural phenomenon; as sportsman or gameplayer; and as adventurer or warrior.

Such analyses also provide insight into the dominant ideology of a particular culture (Koiranen, 1995). For example, the metaphors used by entrepreneurs in the USA emphasise verbs and are often highly emotionally charged (Dodd,

2002), while Northern European metaphors are much more emotionally neutral (Koiranen, 1995).

By examining the metaphors that entrepreneurs use to describe the new venture experience, a deep understanding is achievable, because metaphor is a way of seeing and organising reality (Cornelissen, 2005), which makes sense of the way people think about entrepreneurship (Koiranen, 1995), revealing shared beliefs (Hill 1995) and potential ideological distortions (Koiranen, 1995), both through the metaphor used and through the distinctive response they are designed to evoke (Reimer and Camp, 2006). In effect, meaning is constructed through the use of a metaphor.

For example, one of the more common metaphors used by American entrepreneurs in describing the new venture-creation process is that of parenthood (Cardon, Zietsama, Saporito, Matherne and Davis, 2004). By systematically applying this metaphor to the new venture creation, scholars have helped to surface new perspectives and make entrepreneurship less mysterious (Cardon *et al*, 2004).

If the entrepreneurial experience is so emotionally and cognitively intense, it is perhaps surprising that so little attention has been paid to the moral (Anderson and Smith, 2007) and spiritual (Dodd and Seaman, 1998) dimension of entrepreneurship. Anderson and Smith (2007) compare and contrast the personal narratives of a legitimate and a criminal entrepreneur and conclude that entrepreneurship is a role that requires society to bestow legitimacy and endorse authenticity, and there is therefore pressure to conform to moral norms and behaviours.

The desire to differentiate between entrepreneurs and non-entrepreneurs again leads to disappointing results in a study of religious affiliation, attendance and impact (Dodd and Seaman, 1998). However, the authors speculated that in any society or group, religious legitimisation of entrepreneurial activity could add to environmental munificence. In addition, affiliation with a particular religion might add important volume to personal and professional networks (Dodd and Seaman, 1998).

## 2.4. The social context

One of the disadvantages of focusing on the individual as the primary subject of entrepreneurship research was that the social context (Reynolds, 1991) in which he or she operated was for decades largely ignored (Jennings and McDougald, 2007; Steier, 2003).

By social context, this section of the review refers to three separate, but related, areas of entrepreneurial theorising and research. The first is concerned with the domain of social psychology, the second to sociology's embeddedness perspective and the third relates to the social values shared by a particular community or society, and therefore dealt with as part of 'The Environmental Context' in Chapter 2.5. This chapter is particularly relevant to the current study given that key social factors in South Africa are thought to inhibit entrepreneurial development.

Social psychology may be defined as 'the scientific study of the personal and situational factors that affect individual social behaviour' (Shaver, 2005). This incorporates both interpersonal and intrapersonal processes. Many aspects of intrapersonal social psychology, such as cognitive bias, affect and attribution, have been dealt with under the 'personal context' section of this review on the grounds that they are concerned with analysis at the level of the individual. This section therefore focuses on the literature covering interpersonal processes relevant to the study of entrepreneurship.

The relatively recent embeddedness perspective argues that people are not stand-alone decision-makers but are deeply involved in networks of family and social or business relationships (Aldrich and Cliff, 2003; Greve and Salaff, 2003). These networks act to either facilitate entrepreneurial activity or to constrain and inhibit it (Jack and Anderson, 2002), making social factors as important as legal and economic factors (Bygrave and Minniti, 2000).

### 2.4.1. *Social psychology perspective*

Social comparison theory suggests that individuals will actively seek to evaluate their own opinions, preferably against objective standards, but if there are none available, they will compare themselves to others in a way they believe is relevant (Shaver, 2003). Given that entrepreneurs, who often describe

themselves as outsiders (Kets de Vries, 1985), will expend time and energy seeking out other entrepreneurs in networks and professional associations (McDade and Spring, 2005; Hudson, Gordon and Taljaard, 2006), and claim they learn best from other entrepreneurs, it seems possible that their desire for interaction with each other is for the purpose of undertaking social comparison (Shaver, 2003).

This need for comparison, together with the cognitive bias known as the availability heuristic (Shaver, 2003) also explains why the entrepreneurial experience is often described in formulaic terms (Nicholson and Anderson, 2005). When individuals are required to make judgements about an uncertain reality, they have a tendency to reach for the most easily recalled data to support their argument. Entrepreneurs will frequently use highly available targets such as Bill Gates or Richard Branson as the basis of comparison with their own vision and efforts (Shaver, 2003).

Applying Thomas Scheff's social deference theory to entrepreneurs' interaction with others provides important insight into why entrepreneurs behave the way they do (Goss, 2005). In all interaction with others, individuals are continuously assessing, both consciously and unconsciously, the extent of explicit or implicit deference being extended to them. High levels of deference engender intense feelings of pride, while losses in deference engender intense feelings of shame (Goss, 2005). These feelings are not simply the result of the immediate reaction but are also based on a life history of such interactions.

This system provides the basis for social control of individual behaviour, because groups confer deference and can withdraw it, depending on whether the individual behaves appropriately. Family socialisation can produce individuals who are unbalanced on the pride/shame continuum. A shame imbalance would create an individual who is emotionally depressed, conformity seeking and lacking the motivation to engage in innovation. A pride imbalance would create an individual who is ambitious, unafraid of failure and eager to break with convention (Goss, 2005).

When an individual establishes a new venture, she ensures the deference of others by occupying a position of power, while simultaneously protecting herself from feelings of shame that might be caused by inferior status (Goss, 2005).

#### **2.4.2. *Family embeddedness***

Family dynamics and their impact on entrepreneurial processes have received little attention in the mainstream entrepreneurship literature (Aldrich and Cliff, 2003). The business and the family are often inextricably intertwined (Jennings and McDougald, 2007; Steier, 2003), which acts to influence his motivation, identification and assessment of opportunity, access to resources (Aldrich and Cliff, 2003), overcoming the liability of newness (Steier, 2003) and willingness to persist over time. The family also instills strong moral and religious beliefs which guide entrepreneurial vision and decision-making (Morrison, 2001). Moreover, even when it is not directly involved in financing, the family is often an important source of affective support and a conduit to network contacts (Steier, 2003).

This is vividly illustrated by two empirical findings: a sizeable proportion of new ventures are founded by two or more members of the same family (Aldrich and Cliff, 2003); children of entrepreneurs are more likely to become entrepreneurs themselves (Schindehutte, Morris and Brennan, 2003; Steier, 2003). Social networks amplify the beneficial effects of education, experience and financial capital (Honig, 1998).

The desire to achieve better work-family balance motivates many individuals to start their own businesses and remains a success criterion for male and female entrepreneurs well beyond start-up (Jennings and McDougald, 2007). Entrepreneurs typically use preventative strategies to manage any conflicts in the work-family interface. These include segmentation of one domain from the other; compensation for high dissatisfaction in one domain from high involvement in another. The desire to achieve financial independence and security for the family is another oft-cited motivation for initiating entrepreneurial activity (Jack and Anderson, 2002), despite the high risk involved.

#### **2.4.3. *Network embeddedness***

Social capital, the tangible or virtual resources (Greve and Salaff, 2003) individuals obtain through their relationships with others, appears to be associated with entrepreneurial success (Baron and Markman, 2000). An

individuals' social capital is powerfully influenced by family socialisation and by class origin. Entrepreneurs in higher socio-economic groupings are more likely to have acquired the most useful forms of social capital, and those with the most effective social ties may have a greater incentive to attempt new venture creation (Anderson and Miller, 2003). Especially in developing countries, entrepreneurs place great emphasis on networking with each other for mutual support and exchange of services and information (McDade and Spring, 2005).

Social networks are rich sources of information and advice (Jack and Anderson, 2002), act as a motivational influence (Bygrave and Minniti, 2000) and can assist entrepreneurs in identifying viable opportunities (Hite, 2005; Anderson and Miller, 2003; Reynolds, 1991). A supportive social context can help convince the entrepreneur that an opportunity is both feasible and desirable to pursue (Boyd and Vozikis, 1994).

Moreover, social skills including how the individual perceives and interacts with others may have a powerful influence on the entrepreneur's ability to attract and retain the right resources (Anderson and Miller, 2003), including access to finance (Baron and Markman, 2000), thereby lowering transaction costs (Bygrave and Minniti, 2000). This directly influences how the firm will grow as it tries to borrow, leverage and control resources it does not own (Hite, 2005).

The liability of newness is in part the consequence of the novice entrepreneur's inability to gain the trust and support of key resource providers (Smith and Lohrke, 2008). Novice entrepreneurs can use relationships to add legitimacy and credibility to the offer of the new enterprise (Welter and Smallbone, 2006). Social capital may act as a buffer to the random environmental shocks to which new businesses are so vulnerable (Anderson and Miller, 2003).

Theorists typically distinguish between formal and informal relationships (Birley, 1985) or between strong and weak ties (Anderson and Miller, 2003) in the entrepreneur's network. Formal relationships include those with banks, accountants and other resource holders, who react to specific requests from the entrepreneur. Informal relationships include family, friends and colleagues, who may be much less informed but more willing to listen and give advice.

Entrepreneurs are much more likely to use informal than formal relationships (Birley, 1985), leading to the proposition that the informal system may act as a barrier to the formal system. Weakties are made with a wide variety of diverse, arm's-length relationships, and are more likely to provide novel information than strongties with close family and friends (Anderson and Miller, 2003).

Social capital delivers key benefits to the entrepreneur: reliable, exclusive information (Smith and Lohrke, 2008) and influence, accumulating obligations through interactions with the network and leveraging these at a later time (De Carolis and Saporito, 2006). These interactions create reciprocal goodwill (Fuller and Lewis, 2002), an asset that resides in relationships and includes feelings of gratitude, respect and friendship. However, this cannot develop without trust, which emerges through repeated exchanges in a context of goodwill (De Carolis and Saporito, 2006).

Trust refers to the willingness of a party to be vulnerable to the actions of another party, based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party (Smith and Lohrke, 2008). Trust might arise from reciprocal goodwill, from personal knowledge of another's competence or from trusted third-party information (Hite, 2005). Trust involves a calculated risk, in that the individual must be convinced that trusting is a rational behaviour because the potential risks of the exchange being unfulfilled are justified by the potential gains if the trust is maintained (Welter and Smallbone, 2006).

Personal trust is particularly important in developing economies, where institutional trust in formal organisations, sanctioning mechanisms and codes of conduct may be lacking (Welter and Smallbone, 2006). Where capital markets are rudimentary, financial disclosure limited and contract law weak, interpersonal networks are critical to risk taking, the movement of economic resources and the ability to navigate bureaucratic obstacles (Kristiansen, 2004).

In addition, religious affiliation was believed to multiply the number of potential clients and financial access, which may not have been made available through human capital formation (Honig, 2008). This may be particularly true in South Africa, where religious observance is high (World Values Survey, 2004) and the prevailing cultural value of ubuntu acknowledges the interdependence of all

human interaction and may intensify social relationships that might elsewhere be regarded as ~~weak~~ties (Mangaliso, 2001).

Networks are thought to develop in stages during the process of new venture creation (Smith and Lohrke, 2008). At first, the entrepreneur depends on personal dyadic exchange with friends and family members, contact characterised by its frequency and high levels of emotional intensity (Hite, 2005). This type of interaction is characteristic of the early stages of idea generation and evaluation prior to start-up (Greve and Salaff, 2003).

These dyadic exchanges steadily take on a more socio-economic character as relationships crystallise (Smith and Lohrke, 2008) and concrete plans for the business begin to take shape (Greve and Salaff, 2003). Eventually the network narrows in scope and the relationships become more routine (Greve and Salaff, 2003), becoming organisational rather than interpersonal and governed by contract rather than affect (Smith and Lohrke, 2008; Hite, 2005).

Entrepreneurs deliberately create relationship networks they believe will assist the new venture, not only with direct stakeholders but also with informal industry networks, professional associations and mentors (Ozgen and Baron, 2007). They tend to view their relationships from a long-term perspective and typically invest significant time and energy in developing and maintaining them (Fuller and Lewis, 2002).

The quality of an entrepreneur's network is therefore determined by the number of relations in the network, the strength of the ties, the variety and diversity of networks and the dynamic interplay between networks (Kristiansen, 2004).

## 2.5. The business context

This section explores the way in which entrepreneurs find new venture opportunities, develop strategy for capitalising on the opportunities and build organisations to implement the strategy. In particular, it explores the possibility that in South Africa, opportunity identification and strategy development skills are poor, risks are greater or resources too scarce to make new venture creation feasible.

The entrepreneurship literature at the business level of analysis has generally been derivative of the strategic management literature, and as a result displays some of the paradigmatic development of that field. A more recent body of work focuses on the kinds of organisations and strategies associated with entrepreneurial activity (Morris, Schindehutte and Allen, 2005; Kisfalvi, 2002). Especially latterly, theory tends to focus on multiple levels of analysis; typically the personal and the business level, or the business and the environment level.

### ***2.5.1. Discovery, development and evaluation of opportunity***

The opportunity is increasingly at the centre of research and theorising about entrepreneurship (Shepherd and DeTienne, 2005), to the extent that some theorists argue that the heart of entrepreneurship is the ability to see opportunities regardless of resources (Krueger, 2000). Opportunities may be described as those situations in which new goods, services, raw materials and organising methods can be introduced and sold at more than their cost of production (Shane and Venkataraman, 2000).

Drucker (1985) describes seven sources of opportunity, arising because of changes in environmental conditions (described in Table 4).

**Table 4. Sources of innovative opportunity<sup>3</sup>**

<p><b>Changes within the enterprise or industry (symptoms of changes outside)</b></p> <ul style="list-style-type: none"> <li>- Unexpected success or failure</li> <li>- Any incongruity between what is and what ought to be</li> <li>- Process needs</li> <li>- Unexpected change in industry or market structure</li> </ul> <p><b>Changes outside the enterprise or industry</b></p> <ul style="list-style-type: none"> <li>- Changes in demographics</li> <li>- Changes in perception, mood and meaning</li> <li>- New knowledge, both scientific and non-scientific</li> </ul>
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Bhave (1994) found that two distinctive routes to opportunity were empirically discernible. The first, termed *externally stimulated opportunity recognition* occurs when an individual has already made the decision to create a new venture, and engages in an active search for an appropriate opportunity vehicle that will enable him/her to execute the decision. The second route, *internally stimulated opportunity recognition* occurs when an individual identifies a problem or an unmet need and tries to find a solution (Bhide, 1994). Only when he or she begins to realise that the need is widespread and the solution novel, does the individual recognise that he or she has defined an opportunity (Bhave, 1994).

There is some theoretical debate about whether opportunities are *recognised*, *discovered* or *created* a debate which concludes that these three different views of opportunity reflect increasing degrees of situational novelty and individual creativity (Sarasvathy, Dew, Velamuri and Venkataraman, 2005). Theorists agree that individuals do not all notice the change at the same time, because of differences in their characteristics, skills and experience (Shane, 2003).

Three key factors are believed to influence entrepreneurial *alertness*, the propensity to notice and be sensitive to relevant information, which determines the probability of any one individual finding a particular opportunity. Firstly, the entrepreneur must already have some information that is in some way related to the potential opportunity. The higher the degree of prior knowledge, the higher the degree of innovativeness associated with the identified opportunity (Shepherd and DeTienne, 2005). Secondly, the entrepreneur must have the ability to combine resources in a new way, requiring a particular set of cognitive properties

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<sup>3</sup> Adapted from Drucker, PF, 1985. Innovation and entrepreneurship: practice and principles, Classic Collection Edition, Butterworth-Heinemann, Oxford.

(Shane and Venkataraman, 2000). Thirdly, the entrepreneur must have relatively high levels of self-efficacy (Krueger, 2000).

An entrepreneur's idiosyncratic life history, including education and career experiences, is thought to channel individuals into different knowledge corridors developing different stocks of information and enabling an individual to recognise some opportunities but not others (Cliff, Jennings and Greenwood, 2006).

Initially, an opportunity may look like a vague market need or like resources or capabilities are not being used effectively (Ardichvili, Cardozo and Sourav, 2003). Having noticed the change, entrepreneurs respond by combining resources to create new and more productive configurations (Drucker, 1985). In effect, entrepreneurs *develop* the opportunity, defining the market need more carefully and considering what resources might be required to meet the need (Ardichvili *et al*, 2003).

The entrepreneur decides whether and how the opportunity may best be exploited. This decision may be influenced by a wide variety of differences between attributes of the individual and attributes of the opportunity (Shane, 2005). The opportunity is more likely to be exploited if the potential value of the opportunity is perceived to be high, that is when: markets are larger, profit margins are higher, levels of competition are lower, and capital is cheaper (Shane and Eckhardt, 2005).

Individual attributes influencing the decision to exploit include: demographic variables such as age, education and income; family and social network influences (Shepherd and DeTienne, 2005); personality characteristics and cognitive ability and the presence or absence of cognitive bias (Shane, 2003). Entrepreneurs may become heavily emotionally invested in their chosen opportunities, which in turn fuels the optimism of their projections and reinforces their commitment to invest time, talent and money in an uncertain future (Branzei and Zietsma, 2004).

Ardichvili *et al* (2003) argue that opportunity development is an iterative and cyclical process, throughout which evaluations of desirability and feasibility repeatedly occur. These evaluations may not necessarily be formal, or even explicitly articulated. As the opportunity is developed, it becomes a more complex

and well-defined business concept, and eventually evolves into a business model, which forms the basis of a business plan. Entrepreneurs will typically minimise the resources they devote to researching business ideas (Bhide, 1994).

This process of opportunity evaluation is probably not as rational and linear as some of the literature might suggest (Krueger, 2000). Credible opportunities are not just objectively viable, they must be perceived to be viable (Krueger, 2000). Business founders have been shown to be less likely to perceive the risks logically connected to the opportunities they have selected (Branzei and Zeitsma, 2004).

Opportunities may also be discovered by chance, when events that occur during the process of starting and developing a venture are not predictable based on the characteristics of the individual or the context (Bouchiki, 1993). Chance events are thought to transform, in an unexpected way, either the individual or context, with significant consequences (Bouchiki, 1993).

In developing countries, opportunities are argued to be pervasive and broader in scope, and characterised by lower levels of competitive intensity (Lingelbach *et al*, 2005). This suggests that opportunity development might be somewhat less of a priority in the new venture-creation process than might be the case for entrepreneurs in the developed world, where opportunities are scarce and competition is fierce.

### **2.5.2. Risk and uncertainty**

Most economic theories of the entrepreneur focus heavily on uncertainty and the risk that accompanies it (Gifford, 2005). However, there are several different conceptualisations of risk in the literature which capture different phenomena (Janney and Dess, 2006). Risk as variance refers to the spread of potential outcomes, good or bad. Downside risk refers to the likelihood and magnitude of loss while risk as opportunity focuses on potential upside gain. The most appropriate way for entrepreneurs to measure risk is thought to be the likelihood and magnitude of downside loss (Janney and Dess, 2006).

Based on empirical analysis, Sarasvathy (2006) states that entrepreneurs tend to evaluate risk on the basis of the affordable loss principle, whereby

entrepreneurs calculate how much they are willing to lose and then make an assessment on the basis of a worst-case scenario. An alternative perspective sees entrepreneurs as facing two major risks: either of acting too quickly on an unsubstantiated opportunity or of overlooking a very attractive opportunity (Mullins and Forlani, 2005).

There are many possible explanations for why some individuals might be willing to take risks that others would prefer to avoid. Some theorists suggest that wealth reduces risk aversion (Gifford, 2005). Others suggest that entrepreneurs are more optimistic (Palich and Bagby, 1995), or that they are more prone to cognitive bias such as counterfactual thinking (Baron, 2000), overconfidence or the belief in the law of small numbers (Simon *et al*, 1999), or that they suffer from the illusion of control (Keh, Foo and Lim, 2002). Several studies report that entrepreneurs specifically see themselves as risk-averse (Sarasvathy, 2006).

Another explanation is that entrepreneurs are more optimistic because they have more knowledge about the opportunity and their own capabilities. This investment in human capital is not necessarily visible to others, who may therefore interpret the individual's willingness to pursue an opportunity as risk-tolerant (Gifford, 2005).

Latterly, the literature appears to be reaching consensus that entrepreneurs do not differ from non-entrepreneurs in terms of their risk propensity, or tendency to either take or avoid risk within a particular kind of decision context. Rather entrepreneurs differ in terms of their perception of the risk inherent in a particular situation (Mullins and Forlani, 2005). More specifically, entrepreneurs naturally categorise risk more positively (Palich and Bagby, 1995). In any event, entrepreneurs are believed to face entirely different risks from those facing non-entrepreneurs (Janney and Dess, 2006).

The risk propensity of entrepreneurs in developing countries has not been thoroughly researched. Arguably, they differ from their developed-country counterparts in terms of degree of personal risk they seem willing to take. Often, everything the entrepreneur owns is tied up in the business, they have no access to useful formal or informal networks and no meaningful employment opportunities outside the venture (Morris and Zahra, 2000).

The entrepreneur in a developing country will often adopt a portfolio approach to managing risk, by diversifying across a series of different opportunities with different cash-flow needs, but all able to access a central pool of resources. Although competitive threats are reduced, the nascent firm is typically more vulnerable to uncertainties of an economic, political and regulatory nature (Lingelbach *et al*, 2005). This is reinforced by the finding that in South Africa, most successful entrepreneurs have more than one business operating simultaneously (Hudson *et al*, 2006).

### **2.5.3. Resource gathering**

All start-ups require some basic resources such as money, people and information to begin operations. Entrepreneurs who must construct a resource base to initiate a new venture face a significant challenge. Not only must they undertake the complex task of identifying, assembling and acquiring the resources, they have no reliable way to estimate what might be required, from whom or by when (Brush, 2001).

Resources are traditionally categorised into six types: human, financial, physical, technological, organisational and social (Brush, 2001). Only recently have theorists begun to recognise that the entrepreneur's ability to take a concept, add information about how to access and combine resources and to deploy and exploit these resources is in itself a unique resource capable of achieving and maintaining competitive advantage in its own right (Alvarez, 2005). Access to information is also considered a key resource, particularly in developing countries (Lingelbach *et al*, 2005).

New ventures that have sufficient resources are thought to be at an advantage because resources: provide a buffer the entrepreneur can draw on in adverse circumstances; lead stakeholders to perceive the organisation as successful, legitimate and dependable (Shane, 2003); as well as providing the basis for competitive advantage (Collins and Montgomery, 1995).

Most entrepreneurs fund the start-up of their businesses from their own savings or using the resources of friends and family (Shane, 2008). Entrepreneurs must find ways to attract resource holders even though both the individual and the enterprise may lack a relevant reputation and track record (Brush, 2001).

Entrepreneurs typically leverage their own human, financial and social capital to gain access to the resources they need (Brush, 2001). When entrepreneurs are unable to finance their businesses themselves, they seek investors, to help spread start-up risk, accumulate resources or to finance growth and expansion (Gnyawali and Fogel, 1994).

From the funders' perspective, a new enterprise is fraught with risk. Funders nevertheless rely heavily on their perceptions of the entrepreneur when making investment (MacMillan, Siegel and Narasimha, 1985) and lending (Nieuwenhuizen and Kroon, 2003) decisions. In a study of bankers' loan appraisals, three of the top five factors considered responsible for small business success were related to the personal characteristics of the entrepreneur (Nieuwenhuizen and Kroon, 2003). In a classic study of venture capital decision making, personality and experience characteristics of the lead entrepreneur were considered more important than financial criteria, which in turn were regarded as more important than product or market criteria (MacMillan *et al*, 1985).

In developing countries, entrepreneurs generally have far poorer accessibility to funding, partly because of a lack of innovation in capital markets and partly because the cost of accessing start-up credit may exceed the benefits gained from small loan amounts (Wynne and Lyne, 2003).

As a result, developing country entrepreneurs tend to finance their ventures with their own savings (Lingelbach *et al*, 2005; Sleuwagen and Goedhuys, 1998), either from salaries or retained earnings from a previous business. Lack of personal wealth on the part of the entrepreneur dramatically reduces the firm's expected growth rate (Sleuwagen and Goedhuys, 1998) and constrains business expansion (Hudson *et al*, 2006). Alternatively they use cash flow generated from one business to fund a new venture. Once established, new firms may use a variety of unconventional strategies to obtain finance (Lingelbach *et al*, 2005).

#### **2.5.4. Strategy process**

Lenders, venture capitalists, textbooks and the popular literature about entrepreneurship tend to place heavy emphasis on the importance of developing a business plan, despite empirical evidence that questions the usefulness of a

comprehensive approach to planning for most start-ups (Bhide, 1994; MacMillan *et al*, 1985).

The planning literature is dominated by two models of strategy formulation: a rational paradigm emphasising the formal systematic model of strategic planning; and an incremental paradigm emphasising the emergent character of the strategy process (Gruber, 2007; Mintzberg, 1991). Proponents of the first paradigm suggest that entrepreneurs benefit from formal planning because it allows them to spot missing information and examine their assumptions without expending resources.

Proponents of the second paradigm argue that formal planning reduces responsiveness, lengthens decision processes and inhibits learning (Gruber, 2007). In any event, the greater the innovation in the new venture, the less likely it is that objective data exists (Woo *et al*, 1994). The empirical evidence suggests that in highly dynamic environments, entrepreneurs perform better when they speed up the planning process and concentrate on a few important activities. Entrepreneurs who operate in low-dynamism environments perform better when they plan in depth (Gruber, 2007). Some scholars argue that the new venture is an experiment with implicit hypotheses which can only be tested through experience (Woo *et al*, 1994)

Kisfalvi (2002) notes that entrepreneurs must constantly reality test their plans and perceptions and become aware of their own subjectivity, as they may be more susceptible to a range of cognitive errors as a result of the high-pressure, uncertain environments in which they operate. Escher *et al* (2002) investigated the relationship between cognitive ability, business planning and business success among South African business owners. The study found a clear relationship between planning and success among low-cognitive ability business owners, but no such relationship for high-cognitive ability business owners. In this regard, planning is believed to compensate for low cognitive ability (Escher *et al*, 2002).

Another scholar stresses that most entrepreneurs lack the time, money and information to plan in detail. Instead they tend to: screen opportunities quickly; analyse ideas parsimoniously; and integrate action and analysis (Bhide, 1994). Their strategies are said to take shape through their actions (Kisfalvi, 2002).

Entrepreneurs will often take action experimentally, or improvise (Hmieleski and Corbett, 2007) relatively early in the venture-creation process, to generate more robust, better-informed business strategies. They will not only seek opinions and information, but will be informed by the interest and commitment of others (Bhide, 1994).

An alternative perspective argues that an individual's early experiences shape their character and life issues and that these are then played out in their personal and professional lives (Kisfalvi, 2002). This makes the strategies that entrepreneurs pursue personally and emotionally meaningful. The entrepreneurs' top strategic priorities were found to be closely associated with personal life issues, and their obliviousness to particular strategic issues and developments in the business was argued to be the result of their lack of connection to personal life issues (Kisfalvi, 2002). This reinforces the notion that strategies are both plans for the future and patterns from the past (Mintzberg, 1991).

Even when there has been a comprehensive opportunity-development process, the entrepreneur is likely to find that the ability to achieve or maintain success will require adaptation of the business process over time (Morris and Zahra, 2000). It is suggested that the entrepreneur keep the plan fluid, provisional and subject to revision (Sull, 2004). Survival of the new venture may be a function of the entrepreneur's ability to learn from reading and adapting patterns in the environment (Morris and Zahra, 2000).

A study of the temporal patterns of new venture creation found that the average gestation period is 32 months, with 60% of the sample taking 48 months (Liao, Welsch and Tan, 2005). This is especially interesting in light of the finding of a recent study that entrepreneurs generally defined the long-term future as three years ahead (Bluedorn and Martin, 2008). The adaptation process is made more difficult by the high levels of ambiguity that entrepreneurs face. Ambiguity refers to situations in which features are inconsistent, ambiguous or paradoxical, making information gathering difficult, cause and effect relationships unclear and multiple interpretation of events possible (Morris and Zahra, 2000).

In South Africa, black entrepreneurs have historically faced high levels of ambiguity in the form of a host of arbitrary laws inhibiting normal operations, a constantly changing labour pool and high levels of crime and violence. In this

context, the adaptation of the business concept over time was found to be significant, particularly in products and services provided, personnel, marketing and facility requirements (Morris and Zahra, 2000). This reinforces the notion that new venture creation is a process of multiple trials, the success of which depends on the individual's ability to attend to feed-back and to learn from it (Woo et al, 1994).

### **2.5.5. Strategy content**

Classically, strategy comprises three core objectives: the creation of value for customers or shareholders; the imitation/innovation relative to competitors; and the definition of organisational scope (Fréry, 2006). In addition, in formulating strategy for the new enterprise, the entrepreneur must concern himself with a further two major issues: the achievement of competitive advantage without disclosing the true nature of the opportunity to competitors; and the management of uncertainty and information asymmetry in the process of extracting value from an opportunity (Shane, 2003). Entrepreneurial strategy can be effectively evaluated using four dimensions of: consonance with the external environment; internal consistency; feasibility and sustainable competitive advantage (Rumelt, 1991).

Entrepreneurs and investors often use the term *business model* to describe the core components of value creation for a proposed business (Chesbrough and Rosenbloom, 2002), which starts out as a hypothesis or mental model of how the business will work (Sull, 2004). The business model describes how the firm will create value and sustainable advantage as well as setting out the guiding principles or operating rules (Morris Schindehutte and Allen, 2002). Six components of the business model help define the *architecture* of the proposed business, as illustrated in Table 5:

**Table 5. Components of the business model<sup>4</sup>**

<b>Value proposition</b>	What is being created for users?
<b>Market segment</b>	Who uses it? What do they use it for? How will they pay?
<b>Structure of the value chain</b>	How will the firm create and distribute the offering?
<b>Profit potential</b>	Estimate the cost structure and profit potential
<b>Position in value network</b>	How is the firm linked to suppliers and customers?
<b>Competitive strategy</b>	How will the firm gain and hold advantage over rivals?

Given the significance of innovation to the new venture-creation process, some theorists view the entrepreneur's choice of innovation strategy as predictive of future success (Vertinsky, 2003). Three key choices must be made on the scope and significance of the innovation and the preferred approach for implementing the innovation. Innovations which were broad in product-market scope, and followed more comprehensive implementation plans, were found to be more likely to be successful (Vertinsky, 2003).

Bruyat and Julien (2001) define a typology of innovation in new venture creation as consisting of four distinctive categories : reproduction, in which there is little new value creation and no innovation; imitation, in which there is no significant value creation but changes in the individual are required; valorisation in which there are high levels of innovation and significant new value is created; and venturing, which leads to radical change in the environment and significant new value is created.

Of particular significance is the choice of timing market entry, which influences the magnitude of the venture's mortality risk (Lévesque and Shepherd, 2004). This is a critical strategic decision because while an entrepreneur is exploring and developing the opportunity, he or she is collecting information and experience that will help with exploitation . the longer the exploration, the more effective the exploitation. However, there are a number of benefits to early entry, including the potential for leading the market in terms of experience curve effects, access to early-adopter segments and expertise accumulation. The decision to shift from exploration to exploitation requires that attention and resources must be irreversibly committed. It is argued that exploitation should be expedited for low-novelty opportunities, while higher-novelty opportunities require more thorough exploration (Choi, Lévesque and Shepherd, 2007).

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<sup>4</sup> Adapted from Chesbrough H and Rosenbloom RS, 2002. The role of the business model in capturing value from innovation, *Industrial and Corporate Change*, 2002 Volume 11 Number 3 page 529-555

As part of strategy development, entrepreneurs must also decide on the boundary of the firm. In this respect, the decision to establish alliances is most relevant to the new enterprise. Eisenhardt and Schoonhoven (1996) argue that alliances can improve competitive position by providing financial and information resources that enable cost and risk sharing, and by adding credibility to the new venture. Difficult market conditions and high-risk strategies were found to increase the rate of alliance formation (Eisenhardt and Schoonhoven, 1996).

The strategy-based entrepreneurship literature has begun to turn its attention to the development of a contingency approach which suggests that particular strategic postures are effective in different stages of industry development. For example, it has been found that differentiated strategies outperform focus strategies in the early stages of industry evolution (Sandberg and Hofer, 1987). Firms pursuing broad growth strategies and operating in high-growth industries are generally the fastest growing (McDougall, Covin, Robinson and Herron, 1994).

The definition of a series of strategy typologies is also relatively recent. For example, Williams and Tse (1995) found some evidence of a relationship between Miner's (2000) entrepreneurial types and Miles and Snow's (1978) typology of strategy. A resource-based view suggests that where a venture's initial resources and the entrepreneur's skills are modest, a low-growth strategy is safest, while substantial resources and capabilities can safely plan for relatively high growth (Reynolds, 1987).

Although, in developing countries, new ventures are thought to have a disproportionate impact on domestic job creation and economic development, little is known about their competitive strategy and growth patterns. Park and Bae (2004) considered technological capability, product-market maturity and target market as three dimensions of a typology of new venture strategies thought to be operant in developing countries, as illustrated in table 6.

**Table 6. Typology of new venture strategies in a developing country<sup>5</sup>**

<b>Reactive imitator</b>	Local followers in local existing market in maturity or decline
<b>Import substitution</b>	Local pioneers in local existing market
<b>Proactive localisation</b>	Local followers in local emerging market
<b>Creative imitation</b>	Local pioneers/global followers in local emerging/global existing market
<b>Global niche</b>	Global pioneers in a global existing market
<b>Early market entrant</b>	Global followers in a global emerging market
<b>Global innovators</b>	Global pioneers in a global emerging market

In developing countries, inadequate access to capital and fragmented distribution channels may require entrepreneurs to begin their businesses downstream, with direct access to the end consumer, then leverage their knowledge and experience to vertically integrate (Lingelbach *et al*, 2005).

An important but neglected component of entrepreneurial strategy is that relating to exit, the process by which the founder of the firm leaves it, removing him or herself from the primary ownership and decision-making of the firm. This is argued to be most likely to happen in the earliest stages of new venture conception and infancy rather than in maturity (DeTienne, 2008).

### **2.5.6. Organisation building**

As organisations grow, they pass through a series of developmental phases including evolutionary growth and revolutionary upheaval (Greiner, 1972), which must be successfully navigated if the organisation is to become sustainable in the longer term (Greiner, 1972). The first two phases are of most relevance to this study, namely the birth stage, in which founders are technically oriented and barely involved in management activities. Once past this stage, new employees enter the organisation and tend to be less dedicated to the business, while the founders struggle to balance management responsibility with the need to actively build the organisation (Greiner, 1972).

The founding entrepreneur is believed to leave an enduring imprint on the strategy, structure and culture of the firm (Cliff Jennings and Greenwood, 2006),

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<sup>5</sup> Adapted from Park and Bae, 2004. New venture strategies in a developing country: identifying a typology and examining growth patterns through case studies, *Journal of Business Venturing*, 2004 Volume 19 page 181-205

as he or she creates the routines and structures that support the goal-directed activities of the enterprise (Shane, 2003).

The extent to which a firm exhibits organisational innovation and novelty is argued to depend on the founder's previous experience (Cliff *et al*, 2006). Within any industry, there is a dominant template about how activities can most effectively be organised. Individuals with prior experience in a high-performing organisation that practices the dominant template have been found to duplicate the template in their own new venture-organising processes (Cliff *et al*, 2006).

When building an organisation to execute their vision, entrepreneurs bring to bear a series of blueprints about how work and employment should be organised. These blueprints typically vary along three dimensions: basis of employees' attachment to the organisation, basis of coordination and control; and basis of employee selection (Baron and Hannan, 2002). This allowed the definition of five predominant organisation types, which are believed to be relatively enduring over time, and difficult to change once a particular type has been selected (Baron and Hannan, 2002).

The construct of entrepreneurial orientation (EO) has been influential in the literature, describing both new and existing organisations in terms of five key characteristics, namely: autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness. The EO construct was hypothesised to describe the processes, practices and decision-making styles that enable an enterprise to achieve new entry (Lumpkin and Dess, 1996). The approach has been recently criticised for its tendency to confuse the personal and business levels of analysis (Krauss *et al*, 2005) and for the use of measures that are subjective and discretionary (Vecchio, 2003).

### **2.5.7. *New venture survival, success and growth***

There may be as many definitions of new venture survival, success and growth as there are of entrepreneurship. Survival could be termed the absolute measure of venture performance because it depends on the ability of the venture to continue to operate as a self-sustaining economic entity (Chrisman *et al*, 1998).

However, the survival of the new enterprise is not strictly a function of economic performance (Gimeno, Folta, Cooper and Woo, 1997). This is partly because entrepreneurs hold different perceptions about what constitutes success, and these definitions may include both tangible and intangible components (Mitchell, 1997). Commitment occurs of a combination of four factors: the probability of future outcomes; the perceived value of future outcomes; the motivation to justify previous decisions and; personal norms of consistency (DeTienne et al, 2004).

Most new ventures start small and stay small (Reynolds, 1987), possibly because entrepreneurs have different thresholds of performance and survival is determined by whether performance falls above or below the threshold. Owners may accept low levels of performance when they are uncertain about the future, when they hope conditions will improve or when they enjoy a buffer of accumulated financial, knowledge or relationship resources (Gimeno *et al*, 1997). Firms may therefore persist without either success or growth.

Growth is perhaps the most fundamental strategic choice made by a new venture founder, to the extent that this decision is widely considered to differentiate entrepreneurs from small business owners and the self-employed (Gundry and Welsch, 2001). Growth differences are often the result of the entrepreneur's evolving intention, rather than necessarily reflecting the strategic or operational effectiveness of the firm (Dutta and Thornhill, 2007).

High-growth ventures represent a relatively small proportion of the entrepreneurial population, but they account for a disproportionate number of all jobs and wealth created by new ventures (Nicholls-Nixon, 2005; Audia and Rider, 2005). Rapid growth helps the firm to establish credibility in the eyes of customers and employees, to achieve economies of scale, attract investment capital and increase profitability. However, rapid growth is also thought to have disadvantages such as creating internal turmoil, highlighting gaps in skills and systems, and creating a need for extraordinary resources (Nicholls-Nixon, 2005).

## **2.6. The macro-environmental context**

The macro-environment literature focuses on identifying conditions under which venture-creation activity is most likely to occur (Gnyawali and Fogel, 1994). Much of this literature adopts the view that the entrepreneur simply responds to conditions in

the environment, and in this respect the environment actually creates entrepreneurs (Gartner, 1985). If the South African environment is not conducive to entrepreneurship, this would help to explain low rates of new venture creation.

However, it is not clear if a causal relationship between entrepreneurship and conditions in the macro-environment exists (Acs, Desai and Klapper, 2008). In particular, the role of entrepreneurship as a development tool in poorer countries is increasingly being questioned in the literature, because of the low quality of the inputs (Acs and Kallas, 2007). Nevertheless, theorists note that entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today+(Lingelbach *et al*, 2005).

Analysis of data from GEM (Acs *et al*, 2004) seems to suggest that developing-country entrepreneurship is distinctive in that: freer, more competitive poor countries do not necessarily have higher rates of opportunity entrepreneurship; recent economic growth is not correlated with higher levels of opportunity entrepreneurship and regulatory conditions do not seem significant either (Lingelbach *et al*, 2005).

At the level of the macro-environment, three main dimensions are generally considered significant, namely the regulatory, the economic and the socio-cultural (Shane, 2003; Rwigema and Venter, 2004). The institutional support environment (Gnyawali and Fogel, 1994) is also considered in this review because of its significance to the South African situation.

### **2.6.1. Regulatory environment**

Accepted wisdom holds that the likelihood of new start-ups is increased when regulations are minimal, tax and other incentives are offered to entrepreneurs, training and counselling services are offered and financial resources are readily available (Gnyawali and Fogel, 1994). Government policy influences the incidence of entrepreneurship positively when there is political freedom, a strong rule of law, property rights and decentralised power (Shane, 2003). The role of government is to provide an enabling business environment that opens access to markets and removes any policy-induced barriers to small business formation and operation (Acs and Kallas, 2007).

The regulatory environment is considered to have a significant impact on a country's economic performance as a whole, and in particular to influence the rate at which new businesses are created. Specifically, regulations relating to the establishment of businesses, contract enforcement and labour relationships are found to act as a disincentive to opportunity entrepreneurs. Regulation also curbs the positive effects of social networks and strengthens the negative effects of risk aversion (Ardagna and Lusardi, 2008).

The procedural requirements for establishing and operating a small business are found to have an influence on new venture formation (Gynawali and Fogel, 1994). The World Bank (2008) argues that bureaucratic start-up procedures limit private investment, increase consumer prices, fuel corruption, and push more individuals into the informal economy.

In South Africa, establishing a business requires eight procedures and takes 31 days. Although these measures have improved in recent years, compared to six procedures in 25 days in high-income OECD countries, there is still believed to be room for improvement. Overall, South Africa ranks 35<sup>th</sup> out of 178 countries on the ease of doing business index (World Bank, 2008).

However, in terms of ease of employing workers, South Africa ranks 91<sup>st</sup> out of 178 countries. Less job creation, smaller company size, less investment in R&D, longer spells of unemployment among workers and reducing productivity and growth are all argued to be side-effects of rigid employment regulations (World Bank, 2008).

In contrast, the rights of investors are well protected, with South Africa ranking 9<sup>th</sup> out of 178 countries, which should encourage investors to have diversified portfolios and should give entrepreneurs easier access to funds. Recent reforms to credit legislation have put South Africa in 26<sup>th</sup> position, as good quality credit information and legal rights are stronger, which should encourage the extension of credit.

The South African regulatory environment is not considered particularly poor, being described as relatively unobstructed relative to comparator countries where market reforms are less advanced (World Bank, 2007).

### **2.6.2. Economic environment**

The incidence of entrepreneurship increases in stable, low-inflationary environments. In developed countries, entrepreneurship increases as wealth increases, but in developing countries the reverse is true (Acs *et al*, 1994).

A supportive economic environment is characterised by reduced income taxes, capital gains taxes and property taxes (Shane, 2003). In South Africa, the burden of compliance with tax legislation is heavy, putting South Africa at number 61 on the taxation sub-index of the ease of doing business rankings (World Bank, 2008). Compliance costs are particularly onerous for small businesses, representing some 8.3% of turnover for businesses with annual sales of less than R1 million (Hudson, 2006). The regulatory burden of VAT alone has been estimated at R8 441 per year (Hudson, 2004). The disproportionate burden on small businesses is the consequence of their limited understanding of their rights and responsibilities relating to taxation, the high administrative burden and their erratic cash flows (Hudson, 2006).

Apartheid economic policy was less than sympathetic to entrepreneurial development, and it created a dual economy: modern high-productivity activity on the one hand and traditional low-productivity informal sector activity on the other. The minimal interaction between the two continues to plague South Africa's development (Hudson, 2004).

Occupying the lowest rung of the ladder of entrepreneurship (Kirsten and Rogerson, 2002), informal sector enterprises tend to be differentiated from formal sector entrepreneurship in terms of motivation, operations and impact.

The informal sector in South Africa employs about 4 million people and accounts for at least 16% of GDP (Morris, Pitt and Berthon, 1996). The growth of the informal sector in South Africa has been dramatic in recent years. However, a booming informal sector is not necessarily a positive characteristic. Not only do informal sector firms escape taxation, informal sector workers earn less than formal sector workers, have no protection and no benefits (Acs and Kallas, 2007). Moreover, productivity is assumed to be low, the scale of operations small and growth potential limited (Morris *et al*, 1996).

This appears to make it a social and economic imperative to convert informal-sector businesses to formal-sector businesses. However, less than 1% of informal-sector enterprises become more established firms employing more than 10 people. Some theorists argue that the regulatory environment represents a barrier to entry to the formal sector and offers incentives for businesses to remain small and informal (Hudson, 2006).

Informal-sector entrepreneurs may have more in common with formal-sector entrepreneurs than was previously considered. They share the same concerns about the impact of crime, infrastructure costs and regulation on their businesses (Centre for Development and Enterprise, 2007). In a study of informal sector businesses in a South African township, it was found that most had been operating for more than three years, at least one job had been created in addition to that of the owner, and future growth was generally anticipated. The authors concluded that, just as around 10% of small business owners in the formal sector could be regarded as entrepreneurial, so too could the same proportion of informal-sector entrepreneurs be classed as entrepreneurial, and therefore capable of graduating to the formal sector (Morris *et al*, 1996).

### ***2.6.3. The institutional and support environment***

In the popular media in Western developed nations, the entrepreneur is often portrayed as a lone individual who relies primarily on his/her extraordinary efforts and talents to overcome difficulties. However, this hides an important feature of new venture creation, that is that many entrepreneurs require substantial assistance in the form of psychological, social and physical resources to successfully implement a new business idea (Audia and Rider, 2005).

The effectiveness of cognitive institutions that make up a country's education system have been shown to have a significant impact on entrepreneurship, explaining the prevalence of small firms and more advanced forms of entrepreneurship (Spencer and Gomez, 2004). One study suggests that every 1% increase in university graduates leads to a 1.2% increase in jobs created by small firms (Gnyawali and Fogel, 1994). The literature suggests that in developing countries, entrepreneurs who start businesses without the requisite skills, education, financial capital and social contacts, usually fail (Acs and Kallas, 2007).

Lack of appropriate training is argued to be the main reason for entrepreneurial failure in South Africa, with trained entrepreneurs having a closure rate half that of untrained entrepreneurs (Ladzani and van Vuuren, 2002). Studies have demonstrated that a higher proportion of adults with university education is correlated with higher rates of new firm formation (Acs and Kallas, 2007).

In South Africa, this is particularly the case. Given the nature of the dual economy, it is argued that active intervention on the part of the government or private sector is necessary to enable small businesses to take advantage of opportunities available in the formal sector corporate environment (Kirsten and Rogerson, 2002).

Since 1994, the South African government has actively sought to support the growth of the small business sector by establishing a comprehensive framework of institutions and programmes. However, results thus far appear to have been poor (World Bank, 2007), although national and regional data on the small business economy is considered ~~appalling~~ weak (Rogerson, 2004).

Schlemmer and Hudson (2004) stressed four reasons for the underperformance of government programmes in stimulating entrepreneurship, including: confusion of purpose; misplaced emphasis on access to finance as the biggest obstacle to entrepreneurship; failure to adopt a holistic approach to enterprise support; and a concentration on state-driven delivery of services.

Entrepreneurs tend not to be aware of the full range of support available to them, and those who do complain that existing government support programmes are inaccessible and bureaucratic (World Bank 2007). Other studies report a high degree of scepticism about the extent to which resources used to operate these programmes are used effectively (Schlemmer and Hudson, 2004).

Corporate employers also play an important role in entrepreneurial development (Kirsten and Rogerson, 2002), firstly by actively seeking to do businesses with small enterprises and because the ranks of their own employees are likely to contain many nascent entrepreneurs (Audia and Rider, 2005). Organisations provide individuals with a host of skills, industry knowledge and relationships that they require to build self-efficacy and initiate a new business. Individuals collect

mastery experiences either by their own achievements or vicariously, by observing the efforts of others (Audia and Rider, 2005).

#### **2.6.4. *The industry environment***

Entrepreneurs look to the complexity, dynamism and munificence of the industry environment when evaluating opportunities (DeTienne, Shepherd and de Castro, 2004). Complexity refers to the number and heterogeneity of the factors that must be considered, while dynamism focuses on the amount of stability or instability in the environment and munificence refers to those characteristics favourable to the development of new enterprise (DeTienne *et al*, 2004).

A host of studies has focused on identifying the industries most conducive to the establishment of new ventures. Shane (2003) identifies five theoretical perspectives on industry-level differences, which highlight factors such as growth rate, profitability and fragmentation as being associated with incidence of new venture creation. Stage of industry evolution also influences the effectiveness of particular strategies. For example, Sandberg and Hofer (1987) found that new ventures are more successful in industries that are in the development or growth stages of evolution. High-growth industry environments have generally been found to provide a favourable environment for new ventures to achieve sales growth (McDougall *et al*, 1994).

This is not to suggest that the entrepreneur makes a deliberate, rational decision on the choice of industry in which he or she intends to operate. Rather, entrepreneurs are most likely to start business in sectors closely related to those in which they were previously employed (Shane, 2008). More specifically, it has been shown that high dissatisfaction with pre-entrepreneurial employment leads to venture creation in an unrelated field, whereas high satisfaction with pre-entrepreneurial employment leads to venture creation in a related field (Cliff *et al*, 2006).

#### **2.6.5. *Socio-cultural environment***

Socio-cultural factors are thought to play an important role in stimulating entrepreneurial potential (Stewart, Carland, Carland, Watson and Seo, 2003),

since they influence the social desirability of venture creation, foster appropriate values and increase the visibility of entrepreneurial role models (Krueger *et al*, 2000; Anderson and Miller, 2003).

For example, it has been suggested that in India, a network of cultural values exists which run counter to entrepreneurship (Dana, 2000). In particular, being passive and content with the status quo is believed to be healthier for the soul than striving to improve. Work, in and of itself, is not valued, with the result that people perform tasks only as a favour to their employers. More importantly, people are acculturated to believe in external locus of control, which tends to result in low self-efficacy and resulting low levels of entrepreneurial effort (Dana, 2000).

South Africa is thought to lack an entrepreneurial mindset, in that school leavers tend to focus on finding employment within the traditional economic system (Nasser, *et al*, 2003). As a consequence of decades of this kind of socialisation, entrepreneurial role models are few, which in itself acts as a barrier to entrepreneurship, since those who personally know an entrepreneur are four times more likely to start or run a new business than those who do not (Orford *et al*, 2004).

However, there has been much debate about whether particular cultural beliefs influence the incidence of entrepreneurship (Tiessen, 1997; Mueller and Thomas, 2000). In particular, the individualism-collectivism dimension (Hofstede, 1984) was thought to be associated with innovation and entrepreneurship. Some studies have found support for the argument that individualistic cultures foster entrepreneurial values such as self-reliance, while collectivist cultures do not (Mueller and Thomas, 2000). A study of entrepreneurial intention found that social norms do not have a role in predicting entrepreneurial intention, although this was thought to be important among ethnic groups that have strong traditions of entrepreneurship (Krueger *et al*, 2000).

In South Africa, there is evidence of at least two major sets of cultural values, with the black population being strongly associated with African values and the white population associating with Western, Anglo values (Ashkanasy, Trevor-Roberts and Earnshaw, 2002). However, it is notable that the South African white population reports higher scores for humane and uncertainty-avoiding values and

the highest power distance values in the Anglo cluster (Ashkanasy *et al*, 2002). A second set of evidence comes from the World Values Survey (2004), which demonstrates that the white population's value systems are strongly materialist in nature (Kotze and Lombard, 2002).

The prevailing black culture is predominantly collectivist in nature (Mangaliso, 2001). This is typified by *ubuntu* a philosophy of humaneness and community which pervades the value and behavioural system of a large majority of South Africans. The organising concept of the *ubuntu* system is interdependence, while the most significant norms are reciprocity, suppression of self-interest and the virtue of symbiosis (Mangaliso, 2001). The World Values Survey defines the values of the black population as predominantly pre-materialist, focused on meeting basic needs (Kotze and Lombard, 2002).

These values seem to be in direct conflict with those associated with entrepreneurship, at least Western developed-country notions of entrepreneurship, leading scholars to conclude that South Africa's culture does not support the development of an entrepreneurial orientation which incorporates constructs such as innovativeness, internal locus of control, risk-taking and individualism (Pretorius and van Vuuren, 2003).

However, the notion that individualist cultural values represent a pre-condition for high levels of entrepreneurial activity seems unsound, especially with respect to highly collectivist, intensely entrepreneurial Asian countries (Thiessen 1997). Studies of differences in risk-taking propensity and achievement orientation between cultures have similarly had mixed results (Stewart *et al*, 2003). Interestingly, Thiessen (1997) reports that Hofstede (1984) himself had come to believe that increases in economic wealth give rise to individualism, rather than the reverse being the case.

In an attempt to verify whether culture could indeed predict entrepreneurial activity, Hunt and Levie (2003) used a sample of 94 000 people in 37 countries, comparing data from the Global Entrepreneurship Monitor and the World Values Survey. They hypothesised that in the tradition of Western developed-country notions, higher rates of entrepreneurship would be associated with values of: high individualism, secular authority and masculinity, low power distance, uncertainty avoidance and well being. Instead, they found that population growth

was the only consistent predictor of entrepreneurial activity, and concluded that opportunity-driven entrepreneurship is not driven by cultural factors (Hunt and Levie, 2003).

Instead, there is some evidence of a basic set of beliefs that entrepreneurs across cultures hold about themselves and others in their society (McGrath and MacMillan, 1992), as well as a set of universal cognitions that entrepreneurs have in common (Mitchell, Brock, Smith, Morse, Seawright, Peredo and McKenzie, 2002a). It is argued that this universal culture of entrepreneurship functions in the same way as ethnocentrism, in that entrepreneurs are deviants, part of an outgroup in any particular society, but belong to a cohesive ingroup across societies. Within this group, members enjoy consensus about what constitutes membership and conform to particular norms of behaviour (McGrath and MacMillan, 1992).

The study conducted by McGrath and MacMillan (1992) found seven beliefs that entrepreneurs across cultures share, reflecting their sense of being different from their fellow human beings. The authors argue that these beliefs result in a number of common entrepreneurial beliefs and behaviours, including: the desire to be in control, to obtain resources independently and to take responsibility for everything; the tendency to question the status quo and to create organisations to fulfil their objectives; and the belief that others do not work hard enough and do not have the initiative to create competitive businesses (McGrath and MacMillan, 1992).

## **2.7. Models of new venture creation**

The literature review has up to this point focused on understanding the personal, social, business and environmental factors influencing entrepreneurs and the creation of new ventures. This section examines a series of models of new venture creation as a whole.

Models of entrepreneurship are helpful because they piece together disparate information from a wide range of disciplines in a way that is both integrative and theoretically parsimonious. At the same time, models focus attention on the fundamentals of the phenomenon and serve as a roadmap for future theory building and testing (Ma and Tan, 2006).

This section examines a sample of models of new venture creation developed on the basis of both variance theory and process theory.

### ***2.7.1. Models based on variance theory***

The classical scientific paradigm explains phenomena in terms of independent variables causing changes in a dependent variable, in other words to explain change as being driven by deterministic causation (Van de Ven and Engelman, 2004). Much of the entrepreneurship literature is based on this approach, with the majority of empirical studies being cross-sectional in nature (Chandler and Lyon, 2001).

Gartner's (1985) framework describes venture creation as a gestalt of variables from four dimensions, namely the individual, the process, the organisation and the environment. By individual, Gartner (1985) is referring mainly to personality characteristics such as a need for achievement, a locus of control and a risk-taking propensity as well as some demographic variables. The process dimension of the framework focuses on the behaviours undertaken by the individual in the course of venture creation, including locating a business opportunity, accumulating resources, marketing products and services, producing products, building an organisation and responding to society. The environmental dimension incorporates the macro-environment of regulatory and economic conditions and the industry environment of competitors, customers and suppliers. The organisation dimension refers to type of firm and generic strategy (Gartner, 1985). The main weakness of this framework is its failure to consider socio-cultural factors on entrepreneurial activity, at the individual, group or macro level.

Chrisman et al (1998) argue that new venture creation could usefully be considered from the perspective of strategic management theory, on the basis that the determinants of success are the same. The model involves five determinants of new venture survival and performance, namely the individual, industry structure, business strategy, resources and organisation structure, systems and processes. The focus is on the personality, skills, experience behaviours and values of the individual entrepreneur. Industry structure is made up of structural characteristics, industry rivalry and the nature of buyers and suppliers. Strategy variables include: planning and strategy formulation; goals

and objectives; strategic direction; entry strategy; competitive weapons; segmentation; scope; investment strategy and stakeholder strategy. Resource variables are either intangible or tangible assets, while organisation variables include structure, systems and processes and ownership. Macro-environmental factors are largely ignored, except as implicit drivers of industry structure and resource availability.

A framework devised by Korunka, Frank, Lueger and Mugler (2003) sets out to identify a series of entrepreneurial configurations based on the interrelated areas of entrepreneurs, resources, environment and organising activities. The start-up process is defined as beginning with the first actions of the nascent entrepreneur and ending with the first activities of the new venture. Individual characteristics included: personality, and personal resources such as human capital and personal finances. The environment dimension focuses on family characteristics, access to support, the presence of push factors networks and positive role models. The organisation dimension incorporates: perceptions of difficulty, use of information, consideration of failure and perceived difficulties. The authors conclude that the start-up process is highly heterogeneous and dependent on the context in which it takes place (Korunka *et al*, 2003). Although this appears to be a multi-level assessment, it views the entrepreneurial event entirely from the perspective of the individual.

Ma and Tan (2006) 4P framework is elegant in its simplicity, and likely to be particularly helpful in pedagogic applications. The first P, perspective, comprises the entrepreneurial mindset, his passion and personal commitment as well as his pattern or formula for success. The second P stands for pioneer and encapsulates the innovative and pioneering character of the entrepreneurial effort, as well as the entrepreneur's commitment to persevere against the odds. The third P, practice, refers to the activities and behaviours in which the entrepreneur engages, including the critical entrepreneurial skill of persuasion. The fourth P is performance, the result that the entrepreneur achieves, including profit and customer satisfaction.

The frameworks described in this section may have added significantly to the body of knowledge about venture creation, but they have been developed in the tradition of variance theory, providing explanations for the phenomenon of entrepreneurship in terms of relationships among dependent and independent

variables (Langley, 1999). New venture creation involves multiple activities that occur simultaneously and independently over time (Lichtenstein *et al*, 2006). This black box approach focuses on identifying the characteristics, resources and conditions that account for success, without considering the dynamics of the process (Woo *et al*, 1994).

### **2.7.2. Models based on process theory**

The new venture process may take weeks, months or even years to complete and involves many activities and decisions along the way (Shane and Venkataraman, 2000; Shaver and Scott, 1991). Entrepreneurs themselves often describe their occupation as a journey (Dodd, 2002; Bolton and Thompson, 2004), involving a complex non-linear process.

This suggests that process models might be helpful in the entrepreneurial domain. Process models represent a causal explanation of a sequence of events (Chiles, 2003) and seek to explain the myriad of interactions that give rise to social phenomena such as entrepreneurship, or its absence (Pentland, 1999; Langley, 1999; Chiles, 2003; Liao *et al*, 2005).

Bhave's (1994) integrative process model of venture creation is empirically based, and divided into three principal stages: an opportunity stage; a technology set-up and organisation-creation stage and an exchange stage. Each stage is separated by a natural transition point. The opportunity stage culminates in the decision to commit to physical creation; the technology set-up and organisation-creation stage involves resource gathering and culminates in a product that is ready for the customer. This allows the entrepreneur to cross the supply and demand boundary and make the first sale. Customers directly evaluate the product and provide feedback for adjustments to be made (Bhave, 1994).

The Timmons (1999) model is empirically derived, and entails the entrepreneur actively managing the dynamic balance between the opportunity, the team capable of capitalising on it and the resources required to exploit it. Timmons argues that each of these three core components differs in importance at different stages of the start-up process, and the entrepreneur's role is to constantly monitor and manage the quality of fit of each, and to strike a dynamic balance between the three.

Bolton and Thompson (2000) present a detailed model of enterprise development which incorporates the inputs, the process itself and the outputs of the process. The inputs comprise people and ideas, which come together at the time of a trigger event such as displacement, culture change, crisis or recognition of the opportunity itself. During the next getting ready stage, the entrepreneur begins to assess and train herself in readiness for start-up at the same time as researching and evaluating the probable opportunity. The start-up stage involves the entrepreneur bonding with the opportunity and undertaking more detailed evaluation, preparing a business plan, finding the required resources and completing the legal and procedural formalities. The enterprise then enters a building and growing stage, in which it passes through a number of phases, termed embryo, nurture, fledgling and take-off, as it develops into a viable and growing enterprise. The embryo stage ends with a working prototype, the nurture stage with the first saleable product or service, the fledgling stage with a viable product range and the take-off stage culminates in a recognised position in the market (Bolton and Thompson, 2000).

Shane's (2003) theory of entrepreneurship provides a comprehensive approach, conceived of as occurring in the nexus between the individual and the environment, each of which influences each step of the venture-creation process. The process itself comprises discovery of opportunity, the decision to exploit the opportunity, resource acquisition, development of entrepreneurial strategy and implementation of organising processes. The author notes that his approach is inhibited by conflicting goals, because what is central to the phenomenon of entrepreneurship is not always what is theoretically interesting and what is theoretically interesting is not always what has been the subject of empirical observation (Shane, 2003).

Vecchio's (2003) model defined the now-familiar three phases of formal start-up as pre-launch and launch, ongoing concern and exit, each associated with a series of actions on the part of the entrepreneur. Of particular interest is his attempt to link relevant micro-level and macro-level factors to each stage of the start-up process. For example, in pre-launch and launch stages, Vecchio (2003) suggests that the entrepreneur's demography, personality characteristics and social capital might be most influential, while at exit stage, family might be more influential.

In an innovative conceptualisation of the emergence of a new venture based on a longitudinal case study, Lichtenstein *et al* (2006) define three different modes of entrepreneurial organising, namely visioning, strategic organising and tactical organising. It was found that the new venture-creation process happens in ways contrary to the accepted wisdom. For example, behaviour precedes decision making and conceptual framing, while available resources are what frame the opportunity, rather than the reverse. The authors stress that these different modes do not develop sequentially, independently or incrementally, but rather change in system-wide, coordinated leaps (Lichtenstein *et al*, 2006). This is reinforced by a large cross-sectional study which found that development happened in spurts, rather than according to a meaningful set of co-occurring activities (Liao *et al*, 2005).

These models have a number of elements in common, in that they imply that the entrepreneur undertakes a series of activities during venture creation, including intention and motivation, opportunity identification, opportunity evaluation and risk assessment, resource assembly, strategy development, building organisation and surviving/thriving or failing. However, there is no agreement on where new venture creation begins and ends, there is an assumed, linear order of events which are presumed to additively create the new venture-creation outcome.

As a result, existing models of new venture creation may not accurately reflect the process as experienced by developing-country entrepreneurs themselves.

## **2.8. Implications of this review**

This review set out to understanding the new venture-creation process, and the personal, social, business and environmental factors that influence its initiation and development. This discussion considers the extent to which theory based on research from the developed world applies to entrepreneurs in South Africa, as well as considering six gaps in the literature as they apply to the exploration of new venture creation in South Africa.

Table 7, which appears on the following pages, summarises the literature covered in the review from the perspective of the findings directly relevant to the South African context.

**Table 7. Summary of Literature Review**

LEVEL OF ANALYSIS	DIMENSION	APPLICABILITY TO SOUTH AFRICAN ENVIRONMENT
<b>Personal</b>	Demographic characteristics	<ul style="list-style-type: none"> <li>- Differences in rates of entrepreneurship sharply divided on ethnic lines (Maas and Herrington, 2006)</li> <li>- No difference in rates of entrepreneurship (Maas and Herrington, 2006), entrepreneurial tendencies or personality characteristics between men and women</li> <li>- Business owners better educated (Maas and Herrington, 2006)</li> </ul>
	Motivation and intention	- Not known
	Work experience	- Little research relating to the role of work experience in entrepreneurial development (Sleuwagen and Goedhuys, 1998)
	Personality characteristics	<ul style="list-style-type: none"> <li>- Risk taking under-developed (Louw et al, 2003)</li> <li>- Positive relationship between entrepreneurial orientation and business performance (Krauss et al, 2005)</li> </ul>
	Cognitive style and cognitive bias	- Not known
	Entrepreneurial self-efficacy	- Individuals who believe they have the necessary skills are 7 times more likely to be entrepreneurial (Orford et al, 2004)
	The role of affect	- Not known
	Attitude to entrepreneurship	- Self-employed individuals have more positive self-esteem and attitudes toward innovation (Van Wyk and Boshoff, 2004)
	Behaviour during entrepreneurship	- Not known
	Entrepreneurial creativity	- Creativity and innovation lacking in entrepreneurial training (Pretorius et al, 2005)
	Intuition and learning	- Not known
Making sense of the experience	- Not known	
<b>Social</b>	Social psychology perspective	- Not known
	Family embeddedness	- Not known
	Network embeddedness	<ul style="list-style-type: none"> <li>- Religious affiliation may play a significant role (World Values Survey, 2004)</li> <li>- Prevailing cultural value of <i>ubuntu</i> may intensify social relationships (Mangaliso, 2001)</li> </ul>

**Table 7: Summary of Literature Review (continued)**

LEVEL OF ANALYSIS	DIMENSION	APPLICABILITY TO SOUTH AFRICAN ENVIRONMENT
<b>Business</b>	Discovery of opportunity	- Opportunities may be pervasive and broader in scope (Lingelbach et al, 2005)
	Risk and uncertainty	<ul style="list-style-type: none"> <li>- Entrepreneurs seem willing to take higher levels of personal risk (Morris and Zahra, 2000)</li> <li>- Entrepreneurs adopt a portfolio approach to managing risk (Lingelbach et al, 2005)</li> <li>- Most successful entrepreneurs operate more than one business successfully (Hudson et al, 2006)</li> </ul>
	Resource gathering	<ul style="list-style-type: none"> <li>- Entrepreneurs have far poorer accessibility to funding (Wynne and Lyne, 2003), which reduces expected growth rate (Sleuwagen and Goedhuys, 1998) and constrains expansion (Hudson et al, 2006)</li> <li>- Tend to finance ventures with their own savings (Sleuwagen and Goedhuys, 1998)</li> <li>- Personal characteristics of the entrepreneur may be particularly important to resource holder appraisals (Nieuwenhuizen and Kroon, 2003)</li> <li>- Access to information may be a key resource (Lingelbach et al, 2005)</li> </ul>
	Strategy process	<ul style="list-style-type: none"> <li>- Clear relationship between planning and success among low cognitive ability business owners (Escher et al, 2002)</li> <li>- The ability to achieve or maintain success will require adaptation of the business process over time (Morris and Zahra, 2000)</li> </ul>
	Strategy content	<ul style="list-style-type: none"> <li>- Typology of new venture strategies thought to be operant in developing countries (Park and Bae, 2004)</li> <li>- Entrepreneurs may be forced to begin businesses downstream and then vertically integrate backwards over time (Lingelbach et al, 2005)</li> </ul>
	Organisation building	- Not known
	New venture survival, success, growth	- Not known

**Table 7: Summary of Literature Review (continued)**

LEVEL OF ANALYSIS	DIMENSION	APPLICABILITY TO SOUTH AFRICAN ENVIRONMENT
<b>Macro-environment</b>	Regulatory environment	<ul style="list-style-type: none"> <li>- Developing country entrepreneurship distinctive in terms of the relationship between macro-environmental conditions and rates of entrepreneurship (Acs et al, 2004)</li> <li>- South Africa ranks 35<sup>th</sup> out of 178 countries on ease of doing business (World Bank, 2008)</li> </ul>
	Economic environment	<ul style="list-style-type: none"> <li>- Burden of tax compliance is heavy at 8.3% of turnover (Hudson, 2006)</li> <li>- Minimal interaction between sectors of the dual economy (Hudson, 2004)</li> <li>- Around 10% of informal sector businesses could be regarded as having the potential to graduate to the formal sector (Morris et al, 1996)</li> </ul>
	Institutional and support environment	<ul style="list-style-type: none"> <li>- Entrepreneurs in developing countries who start businesses without the requisite skills, education, financial capital and social contacts, usually fail (Acs and Kallas, 2007)</li> <li>- Lack of appropriate training the main reason for entrepreneurial failure (Ladzani and van Vuuren, 2002)</li> <li>- National and regional data on the small business economy is appallingly weak (Rogerson, 2004)</li> <li>- Entrepreneurs not aware of full range of support available to them (World Bank 2007)</li> <li>- Corporate employers play an important role in entrepreneurial development (Kirsten and Rogerson, 2004)</li> </ul>
	Industry environment	<ul style="list-style-type: none"> <li>- Not known</li> </ul>
	Socio-cultural environment	<ul style="list-style-type: none"> <li>- South Africa thought to lack an entrepreneurial mindset (Nasser et al, 2003)</li> <li>- Lack of appropriate role models acts as a barrier to entrepreneurship (Orford et al, 2004)</li> <li>- Culture does not support the development of an entrepreneurial orientation (Pretorius and van Vuuren, 2003)</li> </ul>

The preceding tables suggest that prior research on entrepreneurship in South Africa seems to be fairly heavily focused on the business and environmental levels of analysis, with relatively weak emphasis on the individual and social levels of analysis.

At the macro-environmental level of analysis, useful studies regarding the regulatory, economic and socio-cultural environment have been conducted. Although the role of the macro-environment in stimulating entrepreneurship is a matter of some debate in the literature, it is worth noting that contemporary South African conditions are not generally that unfavourable. The regulatory environment is relatively unobstructed, the economic environment has been stable and the support environment is in place, albeit not operating as effectively as it might. Although socio-cultural factors were previously considered disadvantageous to entrepreneurial endeavour, this link has yet to be conclusively empirically validated.

Similarly, the business level of analysis has received good coverage, especially from the perspective of perceived risk, resource gathering and strategy process and content. Although the ability to recognise opportunities may be sparsely distributed in an uneducated and experience-poor population such as South Africa, the opportunities themselves might be more pervasive and broader in scope than is true of more developed economies. In addition, the nature of the risks that entrepreneurs in developing countries face might be different, and perceived differently from those facing developed-country entrepreneurs. This might lead to different modes of new venture start-up, different modes of strategy making and different approaches to resource gathering.

The social level of analysis is less well-explored in South Africa. Research into the family and social context of entrepreneurship reveals that it influences the phenomenon in several significant ways. Firstly, social factors influence the perceived desirability and feasibility of new venture creation. Secondly, they may determine which opportunities are identified and exploited by the entrepreneur. Thirdly, they directly influence the likely success or failure of the entrepreneur by facilitating the flow of information and resources to the new venture. In the absence of empirical evidence to the contrary, this candidate hypothesises, that given our social-cultural context, social factors might prove to be significant to South African entrepreneurship.

In addition, the literature in general is characterized by six key features which inhibit its explanatory power with respect to the way in which entrepreneurial development can best be understood in South Africa.

Firstly, there is no common definition of what constitutes entrepreneurship, which makes it difficult for scholars to build on each others work and almost impossible to compare and contrast different empirical studies (Brazeal and Herbert, 1999). This is particularly problematic in the South African context, as the population is characterised by wide diversity in demographic and socio-economic groupings, factors which appear to influence the desirability and feasibility of entrepreneurial endeavour. Studies which fail to adequately specify the subject of the research are virtually useless in this context.

Secondly, the literature tends to treat all entrepreneurs as if they were an homogenous group. The personality characteristics stream of research has not generally been conclusive in understanding the entrepreneurial drive, in part because by seeking to understand why entrepreneurs are different from non-entrepreneurs, it implicitly assumes that all entrepreneurs are the same. Although more recent work describing different types of entrepreneurial personality holds some promise. Research that treats entrepreneurs as a heterogeneous, rather than homogenous group will focus attention on the factors that might draw different kinds of people to new venture creation.

Similarly, scholars of the cognitive processes of entrepreneurs have been helpful in enhancing understanding of how decisions to pursue opportunities are made and why one individual will persist in new venture creation while another will not. The way individuals make attributions about success or failure, mediated by cultural norms, seems to influence self-efficacy, which in turn appears to be strongly associated with entrepreneurial propensity. However, scholars of this approach have also tended to treat all entrepreneurs as cognitively homogenous, rather than seeking to understand the dimensions of entrepreneurial variation. Given the diversity of the South African population and the wide range of contexts in which they operate, this approach seems overly simplistic.

Thirdly, as discussed in more detail in Chapter 3.1, , the literature tends to ignore the entrepreneurs point of view. Many of the conceptual frameworks used in entrepreneurial research are developed *a priori*, on the basis of informal observation,

conjecture or prior theoretical arguments, which may not consider the lived experience of venture creation as perceived by entrepreneurs themselves (Kets de Vries, 1996). Indeed, recent studies found systematic differences between experts in the field of entrepreneurship and entrepreneurs themselves on their attributions of the factors that cause and impede small business (Rogoff *et al*, 2004; Verheul *et al*, 2005).

Fourth, the literature tends to focus on a single level of analysis, and fails to take an holistic view of the entrepreneurial experience. In particular, examination of the individual-focused entrepreneurial research suggests that this stream cannot in isolation adequately explain venture creation in a developing country such as South Africa. This is particularly the case given the turbulent socio-economic conditions that have historically constrained entrepreneurial activity by increasing the perceived risk and lowering the perceived rewards of new venture creation. Research which synthesises multiple levels of analysis is likely to give greater insights into how best to enhance the desirability and feasibility of entrepreneurial endeavour in South Africa.

Fifth, the literature concerning models of new venture creation generally assumes a preferred, sequential order of events, and treats different stages of the process as equally important. Much of the research in the entrepreneurship domain appears to assume that the decision to start a new venture is a relatively simple yes/no decision on the part of a special, heroic individual (Mitchell, 1997). Once the decision has been taken, the entrepreneur embarks on a series of activities and events, beginning with opportunity identification and ending with start-up, that together add up to new venture creation (Liao *et al*, 2005).

However, many process models of entrepreneurship fail to capture the complexity of the entrepreneurial process, at the same time as treating all entrepreneurs and all ventures as if they were homogenous and ignoring the links between context and the critical elements of new venture creation (Bhave, 1994). In their emphasis on the succession of events, existing models have a tendency to ignore that some causal forces operate continuously, while others influence the sequence only at particular points in time (Van de Ven and Engelman, 2004). Further, although scholars have long acknowledged the multi-level quality of new venture creation, there have been few attempts to integrate or to connect with process (Lichtenstein *et al*, 2006).

Finally, the literature implicitly assumes that there is no difference between the developed and the developing world with respect to new venture creation and the entrepreneurial experience. One example is that demographic characteristics seem increasingly able to predict the incidence of entrepreneurship, at least in the developed world. However, factors such as gender, education and family economic status appear to have a somewhat different influence on entrepreneurial propensity in the developing world, and in South Africa particularly.

Theories of entrepreneurial intention and the role of work experience may also differ in their application, given relatively low levels of education and high levels of unemployment in South Africa. In addition, during the new venture-creation process, it seems likely that attitudes and behaviours of South African entrepreneurs differ from those of their developed-world counterparts, given that South African entrepreneurs are responding to a different set of environmental stimuli.

Support programmes for a developing country like South Africa may fall short of their goals when they are based on an understanding of entrepreneurial propensity that is firmly of the developed world.

The South African environment is such that an exploration of venture creation must consider a complex web of interacting historical, economic, organisational, social and personal factors, that cannot easily be explained by *a priori* theories that are largely based on data from the Western developed world rather than the developing world.

A deeper understanding of the venture-creation process from the perspective of the entrepreneurs themselves is therefore expected to prove helpful in the development and implementation of policies and programmes to encourage and support much-needed entrepreneurial activity in South Africa. This suggests that a study which seeks to build a grounded theory of the venture-creation process in South Africa might have much to add to the body of entrepreneurship literature.

## **CHAPTER 3. RESEARCH DESIGN AND METHODOLOGY**

This chapter examines methodological issues in the existing body of research, describes the research design, specifies the basis on which cases were selected and documents the data-collection and analysis processes followed during the course of the study. Finally, anticipated shortcomings, limitations and sources of error are highlighted.

### **3.1. Methodological issues in the literature**

Although entrepreneurial research is beginning to emerge as a relatively distinctive field, its roots in economics and psychology streams are on parallel rather than convergent paths (Vecchio, 2003). Endogenous explanations of entrepreneurship tend to assume that the entrepreneur accounts for a substantial part of the success of new ventures, possibly exaggerating the entrepreneur's role (Bouchiki, 1993). On the other hand, exogenous explanations that attribute the most important source of success or failure to environmental determinism underestimate the individual's role in the entrepreneurial process (Bouchiki, 1993).

Perhaps as a consequence of this fundamental conflict, the entrepreneurship domain is characterised by a lack of consensus about an appropriate definition of the unit of analysis, the nature and operationalisation of the variables to be studied, or the way data should be collected and analysed (Brazeal and Herbert, 1999).

Entrepreneurial research is subject to a host of conceptual and methodological problems, as articulated by a recent series of literature reviews (Chandler and Lyon 2001; Ratnatunga and Romano, 1997). Prior research is said to have emphasised deductive theory building (Lowe, 1995), rather than inductive theory development or theory testing (Ratnatunga and Romano, 1997). The dominant approach in entrepreneurial research is outcome-driven, based on cross-sectional variance methods, rather than event-driven process methods (Van de Ven and Engelman, 2004). Gartner

(1985) reminds us that the researchers appear to disdain the slow methodological process of description, which is at the heart of good scientific research in any domain.

Existing methods are thought to be inadequate for exploring and understanding the entrepreneurial phenomenon because it is idiosyncratic, characterised by reciprocal causality, complex sequences and non-linear relationships (Howorth, et al, 2005). Research design tends to focus on a single level of analysis, with very few studies taking account of more than one level or considering the interaction between different levels (Davidsson and Wiklund, 2001), even though it has been noted that the best research covers more than one level of analysis and explicitly looks at the relationships between them (Low and MacMillan, 1988).

Entrepreneurship studies have also been criticised for an emphasis on student samples (Vecchio, 2003) or comparing entrepreneurs with managers, without specifying any theoretical rationale for doing so (Markman *et al*, 2002). Other reviewers note that some studies suffer from bias of over-selecting successful entrepreneurs (Markman *et al*, 2002), creating a mythical status for the entrepreneur, which inhibits scholars' ability to explain entrepreneurial behaviour effectively (Mitchell, 1997). The literature has tended to treat all entrepreneurs as a homogenous group, focusing on what makes them different from non-entrepreneurs, rather than seeking to understand the key parameters of entrepreneurial variation (Sarasvathy, 2003).

The literature has suffered from a lack of methodological variety (Ogbor, 2000; Gartner and Birley, 2002; Hindle, 2004), specifically with regard to the lack of qualitative studies . only 18% of the studies conducted in the ten years ending 2001 used qualitative methods (Chandler and Lyon, 2001). The neglect of qualitative methods has occurred even though this type of research is likely to offer greatest promise for understanding entrepreneurial thinking and behaviour (Gartner and Birley, 2002).

Although quantitative studies dominate the entrepreneurship literature, most empirical studies have run the risk of common method variance because of using single-source data (Chandler and Lyon, 2001). Moreover, analytical techniques are relatively unsophisticated . fewer than 1% of studies conducted between 1990 and 2001 used structural equation modelling, for example (Hindle 2004). The use of multiple frameworks

for analysis avoids premature or false conclusions as a result of the researcher's inherent cognitive bias (Singh, Corner and Pavlovich, 2007).

Many of the conceptual frameworks used in entrepreneurial research are developed *a priori*, on the basis of informal observation, conjecture or prior theoretical arguments, which may not take into account the lived experience of venture creation as it is perceived by entrepreneurs themselves. A large body of the literature and research on entrepreneurship is said to have detached itself and its analysis from intimate collaboration between facts and theory (Ogbor, 2000). Indeed, a recent study found systematic differences between experts in the field of entrepreneurship and entrepreneurs themselves regarding their attributions of the factors that cause and impede small business (Rogoff *et al.*, 2004).

More importantly, perhaps, is that the bulk of the existing literature focuses on researching entrepreneurship in the developed world (Park and Bae, 2004), where individual and environmental characteristics, as well as the interaction between the two, might differ sharply from those in the developing world. In particular, mainstream theory is firmly rooted in a heroic myth that implicitly defines the entrepreneur as a white, male, North American individualist (Ogbor, 2000).

The application of new techniques to existing questions usually signals the beginning of methodological expansion (Hindle, 2004), which may be behind reviewers' pleas for more explicit treatment of foundational-related areas of enquiry which consciously and deliberately build on previous research streams (Brazeal and Herbert 1999).

### **3.2. Research design**

Recently, there have been calls for a focus on detailed analysis of the venture-creation process (Davidsson and Wiklund, 2001); from the entrepreneur's point of view (Sarasvathy, 2003), at multiple levels of analysis (Low and MacMillan, 1988), and making greater use of qualitative methodologies (Chandler and Lyon, 2001). This, together with the rationale for the study outlined and the nature of the research problem specified in Chapter 1, dictates the need to approach the study from the perspective of the idiographic philosophical tradition.

### ***3.2.1. Underlying philosophical and theoretical tradition***

Much of the methodological criticism of entrepreneurial research may be a consequence of its basis in the nomothetic, as opposed to the idiographic, philosophical tradition. These terms were defined by Wilhelm Windelband, a Kantian philosopher, to describe two different approaches to the acquisition of knowledge (Mouton and Marais, 1988). Most often expressed in the natural sciences, the nomothetic tendency is to generalise, in an effort to explain objective phenomena (Mir and Watson, 2000). The idiographic tendency is to describe the unique and specific to understand more subjective phenomena.

Nomothetic approaches seek to establish universal laws that are exhaustive and defensible using methods from the neo-positivist, quantitative research paradigm. Much management theory and research methodology explicitly or implicitly operates from the neo-positivist perspective (Nodoushni, 2000), in which theory building can be deductive, being derived from logical argument, or inductive, based on empirical evidence from a representative sample of cases.

Idiographic approaches to theory building use analytic induction, as defined by Florian Znaniecki (Ratcliff, 1994). Rather than seeking to define exhaustive and generalisable laws, the idiographic paradigm focuses on themes and typologies and their constituent sub-categories. Constant comparison between the definition of the broader category and the particular instance of the phenomenon stimulates continuous revision and confirmation (Ratcliff, 1994). The idiographic tradition is strongly qualitative in method, describing and explaining specific instances of a phenomenon from the perspective of multiple, subjective realities. The researcher's role is to understand these realities as deeply as possible (Hussey and Hussey, 1997).

Qualitative methods are characterised by: the need to understand the phenomenon in its natural setting, from an insider's perspective; the necessity of taking each unique context into account; and flexible, in-depth data-collection methods (Hussey and Hussey, 1997). The researcher is seeking to experience phenomena first-hand, and to immerse herself in the data-collection process. During analysis, the emphasis

is on grounded theory and inductive reasoning (Babbie and Mouton, 2003), as understanding emerges through unfolding events and mounting evidence.

The study is also heavily influenced by process theory, in that it focuses on recounting the story of how new venture creation occurred for the cases involved (Chiles, 2003). This is considered appropriate given that entrepreneurship is often event-based, occurs at multiple levels of analysis and is characterised by ambiguous boundaries between the personal, social and business domains (Langley, 1999). A process perspective is also thought to be particularly helpful in capturing the dynamics of venture creation and in generating new insights into the significance of different dimensions of the phenomenon (Woo *et al*, 1994).

### **3.2.2. Design of the study**

The research design assumes that the venture-creation process is different for each entrepreneur who experiences it, that there are multiple, subjective realities, and that the researcher's role is to understand these realities as deeply as possible (Hussey and Hussey, 1997). The intention is to move beyond the surface description of the venture-creation process, and to achieve an understanding of its deep structure (Pentland, 1999), to explain and interpret different elements of the process, its causes, procedures and consequences.

An empirical study using primary data in a case-study design has been conducted. The case-study design is characterised by a focus on the dynamics of a single setting (Eisenhardt, 1989), and on understanding a contemporary phenomenon in its real life context (Yin, 1981). It is anticipated that the case-study design will overcome the common problem in the existing literature of the entrepreneur being detached from her physical, social and political context (Verschuren, 2003). The rich detail which characterises the case study is expected to develop insights that have resonance with other social sites (Macpherson, Brooker and Ainsworth, 2000), thus enabling the exploration of theoretical connections.

Multiple cases are examined during the conduct of the study, and rigorous methods are employed during the analytical process (Eisenhardt, 1989; Langley, 1999).

Analysis of multiple cases assists in the theory-creation process because it permits replication and extension. Replication allows for independent corroboration of specific propositions using individual cases, while extension refers to the ability to develop more complete theory using the complementary aspects of a phenomenon that different cases represent (Eisenhardt, 1991). Multiple cases are also believed to enrich theory building because they provide for cross-case analysis (Perry, 1998).

For each case, two interviews are conducted with the core respondent and one each with a work colleague and family member. The purpose of this interview structure is to allow different perspectives of a single entrepreneurial experience in a multiple-relationship context to emerge (Pentland, 1999). These different perspectives are discernible between the personal and business domains of the entrepreneur, between the different individuals involved in a single case, as well as between cases (McCarthy, Holland and Gillies, 2003). Examination of differences and similarities between the interviews enriches the accounts of entrepreneurship and highlights the importance of understanding the different narratives associated with new venture creation (Steier, 2003).

The initial output of the investigation is a series of thick descriptions of individual entrepreneurs engaged in the start-up process, as presented in the narrative summaries in Chapters 4-11. The notion of thick description incorporates the achievement of multiple perspectives of multiple systems, using multiple methods and sources of evidence (Babbie and Mouton, 2003). Such detailed descriptions help the researcher to become more familiar with the data and allow the unique pattern of each case to emerge (Eisenhardt, 1989). This narrative strategy for making sense of the raw data is not, however, considered adequate for the development of explicit theoretical interpretation (Langley, 1999; Pentland, 1999).

The narrative summaries are therefore followed by within-case analysis using frameworks from the literature and newly developed analytic frameworks that simultaneously focus attention on the specifics of the case and make later comparison possible. Cross-case analysis is enabled by analytic induction (Ratcliff, 1994) and comparison with the literature (Eisenhardt, 1989) in the tradition of grounded theory development. The final product is a conceptual framework of new

venture creation and its sub-processes, which more closely mirrors the reality of entrepreneurial experience.

The strengths of this research design relate to understanding the phenomenon in its natural setting, from an insider's perspective. Each unique context is fully taken into account using flexible, in-depth data-collection methods capable of taking unanticipated factors into account (Babbie and Mouton, 2003). The use of case studies to build theory is considered advantageous to the development of novel theory that is valid and testable, and particularly relevant to situations in which current perspectives are inadequate or conflicting (Eisenhardt, 1989).

### **3.2.3. Ethical considerations**

In designing the study, attention is paid to ensuring that respondents are dealt with in a professional and ethical manner.

Full and complete disclosure of the purpose of the study is made to each potential respondent, to ensure that each participates on the basis of informed consent (Silverman, 2005). The purpose of the study is discussed telephonically with the potential respondent, confirmed by email (see Appendix B) and reiterated at the start of the interview.

In each case, a confidentiality agreement was signed by respondents, a copy of which may be found in Appendix C. Each transcript was edited and made anonymous by changing all names of people and businesses and removing any details which might enable respondents to be identified. Respondents were also asked to sign off on the accuracy of each transcript. In this way, the anonymity of respondents has been protected, and potential harm minimised (Babbie and Mouton, 2003).

Although the interviews often dealt with emotionally demanding issues, the researcher was prepared for these and able to employ appropriate techniques for managing the emotional tone of the discussions to ensure the respondent was informed and at ease, as described in 3.4.2. of this document.

### 3.3. Case selection

The research population for this study is delimited by a focus on entrepreneurs in urban South Africa who are currently or were recently engaged in venture creation for opportunity-based, rather than necessity or survivalist, enterprises (Eisenhardt, 1989). The emphasis on opportunity entrepreneurs reflects their disproportionate importance to job creation and economic growth (Nicholls-Nixon, 2005; Audia and Rider, 2005). The focus on urban entrepreneurs again reflects their relative importance, in that there are significantly higher levels of opportunity entrepreneurs in urban Gauteng, at 44.1% of all entrepreneurs, as opposed to rural Eastern Cape and North West provinces, at 5.4% and 4.3% respectively (Maas and Herrington, 2006).

While a focus on opportunity, rather than necessity entrepreneurs and urban, rather than rural entrepreneurs may be considered to impose limitations on the research results, it is argued that given the differences between the groups, such a focus actually enhances validity (Silverman, 2002) in a way that is not necessarily characteristic of much entrepreneurship research.

A theoretical sampling technique is applied to case selection, thereby ensuring the generalisability of cases to theoretical propositions rather than to populations (Anderson and Miller, 2003; Eisenhardt, 1989). Cases are selected purposively, on the grounds that a particular case illustrates some feature considered to be of interest (Seawright and Gerring, 2005; Silverman, 2005).

Cases are selected to maximise the differences in comparative groups (Patton, 2002) to bring out the widest possible variation in configurations of individual, group, organisation and industry (Korunka *et al*, 2003). This includes taking account of the demographic profiles (age, gender, ethnicity and educational achievements), personal strengths, and industry, for example, which the literature has demonstrated to be associated with entrepreneurial activity (Djankov *et al*, 2008).

Table 8 provides a brief overview of cases selected for the study:

**Table 8. Personal and business characteristics of selected cases**

No	Name	Age	Gender	Ethnicity	Education	Personal strength	Business stage	Industry	Key business issue
1	Ahmed	Mid	Male	Indian	Technical diplomas	Deal-making	Growth	IT services	Funding for growth and employee retention
2	Andile	Young	Male	Black	Bachelor's degree	Focus	Start-up	Fashion and retail	Launch business in competitive industry with small budget
3	Byron	Mid	Male	Black	Master's degree	Determination	Struggling	Business services	Close large-scale sales and fund short-term cash flow needs
4	Hans	Mid	Male	White	Matric	Energy	Emerging	Agriculture	Managing human and financial resources for growth
5	Margaret	Mid	Female	Black	Master's degree	Expertise	Start-up	Business services	Access to major clients, attracting skills for growth
6	Johan	Older	Male	White	Master's degree	Innovation	Emerging	Business services	Competitor barriers to entry, shareholder impatience
7	Andre	Older	Male	Coloured	Bachelor's degree	Competitiveness	Start-up	Software	Funding for rapid, large-scale product commercialisation
8	Kenneth	Young	Male	Black	Matric	Relationships	Emerging	Business services	Growth in customer base and offering

Table 8 details the main reason why the initial case and each subsequent case was selected to contrast with the preceding case, illustrating the process of purposive sampling to ensure maximum variation.

**Table 9. Rationale for selection of each case**

Case	Reason for selection
1 Ahmed	Mature, successful entrepreneur in well-established business
2 Andile	Young, employed individual engaged in lengthy start-up process
3 Byron	Mature entrepreneur, business failing, determined to continue
4 Hans	Mature entrepreneur, business emerging, several prior failures
5 Margaret	Female entrepreneur, left successful career, in early stage start-up
6 Johan	Older serial entrepreneur facing stakeholder barriers to growth
7 Andre	Older serial entrepreneur looking for funding to launch
8 Kenneth	Young entrepreneur, successful start-up serendipitous, unplanned

Entrepreneurs are selected to represent different stages of the venture-creation process, with the intention of minimising some of the problems associated with retrospective interviewing (Thompson, 2004b). The more developed the business, the further away in time the entrepreneur is from the actual act of creation, and could therefore be expected to have reinterpreted events to suit his self-image (Steier, 2003). In addition, deviant cases such as an entrepreneur from a failing business and a serial entrepreneur are actively pursued to test theory as it evolves (Silverman, 2005).

Access to respondents was facilitated by their membership of Enablis, a broad-based entrepreneur development non-government organisation originating in Canada and operating in South Africa and Kenya. The organisation adopts a membership based approach to empowering individual entrepreneurs by offering financial and non-financial support and networking opportunities<sup>6</sup>. Although potential members are required to undergo a formal application and acceptance process, this is aimed at ensuring that they are authentic opportunity-based entrepreneurs who are committed to the new venture creation process, rather than seeking to identify particular types of individual or business, potentially making the membership base representative of the opportunity-entrepreneurial population.

The selection of respondents from the Enablis membership base may increase the risk of bias, however it facilitates access to respondents and ensures that all cases

<sup>6</sup> Enablis Annual Report 2008, downloaded from [www.enablis.org](http://www.enablis.org) on 10 October 2008

have access to the same levels of support. The researcher was clearly identified as such and this additional credibility helped the core respondents to be open and honest about their entrepreneurial experience. All respondents approached agreed to participate in the study on the grounds that their participation might be helpful to other entrepreneurs, and to themselves should it result in enhanced public awareness of and support for the entrepreneurial process.

### 3.4. Data collection

Two semi-structured depth interviews, each of 1-2 hours duration, are conducted with each core respondent. These interviews focus on understanding the quality of the new venture-creation process from the respondent's point of view, as well as exploring the major influences, both personal and contextual, on the entrepreneur's subjective experience. In addition, interviews are conducted with one work colleague and one family member of each core respondent. These non-core interviews assist in creating a multi-dimensional view of the new venture process as experienced by the individual entrepreneur. The data-collection process is illustrated in figure 1.

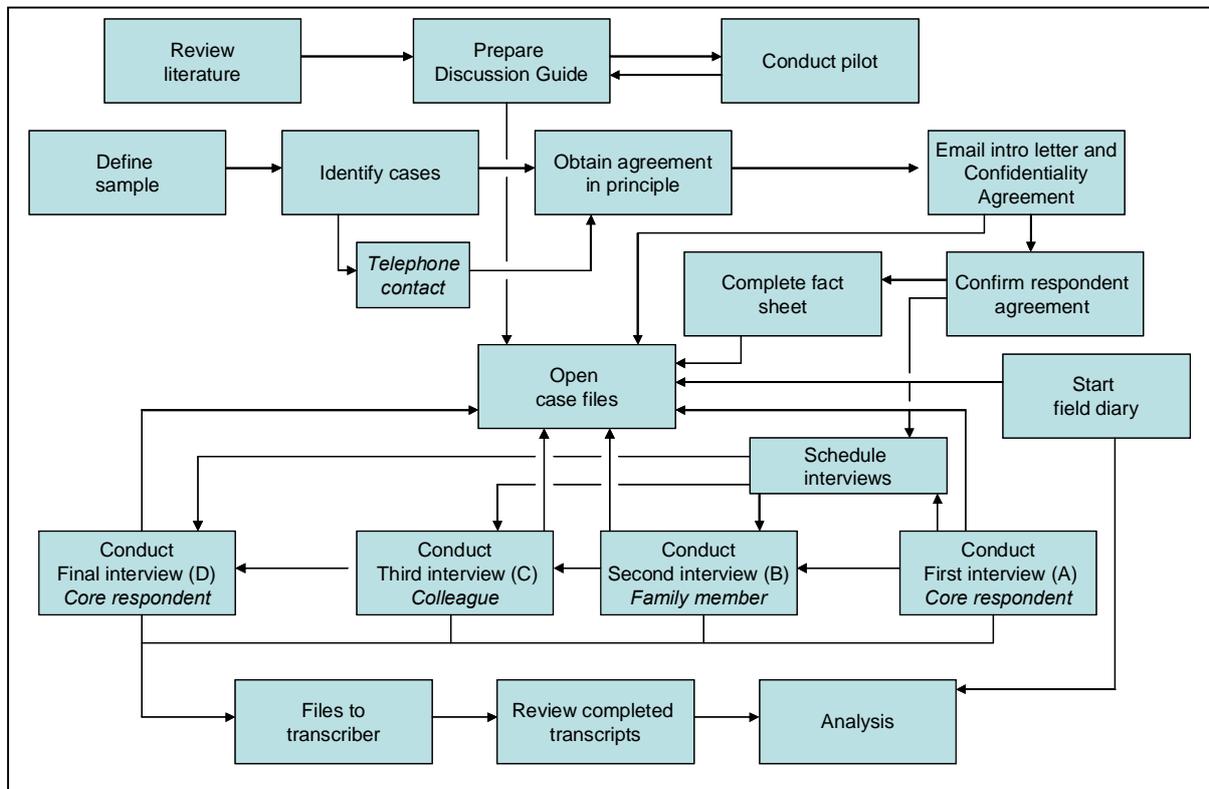


Figure 1. Data collection process

### **3.4.1. *Development of data-collection instruments***

During the interview, the interviewer uses a prepared discussion guide, to ensure stimulus equivalence across all cases (Hussey *et al*, 1997), and making comparison across cases possible (Bennett and George, 1997). Semi-structured depth interviews are aimed at eliciting respondents' ways of thinking about the issues involved (Bryman, 1989).

Business-focused and personal-focused discussion guides were developed for interviews with the core respondent, and a combined business/personal discussion guide was developed for use during the colleague and family member interviews (see Appendix D). Each discussion guide is based on a preliminary review of the literature, in that it sought to capture personal, social, business and macro-environmental influences on the entrepreneur, as well as seeking to understand the venture-creation process in detail (Bennett and George, 1997).

However, since the exact nature of the information that might become relevant to a case study is not readily predictable (Yin, 2003), the discussion guides serve as a checklist of topics that can ideally be covered in each interview, rather than stimulating a question-and-answer style of interaction. Rather than asking direct questions, the researcher uses declarative and reflective statements, invitations to elaborate and deliberate silences to maximise the opportunity for respondents to answer in their own way (Dana, Dana, Kelsay, Thomas and Tippins, 2003).

The discussion guides were assessed and revised following a pilot interview.

### **3.4.2. *Interviewing techniques***

The first interview with the case subject focuses on understanding the individual's business concept and new venture experience, while the second interview concentrates on the individual's personal history, experience and characteristics. The researcher specifically probes for intellectual and emotional connections between the respondent's life and work, thus allowing him or her to reconstruct their life history in terms of their entrepreneurial development (Seidman, 1998).

Questions are open-ended and allowed the respondent considerable latitude on content and style of the discussion (Weiss, 1997) to encourage an authentic, reflective response on the part of the entrepreneur (Seidman, 1998). The interviewer concentrates on capturing the entrepreneur's story rather than capturing answers to specific questions (Thompson, 2004). Interviews generally take the form of guided conversations, in that conversational flow is smooth and natural, a limited number of issues are covered in-depth, initially broadly and then with greater specificity. Respondents are encouraged to tell their story and to express their feelings about their experiences (Rubin and Rubin, 1995).

Two difficulties are encountered during the interview process. Firstly, the discussions are often highly emotionally charged, as a consequence of the intensity of the experiences being recounted, making it necessary for the candidate to manage the emotional tone of the conversation while simultaneously asking difficult questions (Rubin and Rubin, 1995). Since this was anticipated, the researcher uses a number of interviewing techniques for achieving this end, including: moving the conversation from emotion back to fact (Rubin and Rubin, 1995); and pacing the discussion to allow topics to emerge gradually (Hubbard, Backett-Milburn and Kemmer, 2001). In some instances, after the interview is completed, the candidate conducts a debrief with the respondent and offers appropriate and relevant referrals (Hubbard *et al*, 2001), taking care not to allow the discussion to become therapeutic in nature (Birch and Miller, 2000).

Secondly, in almost every case, the respondent is of a different gender, age and/or ethnic group to the researcher. Some theorists argue that this difference makes establishing rapport difficult and may affect the nature and quality of the information revealed (Fawcett and Hearn, 2004; Carter, 2004). Again, the researcher anticipated the problem and ensured that interviews are conducted in the respondent's home or office (Carter, 2004). At the outset, the researcher makes an effort to establish empathy with the respondent to encourage openness and honesty by identifying the respondent as the knowledgeable expert on the topic and by referring to the researcher's own similar experiences as an entrepreneur (Rubin and Rubin, 1995).

### **3.4.3. *Fieldwork procedures and practices***

Once cases are identified, basic data about the individual and his or her business is collected, mainly from information published on the internet, and captured on a respondent fact sheet (see Appendix D).

Each core respondent is contacted telephonically by the candidate to request participation in the study. Having obtained agreement in principle, the researcher sends an email to the respondent providing more detail about what participation would entail and attaching a draft confidentiality agreement (see Appendix C). The researcher confirms participation telephonically or by email, and sets up a case file, which in effect represents a database for each case studied (Yin, 2003).

At the end of the first interview, the core respondent is asked to contact a colleague and a family member for permission to be approached by the researcher. After the colleague and family member have agreed to participate in the study, the core respondent supplies contact details to the researcher, who then approaches them telephonically and by email to schedule the interviews. Following completion of the colleague and family member interviews, a final interview is conducted with the core respondent.

Interviews are spaced at least four days apart to allow the researcher to reflect on the preceding interview and to adapt subsequent interviews as appropriate (Seidman, 1998). This sequence also allowed the candidate to follow up on any issues raised in earlier interviews during the final interview with the core respondent.

All interviews are tape-recorded. The recordings are transcribed by professional transcribers according to a brief provided by the researcher (see Appendix F). Once transcripts are returned to the candidate, they are checked against original recordings to ensure accuracy.

In addition, the candidate keeps detailed field notes, in the form of a stream of consciousness commentary of what was being experienced and observed throughout the research project (Patton, 2002; Eisenhardt, 1989). These field notes allowed the candidate to constantly review her perceptions of what was

emerging, thereby beginning the process of identifying patterns and underlying themes in the data (Wolcott, 2005).

The transcripts, together with the candidates' field notes, formed the main source of raw data for the data analysis. Complete copies of the transcripts of each interview may be found in Appendix G. In the text of the report, quotations are referenced as follows, for reference 6B YBME 9:309, for example:

<b>6</b>	<b>B</b>	<b>YBME</b>	<b>9</b>	<b>309</b>
Case number	Respondent	Case descriptor	Transcript page number	Transcript line number

Appendix A provides a list of each interview conducted, including case number,, respondent and case descriptor.

### **3.5. Data analysis**

Analysis of the interview data is conducted in the tradition of grounded theory (Strauss and Corbin, 1998). This approach involves continuous interaction between the data and evolving theoretical notions (Eisenhardt, 1989; Bryman, 1989).

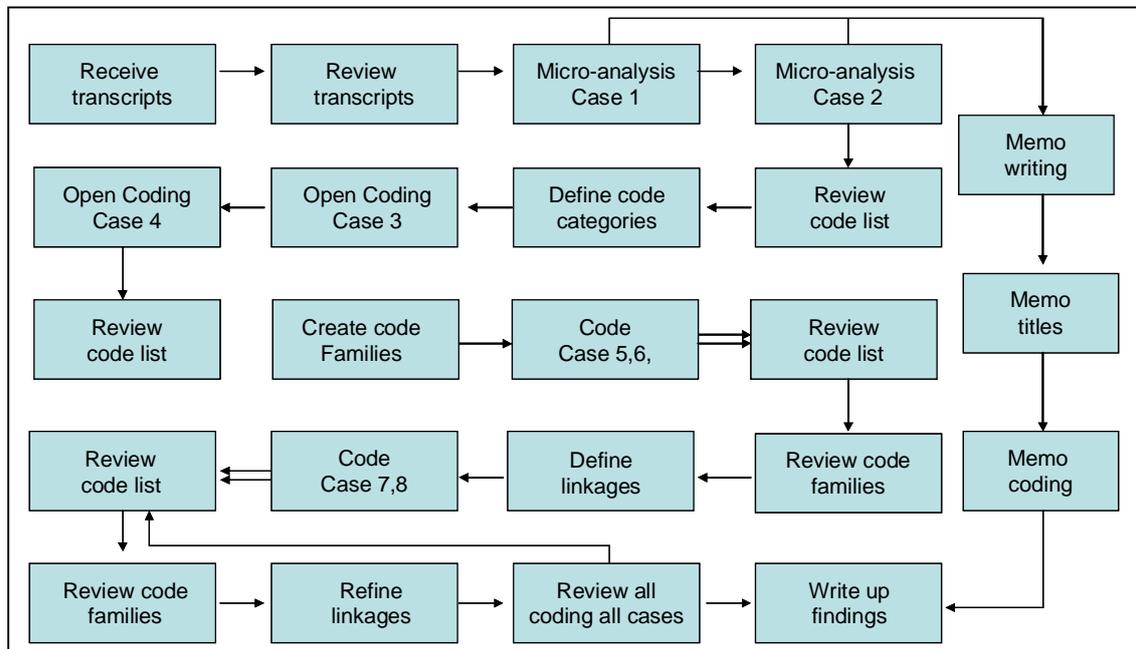
A five-step process is undertaken. First, the transcripts are coded to facilitate analysis of a mass of qualitative data . about 800 pages of transcribed text underwent the coding process. Next, using the coded data, detailed narrative summaries of each case are prepared. Within-case analysis is then conducted, using a number of analytic frameworks drawn from the literature or developed specifically for the study (Miles and Huberman, 1994). Themes are then shaped and the literature ~~un~~folded by comparing themes with the existing literature (Eisenhardt, 1989). Finally a chain of evidence is constructed, which verifies the conceptualisation and takes account of countervailing evidence (Miles and Huberman, 1994).

#### ***3.5.1. Coding transcripts***

The interview transcripts are coded using Atlas/ti, a qualitative data analysis software programme, to: help automate and accelerate the coding process; provide a more formal way of examining the data; assist in the search for complex relationships; and improve the quality of the output (Roberts and Wilson, 2002). Atlas/ti was selected because it is: easier to learn; good for relatively

simple projects; unlimited in terms of the units of coding provided for (Barry, 1998).

The coding process is illustrated in Figure 2.



**Figure 2. Coding procedure**

The coding of the first two cases is conducted via a line-by-line microanalysis of the data (Strauss and Corbin, 1998). This involves close examination of what the interviewees are saying and how they are saying it, in order to understand their interpretation of reality (Strauss and Corbin, 1998). The purpose of this kind of detailed analysis is to discover categories (or codes) and label them correctly.

During coding, particular care is taken to ground the coding scheme in the data to avoid creating a distance between the researcher and the data (Bong, 2002). Strong reflection and memo writing occurs throughout the process and each quotation highlights sufficient text to ensure that meaning is not lost (Bong, 2002). Copies of the codes and associated quotations appear in Appendix I.

The list of codes from the first two cases (four transcripts each) is then reviewed to sort the code list into groups or higher-order concepts. For example, as illustrated in Appendix J, the codes *conservative* and *fatalistic* are categorised as *attitudes* while *attention to detail* and *hard-working* are categorised as *behaviours*. This procedure is not simply a process of classification, it also has

explanatory power and facilitates coding as the number of codes and the volume of data being handled increases (Strauss and Corbin, 1989).

Following the open coding of case 3, code families are created. Open coding involves classifying sentences or paragraphs using an existing code list (Strauss and Corbin, 1989), which has already been derived from the data. The code list continues to be developed as more and more data is analysed. By case 4 and 5, fewer new codes are being added, and the last two cases are coded without further codes being created, indicating that 'coding saturation' had been achieved (Strauss and Corbin, 1989).

The creation of code families (see Appendix K), also known as axial coding (Strauss and Corbin, 1989) is a further process of abstraction as code categories are again grouped into higher-order concepts, thus creating relationships between categories. For example, code categories 'relationships' and 'customer contacts' became part of the 'creating and managing networks' family. During this process, the codes have in effect become the data being analysed. The code families are repeatedly reviewed for coherence and internal consistency and linkages between codes and code families are devised, as illustrated in Appendix K. Finally, these code families are clustered together in 'super families' (see Appendix L) prior to the cross-case analysis.

Thirty-two interviews were conducted, each producing a 20-page transcript, making a total of 640 typed pages of raw data. From this data, 452 codes were generated, based on 1 634 quotations, and categorised into 30 code families and 16 super families.

### **3.5.2. Preparation of narrative summaries**

The first step in the analysis process involves constructing a detailed narrative of each case from the raw data on the basis of coded quotations from the four transcripts which made up each case. The narrative summaries are intended to provide the reader with a 'vicarious experience' (Langley, 1999) of a real setting in all its richness and complexity. The narrative is composed of data consolidated from all respondents which enhances validity and reliability (Pandit, 1996).

The narrative summaries are organised into coherent multi-level categories (Taylor-Powell and Renner, 2003), based on the literature, to focus the analysis on the process of venture creation and the factors influencing it (see Appendix M). Data are also ordered chronologically to help understand how the process and its influences evolved over time (Pandit, 1996).

The researcher's summarising comments are fully supported by verbatim quotations from the transcripts, which contribute to the detail and authenticity of the accounts (Langley, 1999). This kind of narrative explanation is characteristic of the process approach, as it indicates what contributions and actions make to a particular outcome and then configures these parts into whole episodes (Van de Ven and Engelman, 2004).

During the preparation of the narrative summaries, the candidate struggled with how to reveal her own experience of and reflections on the interviews, without necessarily compromising the scientific approach to thesis writing (Perriton, 2001; Evans, 2000). Each entrepreneur interviewed offered a vivid perspective of new venture creation, which triggered a desire on the part of the candidate to create an evocative, experiential account (Evans, 2000). However, under self-imposed pressure to produce good, scientific research, the candidate thought it necessary to maintain an objective stance and not to contaminate the research with her own emotional engagement (Evans, 2000). Commentary on the research experience is therefore limited to this methodology chapter.

### **3.5.3. *Within-case analysis***

Within-case analysis continues the process of sorting and categorising the data, and involved preparing data displays (Miles and Huberman, 1994), using a variety of matrices or mapping devices, for each of the eight cases. The purpose of this step in the analysis was to reduce, focus and organise the information, as opposed to the extended text of the narrative (Miles and Huberman, 1994). This process allows the unique patterns of the individual case to be made explicit, prior to generalising patterns across cases (Eisenhardt, 1989).

The format for within-case analysis is determined partly by the literature and partly by the contents of the narrative summaries (Appendix N). A series of

frameworks from the literature are used implicitly or explicitly as analytical devices, including the well-used PEST framework for assessing macro-environmental conditions and the Porter (1980) model of the competitive environment. Chesbrough and Rosenbloom's (2002) business model framework is used to describe each entrepreneur's business strategy, which is also assessed using Rumelt's (1991) criteria for strategy evaluation. Each entrepreneur's social capital was assessed according to the dimensions of embeddedness (Aldrich and Cliff, 2003), and their personality assigned to one of Miner's (2000) four entrepreneurial personality types.

The candidate develops three analytical frameworks for use in the within-case analysis. The life-stage framework is intended to assist in understanding how early events in the entrepreneur's life influence entrepreneurially relevant cognition and behaviour. Events are depicted in five consecutive life stages, categorised as positive or negative, and their impact on the individual's needs and behaviour is estimated.

The new venture mapping framework is a visual representation of the idiosyncratic process of new venture creation. Standard events and activities are arranged in the sequence in which they occur, and relationships between them are indicated.

The metaphor analysis framework is intended to gain a deeper understanding of the meaning behind the metaphors entrepreneurs use to describe the entrepreneurial experience. A set of dimensions for deconstructing metaphors is defined, enabling systematic comparison across a range of sources.

#### **3.5.4. *Defining themes across cases***

The thematic analysis is the result of a search for cross-case patterns, based on the defined code families, the linkages between them and the relevant literature. The purpose of cross-case analysis is to enhance generalisability and to deepen understanding and explanation (Miles and Huberman, 1994). This phase of the analysis process is characterised by a deliberate effort to analyse the data in as many different ways as possible to avoid risks associated with reaching premature or false conclusions (Eisenhardt 1989; Miles and Huberman, 1994).

As early themes, concepts and relationships emerged from the analysis, the iterative process of developing hypotheses or models capable of explaining why things begin (Eisenhardt 1989; Miles and Huberman, 1994). Essentially, an emerging theoretical framework of new venture creation and its sub-processes is developed and systematically compared with the evidence from each case to assess how well or poorly it fits the data. This process conforms to Znaniecki's process of analytic induction, as related in Ratcliff (1994).

The final step in the analytical process involves what Eisenhardt (1989) refers to as unfolding the extant literature. Each element of the models developed through the analytical process is compared to existing approaches in the literature (Perry, 1998), identifying both similarities and contradictions and explaining the reasons for these. This process enhances the internal validity, generalisability and theoretical significance of the developed models (Eisenhardt, 1989).

### **3.6. Ensuring validity and reliability**

In qualitative case-study analysis which sets out to build theory, it is particularly important to explicitly test and confirm research findings and analyses. As the main instrument of the research, the human researcher is, normally, subject to multiple sources of bias that can weaken the validity of data collection, analysis and interpretation (Miles and Huberman, 1994).

Validity is pursued by incorporating deviant cases in the sample, by adopting a comprehensive data treatment and employing the constant comparative method in data analysis (Silverman, 2005). The reliability of the field data is strengthened by the use of field notes (Silverman, 2005). Clearly specified operational procedures enhance construct validity (Soy, 1996), while external validity is enhanced by establishing that the study's findings can be generalised to theories of new venture creation from developed-world studies (Pandit, 1996).

Data quality is evaluated by assessing representativeness, considering researcher effects and weighting the evidence (Miles and Huberman, 1994). Evaluations of the conclusions about patterns consider the meaning of outliers using extreme cases,

following up surprises and looking for negative evidence (Miles and Huberman, 1994).

Finally, the developed model of the new venture-creation process is considered from the perspective of whether or not it is a good theory. This means considering whether the final results are parsimonious, testable, logically coherent (Eisenhardt, 1989), accurate and generalisable (Weick, 1989).

### **3.7. Shortcomings and sources of error**

At the outset, limitations to this research design were anticipated, including: the difficulty of obtaining access to appropriate subjects; time-consuming data collection and analysis, non-standardised measurement and the lack of generalisability of results (Mouton, 2001).

The difficulty of obtaining access to appropriate subjects was overcome through the selection of respondents from the Enablis membership base. This increased the risk of bias, however it facilitated access to respondents and ensured that all cases had access to the same levels of support, in spite of being selected to maximise the differences between them (Patton, 2002) to bring out the widest possible variation in configurations of individual, group, organisation and industry (Korunka *et al*, 2003).

While a focus on opportunity, rather than necessity entrepreneurs and urban, rather than rural entrepreneurs may be considered to impose limitations on the research results, it is argued that given the differences between the groups, such a focus actually enhances validity (Silverman, 2002) in a way that is not necessarily characteristic of much entrepreneurship research, which has tended to treat all entrepreneurs as an homogenous group (Sarasvathy, 2003).

The data-collection process is appropriate for achieving the research goals because it emphasises the entrepreneurs' perspective of the new venture-creation process. A deeper understanding is possible because entrepreneurial behaviour can be understood in the context of the personal, social, business and macro-environmental conditions facing the individual at the time of new venture development. In addition, the interviewing procedures encourages entrepreneurs to make meaning by articulating their experiences (Seidman, 1998).

This interview structure achieves data triangulation and theoretical triangulation (Yin, 2003), in that the reports of the core respondent, the work colleague and the family member can be compared and contrasted with each other, increasing validity and reliability. In addition, the participant's comments are placed in context, and the sequencing of interviews over a period allows for idiosyncratic reports and enables the candidate to check for internal consistency in the core respondent's accounts (Seidman, 1998).

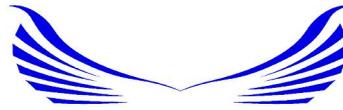
Reviews of the methodological literature allow the candidate to anticipate problems that might be experienced while conducting the interviews and to prepare for them by using particular interviewing techniques.

The central challenge of this research design and methodology rests with the volume of data that has to be managed. This intensive use of data is thought to yield theories that are overly complex, because of the difficulty of determining the most important relationships (Eisenhardt, 1989).

To some extent, this difficulty was reduced by using Atlas/ti, the analysis software, although it is nevertheless likely that some significant relationships have not been highlighted in this research report. Close attention to the original data helped to ensure accuracy (Langley, 1999), even though it may act against generality.

Since case selection was not randomly sampled, statistical generalisation of the findings to a larger population of entrepreneurs, regions or countries is not appropriate (Silverman, 2005; Yin, 2003). However, theoretical sampling was used in case selection, deviant cases were included and the research design employs analytic induction using the constant comparative method in case analysis, both between individual cases and the literature and across different cases.

Notwithstanding that analytical generalisation is inhibited by weaknesses in the literature, including those identified in Chapter 2.8, it is argued that analytical generalisation of the results to established theories of entrepreneurship is both possible (Yin, 2003) and desirable (Weick, 1989).



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## **Part II: Case Narratives**

Part II comprises chapters 4 to 11, each of which contains a narrative summary of the transcripts of the interviews conducted for each of the eight cases in the study. Each summary reports on the personal, social, business and environmental levels of analysis, in line with the literature review which appears in chapter 2.

## CHAPTER 4. CASE SUMMARY: AHMED

Ahmed is a 36-year-old Indian male who has worked his way through the ranks of the IT (information and technology) consulting and software development industry. Techthink was started by Ahmed and his partner Jorge some seven years ago, and has been growing steadily.

This chapter summarises transcripts 1A-1D, which appear in appendix G to this document. Analysis of Ahmed's case appears in chapter 12.

### 4.1. Personal context

Ahmed sometimes seems older than his years, an impression reinforced by his compact, rounded body, grayish hair and genial personality. He chats easily in the clipped manner of South Africans of Indian extraction, and presents a calm and thoughtful demeanour.

#### 4.1.1. Key characteristics

Behind Ahmed's calm and deliberate persona lurk high levels of stress, which he believes is particularly symptomatic of the current stage of the business's development.

*I think it's also the phase where we are now in the business. You never ... your mind never relaxes. You can lay down and relax your body, but your mind never relaxes. I think it's just the consequence of growth. (1A MIMG 6:211)*

Part of the problem is that Ahmed is a perfectionist, as demanding and detail-oriented when it comes to his own work as he is when dealing with his family and employees . and he will persevere until his standards are met, according to his daughter.

*He is the type of person that if things are not right, it can work on him until it's right. One of the days there was an accounting issue and he sat and looked at it and looked at it until he figured it out. He couldn't understand it so he sat and sat. That is how he is, he will not let something go. He will make sure that it gets done. (1C MIMG 5:178)*

Ahmed is responsible for the finance and administration function in Techthink, and this plays to his particular strengths. He maintains tight control over spending in the business, and monitors day-to-day cash flow personally.

*From a financial perspective, I'm very hands on. I'm very careful. Sometimes I get carried away and I worry about the cents and not the rands. I go to that level of detail. And then I am asking people "why do you want to spend ten bucks on this when we can get it for eight bucks?"(1A MIMG 5:181)*

Ahmed acknowledges that the level of control he exerts is possibly extreme in a business the size of Techthink, and that this may often slow decision-making processes. But he finds it difficult to relinquish his natural interest in financial minutiae. This appears to make Ahmed somewhat risk averse in his business and personal life, a quality that is valued by Jorge, his somewhat more reckless business partner.

*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. So that's what I respect about him. (1B MIMG 13:414)*

It seems likely that Ahmed's need for control arises at least partly from feelings of insecurity about his ability to function effectively in a largely white-owned and highly educated corporate environment:

*I always felt intimidated, because I didn't know what to expect. Maybe it's because of the past, coming from the previous South Africa, you were always intimidated. You were never exposed to that level of management and, from that level, it was always just instructions. It was never ... there was never a discussion. (1D MIMG 23:818)*

#### **4.1.2. Education**

Despite his success as a businessman, Ahmed considers his education to have been incomplete. His schooling in Lenasia, where he grew up, was uneventful until he was forced to leave at 16 to support himself and his mother.

*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. And of course university wasn't an option, it wasn't even in my vocabulary because, from a financial perspective, there was just no way. It was just 'find a job and work, and then you can support your mom'. That's what inspired me, that's what motivated it. (1A MIMG 3:88)*

Initially, Ahmed was apprenticed to his motor mechanic uncle, but soon discovered the somewhat glamorous world of IT through a friend who was training as a software developer. After completing a series of diplomas in IT, Ahmed was employed as a developer and then relied on work-related training programmes to help advance his career.

As a result, Ahmed refers to himself as a graduate of the University of Life and relies heavily on his intuition and natural good business sense to make the right decision.

*Like my partner knows all the theory, he has got an MBA, and like a lot of decisions I make or that we talk about you know my decision would have been that. So the theory guides you, no doubt about it, but if you've had practical experience, the result is ... in most cases the practical experience is more real than the actual theory. (1D MIMG 17:606)*

Ahmed's partner Jorge senses that Ahmed considers himself at somewhat of a disadvantage because of his lack of formal business education, but admires his determination to succeed despite this.

*I think he's had a hell of a lot of learning to do. He hasn't had the experience or the exposures to my kind of life. He hasn't studied, so I think off the bat he's very wise and brilliant person. I think he's been under a hell of a lot of pressure in the past couple of years, to catch on and to get going, because he doesn't have the tools, he hasn't been given those tools. (1B MIMG 13:423)*

#### **4.1.3. Work experience**

Ahmed grew up in an impoverished environment, and worked after school and on weekends in a relative's clothing shop in Johannesburg's CBD. From an early age, he also sought every opportunity to make a deal to earn extra income.

*I think I always had an entrepreneurial spirit in me, because while I was at school I started selling cars as well. So you know, I knew somebody that was selling cars, I knew someone that wanted cars. I got a car from there, sold it there, made a profit and that's how I used to fend for myself. (1D MIMG 2:73)*

Ahmed notes that given South Africa's socio-political context at the time, there were limited career opportunities available to Indian males like himself, especially those who could not afford tertiary education. However, he realised that the world of business represented a more even playing field.

*Coming from a poor background, I knew that in the previous South Africa there was really no opportunity to develop a career, to make a success. It was always about business – that was the only thing you could see. (1A MIMG 3:84)*

When Ahmed entered the IT industry, he spent several years moving from one job to another, each time increasing his salary and learning a different part of the IT system. Eventually, Ahmed was employed by SellMor, a large general goods wholesaler, where he spent some ten years. At SellMor, under the mentorship of a progressive boss, Ahmed flourished, moving from one function to another and learning about IT from a big-picture perspective.

*I got exposed to IT in a bigger way. You know, 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. 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. So you know that was, I think from an experience perspective, and a career and what got me to where I am, is really the time I spent at SellMor. (1D MIMG 7:257)*

Even though he says he was contented and enriched by his experience at Sellmor, Ahmed continued to seek out even the smallest opportunities to do deals on the side continually demonstrating his entrepreneurial instincts.

*It may sound silly, but I knew a guy, what they do, they make all the military boots, all those things. So I knew a guy in there, and I used to get their slight reject boots, but like a fraction of the price. So the boots and all of those things, I used to go and buy that, and wholesale it to people hawking, and all of those things. (1D MIMG 7:247)*

Ahmed left SellMor because he was offered a position at an IT consultancy as an independent contractor, and saw this as an opportunity to increase his earning potential and also contribute to his personal growth.

Ahmed sees his experience at the consultancy as a stepping stone to becoming more risk tolerant, as well as living up to the promise of being more financially rewarding than full-time employment. However, he quickly realised that opportunities to progress in the organisation were limited by his ethnicity, rather than by his ability to perform.

*At the time, the owner was a one-man show, so there was no room to grow for me. I think it was a colour thing, it was race-related. He wasn't prepared to let me grow because of my colour. It did make me angry – I did everything, but I still couldn't go forward. I was going to move on anyway. (1A MIMG 2:43)*

Reflecting on his work experience, Ahmed does not describe a planned route towards entrepreneurship but describes his career as the consequence of a determined effort to improve his skills and living standards.

*Really it's been about survival. For me since day one, I started working because I had to work, and everything from there on was just, "how do I improve on that?" Obviously you know if you go back to the apartheid days, there wasn't real opportunity to earn good money. You know you always, you could go to a point and that was it. (1D MIMG 6:203)*

## **4.2. Family and social context**

Ahmed is a husband and father of two daughters and a son, and maintains close relationships with all members of this nuclear family, which includes his mother. He is deeply involved in all aspects of family life, which appears to adhere in many respects to traditional Muslim practice. He is well connected in his community and enjoys socialising with a wide circle of friends. However, his relationships in the business context seem more complicated.

### **4.2.1. Childhood and parental influences**

Ahmed grew up in Lenasia, the Indian township south of Johannesburg, where he lived with his parents and older brother. He readily attributes his turning point to the death of his father at age 11. At first, they were supported by the older brother, but the brother married when Ahmed was 16, leaving Ahmed with the burden of supporting his mother financially.

Ahmed acknowledges that this put him under enormous pressure, both financial and familial, and this profoundly influenced his character and the choices he made. Not only did the circumstances engender feelings of insecurity but also acted as a powerful motivating force for self-improvement, according to his daughter.

*I think that at the back of his mind, because of what he went through when he was younger, I think that motivates him to make a better life for himself and for us. I think that is the major thing that has an impact on him. (1C MIMG 11:369)*

#### 4.2.2. Family support

Ahmed considers his entrepreneurial success to be at least partly due to the solid support and abundant encouragement he receives from his immediate family, even as he recognises the sacrifices they are forced to make.

*You need to understand what you are putting at risk, because it can destroy families. And that's the most important thing in your life, more important than anything else. You need to get the buy-in of everybody involved. If you don't have the support structure of your family, it's very, very difficult. People must understand what that means, and what sacrifices that needs. (1A MIMG 9:303)*

He communicates with them continuously about developments in the business, but also ensures that daily family time is a priority. Ahmed believes his family relationships play an active role in helping him to manage his stress levels.

Jorge's description of Ahmed's home life seems to suggest that he and his family live a fairly traditional Muslim lifestyle.

*We are so different; if he comes to my place I won't serve any alcohol, and we've got special pots that we cook in for them. It's just respect, and I think they value that immensely. When we go to their place, in their culture the women sit in the kitchen while the men eat, if I had to tell my wife to wait in the kitchen while I eat with the boys ... I think I would have a divorce on my hands (laughter). (1B MIMG 14:461)*

At the same time, Ahmed's relationships with his children seem strong and close, unlike those in other Muslim families, at least according to his daughter.

*They are our parents, and we treat them like our parents, but they are more our friends. We can speak to them about anything, you know. The same with my father, if you are confused about anything, you can sit down with him. Even if it is something that he doesn't like, he'll sit down and tell you why he doesn't like it, the pros and cons, and why you shouldn't be doing it and stuff like that. (1C MIMG 4:139)*

Ahmed's influence is strongly felt in the lives of his children. He drives their educational performance and influences their social relationships. One of Ahmed's daughters works for Techthink, and it is likely that the other daughter will at some time in future become an entrepreneur.

*One of my kids, she wants to have her own business, that's what she is always talking about. She wants to study, but she also wants to start her own business. Is it because of me? I would think so, I think it's had an influence on her. (1A MIMG 7:241)*

#### 4.2.3. Social and business relationships

Ahmed is strongly connected to and respected in his community. His friendliness and positive outlook, together with his recognisable business success, make him an appealing friend, as his daughter relates:

*He has a lot of friends. Wherever we go, it's like every second person stops to chat. For some reason people look up to him, and I don't really know why. I look up to him as a father, but people respect him. I suppose it's because he respects them. He never makes you feel low, you know, if you are happy with what you are doing then that's the important thing. (1C MIMG 7:241)*

Establishing and maintaining multi-level business relationships is considered a critical success factor for Techthink. In many respects, relationship building has been a core strategy, and with no small degree of success, says Jorge, Ahmed's partner.

*We have had a lot of support from our clients. The biggest success in our business has been relationships. You know we have never had a sales force. All our business has been done through relationships. (1A MIMG 8:276)*

In general, Ahmed finds it easy to communicate with people in a light-hearted way, and has no trouble connecting with others. However, he cannot easily convert this capability into a business advantage.

*I think my strength as an individual is that I can talk a lot. I can communicate with people. I'm by no means a salesman. I can chat, but to put pressure on people to sign on the bottom line is hard for me. It almost seems rude. (1A MIMG 5:178)*

His conservative nature sometimes seems, to potential clients, to represent remoteness or a lack of trust, and therefore while he often establishes contact with new clients, he now hands the business over to someone else to develop, observes Jorge.

*You could say that's one of Ahmed's weaknesses, relationships, because of that conservative approach. You're sitting with all your cards over here, which doesn't enable relationships and he's putting down one, and that comes across immediately. I think that's his biggest challenge. (1B MIMG 14:435)*

Relationships with employees are another critical success factor in the life of Techthink. A small business often finds it difficult to attract and retain the specialist skills that Techthink requires to operate effectively. The organisation has been carefully designed to ensure that employees work in a nurturing and stretching environment.

However, as the organisation grows, systems and processes must become more formal, and Ahmed, as the person responsible for this development, feels this puts a strain on his natural relationship style:

*At the moment you almost seem to be wielding the whip more than being the oke that says "well done". So ... and it's a process we have to go through unfortunately. It's not a process I enjoy, because you always want a person to want to do something than to have to tell him to do something. (1D MIMG 22:783)*

The relationship between Ahmed and his partner Jorge is at the foundation of the business success. It sets the tone for the way the organisation operates and appears to function effectively despite acute differences between the two.

*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. My parents aren't wealthy but I've never needed anything in my life. So it's two completely different approaches. He's tight and when it comes to cash he's as tight as you can get, whereas I don't like talking about money, I would rather hand that to him and I carry on with new opportunities. (1B MIMG 12:369)*

In spite of these differences, there is clearly respect between Ahmed and Jorge, conflicts are resolved easily and important decisions are made jointly.

#### **4.3. Business and organisational context**

Ahmed and Jorge are the major shareholders in Techthink, an IT consultancy with over 100 employees and turnover of R36 million in 2007. Essentially an outsourcing business, Techthink develops and implements software solutions for a variety of high-technology applications. Over time, the business has developed a special capability to operate in the rapidly growing telecommunications sector. Since the outsourcing business is competitive and relatively low-margin, Techthink has begun to diversify into new markets, principally in sub-Saharan Africa, and is developing a series of proprietary software products.

Funding and employee retention are two of the major challenges facing Techthink as it grows into a professionally run, sustainable enterprise.

#### 4.3.1. *Inspiration and preparation*

Ahmed sees his inspiration as deriving from his impoverished background and the dearth of career opportunities he believed were available to him under apartheid. Early successes at survivalist trading, often in partnership with his brother, reinforced his interest in business and his enjoyment in making the deal

*It was something I always wanted to do, have my own business. Business always did it for me. It's the interaction with the people, it's the moving and shaking. It's an environment I enjoy, I grew up in it. (1A MIMG 1:27)*

However, his drive for financial security meant that employment was initially a far better option than entrepreneurial endeavour. After some years, Ahmed was able to take his first risk, namely to move from full-time employment into consultancy, where the earnings potential was greater but there was no certainty of a regular salary. He continued to focus on achieving financial security and stability, and becoming debt-free.

*I think personally from a survival point of view, his house is far more in order than mine, his bond was paid off and his cars were paid off and I know that he would have done his homework to the nth degree, he would have been able to survive for a year or something without earning a salary. (1B MIMG 15:498)*

Eventually Ahmed began to realise that even as a consultant, his security depended on the largesse of the principal and was therefore not really secure at all. By the time Jorge approached him to start Techthink, Ahmed's domestic financial affairs were in a healthy state, but the decision reportedly filled him with anxiety, says his daughter:

*I think it was big. It was a really big thing. It was really exciting and really stressful. All the money that he had saved he invested in this company, and he didn't know whether it was going to work. I think it was a big ... play, it was a game. He didn't know whether he was going to win at the end. So that's why it was very stressful in the beginning as well, because he needed to make it work, because if it didn't work, it was going to be a problem. (1C MIMG 12:431)*

#### 4.3.2. **Opportunity search and evaluation**

In this case, the business idea did not originate from the entrepreneur himself, but rather from his partner Jorge, who was in search of some way of operationalising all that he had learned on his recently completed MBA.

Jorge originally conceived of Techthink as a specialist education-sector business, but quickly realised that the most significant opportunity lay in the imminent enactment of black economic empowerment legislation. Corporate IT departments, especially those serving governments, were under enormous pressure to hire black IT professionals who were . at the time . rare, extremely expensive and difficult to retain for any length of time. As a black-empowered outsourcing business, Techthink offered a solution to the dilemma, claims Jorge:

*I can't specifically say that we got this business because of Ahmed, but I can tell you that the whole intent and the whole approach was built around a partnership and around empowerment, and from there we evolved, we reaped the benefits. It's part of the message ... when you're talking to the customers you're talking to their various pains and their various needs and one of those is empowerment. (1B MIMG 17:547)*

Having partly articulated the opportunity, Ahmed and Jorge began to approach potential clients with a low-cost, high-empowerment outsourcing solution, explains Jorge.

*Most people thought I was crazy! The market didn't understand what the true meaning of empowerment was and they all thought it was fronting and so there was a whole negative connotation to the whole thing. (1B MIMG 2:57)*

However, the project-based nature of the business has meant that at least during its initial development, each client contract represented a distinctive opportunity that required evaluation before the partners elected to pursue it. Ahmed says evaluating a particular opportunity often involves offsetting immediate losses against possible future gains, either in financial or, more typically, relationship terms.

*It's sometimes the case that you might not be making money on an opportunity right now, but the off-spin from that, the follow-on from that will make ten times the amount of money. You have to have profit at the end of the day, but the accounts don't always tell the true story. Sometimes you just break even but you do it because you are going to create much more wealth in the end. (1A MIMG 6:189)*

Based on their descriptions of the opportunity-evaluation process, it would appear that both Ahmed and Jorge derive a fair amount of pleasure and satisfaction from this process alone.

*It's the dynamics, that's what I love about it. How you take an opportunity; how you find an opportunity, how you explore it, and how you conclude it. Most opportunities are unique. It might be similar to something else, but there's so many different ways of closing it; and of presenting it and you know, at the end of the day when it's happened, it's like ... all right, that was good! (1D MIMG 16:577)*

#### **4.3.3. Start-up decision and sequence of events**

The start-up decision seems to have been made once the partners had agreed on a formal structure for the business, even though at the time the target and market offering were not clearly defined.

*From a shareholding point of view, we started to talk about how we would split it. 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)*

While they were still employed, and using their personal contacts, Jorge and Ahmed approached corporates to provide IT skills on an outsourced basis and, within a relatively short time, had secured first one, then two three-month contracts.

*The first deal we landed was a two-year contract up in the DRC to provide BTU with two resources. That's when Jorge left and joined the business full time. And then I landed a three-month contract with the Metropole for myself and that's when I walked out. So I based everything on a three-month contract. (1A MIMG 3:75)*

The nascent business had two paying customers, and so the risks were lowered. It seemed a reasonable basis on which to start a business, although it appears that the business model itself was poorly defined at the time. The thrill of the chase outweighed all else, explains Jorge:

*It's exciting landing new business, and he likes that, you can actually see he likes the wheeling and dealing. So here was an opportunity and 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 15:491)*

While executing the contracts, Ahmed and Jorge began to pursue other potential clients. In retrospect, Ahmed acknowledges that the partners did not initially know what they were doing, and alienated several major clients because of their ignorance and inexperience.

*It's only now you realise that when you talk to the IT director of Comcorp, 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. We actually feel embarrassed when we think about it now. (1A MIMG 2:64)*

However, Ahmed claims that once the start-up had taken place, the possibility of failure barely crossed his mind.

*No, you know, it was never thought that we could fail. We were going to make it work, we had no choice. So it was ... we went all out, you know, it came to a point where if it didn't work, we would have to deal with it, but it was never ... in my mind anyway, you know, it was never an alternative that we would not succeed, no, you know, we just had to make it work ... just had to make it work. (1D MIMG 26:933)*

The major strategy for penetrating new clients was to get a foot in the door using a competitive pricing strategy, however small or low-margin the business appeared to be initially. Slowly, Techthink would build up its relationship within the corporate until the client began to realise the significance of its contribution and a more formal partnership could be established.

*So we had three people on site and then we had four. So they're giving you all little bits of the business below the radar. You're a small business, you're high risk, but because you've got a relationship with someone they're giving you the little bits and that's all you need. So if you're not wanting to get rich in six months, you are prepared to build the business over time, you're just taking those little bits and you're delivering, and slowly you build the business. (1B MIMG 8:255)*

Today, Techthink continues to use this approach to develop new business, emphasising penetration of the existing client base over attracting new clients. The disadvantage of this strategy is that the business has become dependent on a relatively small number of clients for the bulk of its monthly turnover.

Developing a client base was not the only problem Techthink faced. In an IT outsourcing business, the ability to attract and retain the relevant skilled people is a cornerstone of success. Initially, Techthink could recruit individuals once a contract had been secured, but the business quickly realised that a secure source of skills was a critical means of appealing to new clients. The serendipitous

closing of the consultancy at which Jorge and Ahmed previously worked gave them a ready-made and familiar pool of skills.

*Right in the beginning, when we landed the Comcorp business, we lost the Dealmakers business, at the same time. Because of our size. So what happened was all these people were without work, from Brainshop, because he had closed down the business ... and I approached all the guys and said, "right you've all got jobs"....so we went from like 10 guys to 23 guys that morning. By the afternoon we had lost everybody again. (1B MIMG 6:187)*

Early weaknesses caused by the outsourcing model are slowly being corrected by a shift in strategy from offering outsourced skills to offering proprietary software solutions. An established client base views Techthink as a strategic partner. Several bankers are interested in offering longer-term funding as the business model becomes clearer and more sustainable.

However, it is by developing an appropriate environment for their employees that Techthink perhaps finds its competitive edge. Ahmed and Jorge clearly derive enormous satisfaction from the HR initiatives they have instituted, to the extent that they define their company's *raison d'être* as empowerment.

*What's more important is making a difference in people's lives. When you are an employee there is just no way you can make an impact. I mean, you can make an impact, but it's only in a very small way. Over here, we've got the opportunity to change people's lives, we can really enable people to become something special. And in that process, of course you are enabling yourself. (1A MIMG 1:33)*

#### **4.3.4. Resourcing the business**

Ahmed and Jorge felt out of their depth in the early stages of the business development, and sought a mentor . an experienced executive who could advise and support the business from a strategic perspective. The business could not afford to pay this resource, but Ahmed and Jorge offered some equity in return for this advice and support.

*And slowly, that was an educational process that we went through as an organisation, and we had this consultant in effect, giving us information and saying, "right, now, this is what you have to do, this is why you're doing it, strategically you need to position yourself in the following things". So we got a lot of guidance from him. I would come back and say "hey I found this piece of gold" and he would say,. "this is what to do with it", and that's how we did it. (1B MIMG 5:161)*

The most critical resource for a business such as Techthink is being able to access the skills required to deliver on client contracts. Ahmed's employment history also acted as a counterpoint for his contribution to creating an organisation culture in Techthink that offers an employment experience radically different from his own, says his daughter.

*Another thing is, what made him the way he is, the way he looks at things, it's his experience. He has been in different companies, he has had different jobs. And I think that made a difference, because you see the different legs of the company. Then you can take out the unhappiness that you experienced in each company when you formed your own company. (1C MIMG 13:468)*

From the outset, Ahmed and Jorge envisaged an organisation that would offer employees a unique work environment, and the partners have succeeded in achieving this. Their latest initiative is the establishment of an employee-owned trust, which offers employees equity and profit-share options and delivers true empowerment to the whole organisation.

*You know, you can earn a salary anywhere, you can get paid an extra R50 by going somewhere else. But why do people stay in Techthink? We are trying to create a group company. It's like the family atmosphere, it's about people, our staff turnover is less than 5%. You don't get that in our industry, you don't get things like an employee-owned company. (1B MIMG 5:162)*

Given the narrow margins under which Techthink operated, especially under the labour-broking model, and the fact that the business depended heavily on a few major corporate clients, cash flow problems inevitably arose. The partners applied to several financial institutions for a short-term loan to fund working capital. However, they were turned down by bank after bank, apparently because traditional financial institutions considered the business inordinately high risk. Ahmed believes banks have failed to understand their business model.

*Our investment is in IP, it's not tangible. It's not like buying this glass and selling it at a profit, because then they can see it. Here you are investing in people and in intellectual property. How do you put a value to it? I can understand from their perspective that there is a risk attached to that, because payment is not based on selling this thing, it's based on delivering. It's only when something is delivered that you get paid. Now how do you measure that delivery? Now obviously you can show them a track record. But I don't think that the banks have taken that step to understand. (1A MIMG 8:260)*

Eventually, Ahmed and Jorge decided to refinance their residential properties to access the cash they required. Ahmed makes the point that this was only

possible in an environment of relatively low interest rates, rapid increases in property values and a relatively relaxed credit control regime.

*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. Without that, I don't know how far we could have gone. That's how we've done it from a financial perspective. (1A MIMG 7:252)*

#### **4.3.5. Managing risk**

Managing risk is seen by both partners as inherent in their business operations. Three factors appear to have contributed to this perception. First, as noted earlier, the partners both enjoy the experience of taking risks, in the same way some individuals enjoy extreme sports. There is some evidence to suggest that Ahmed's conservative nature means he extracts greater pleasure from risk taking than the more risk-tolerant Jorge.

Secondly, the project-based nature of the business has meant that each opportunity or project in each client organisation has to be separately evaluated for the risk it represents to the business. In this regard, particularly, the partners have come to regard risk as part of their everyday business experience, provided it has some greater potential or significance.

*It has to be strategic to your business or your thought process, to put it into an entrepreneur's mind. It's got to be strategic to your thought process. So you understand I am taking the risk because, you know, if it does pan out, those are benefits, and if it doesn't pan out then I ... if I didn't take the risk I can't take the next step in my business. (1D MIMG 29:1026)*

Thirdly, risk is considered inherent in the business operations because of the extent to which each partner was required to finance the business from personal savings and investments.

*It just feels right. It's almost that sixth sense, where you are looking at it, and if you put it into perspective, if you do a due diligence, it doesn't make sense. You know, if we had to go through those processes when we started the business, we wouldn't be where we are. You just ... you sense it, you know what, there's the opportunity, you are not making money, but you are going to do it ... you are taking a risk, it might not work, but if it does work, that's going to come off. (1D MIMG 27:966)*

#### **4.3.6. Exit strategy**

Both partners claim they set out to achieve more than simply a profitable business, and since that yardstick has been passed, Ahmed and Jorge believe their business is at a sufficiently mature stage of development that contemplating an exit strategy has begun to seem feasible.

Ahmed describes himself as ambitious, in the sense that the business is a vehicle for his own personal growth.

*As an individual I always want more. I want to move and shake and grow. You need to take some risk to be successful in a big way. We could have developed this business in lots of different ways. We could have started and kept it at a point where it's sustainable, where it's making a profit. (1A MIMG 4:113)*

In this respect, Ahmed finds it hard to contemplate where the end of his personal growth might lie, and therefore cannot easily articulate an exit strategy.

*There's a vision of enabling and growing yourself, so you would never stop there. I don't know where the line is at this point. You would think at somewhere, with all the stress and the pressures and so on, that you would get to a point where you would want to slow down. Do you ever get to that point? And if you do get there, does it turn out to be something that you want? It only when you get to that point that you can really make the decision to slow down. Is that what you really want? (1A MIMG 4:118)*

#### **4.4. Macro-environment and competitive context**

In this case, both the subject and his business partner appear to be relatively highly sensitised to both macro-environmental and competitive conditions, both in terms of their potential impact on the business, and the opportunities they represent.

##### **4.4.1. Macro-environmental conditions**

Seven years ago, corporate South Africa was beginning to feel pressure to develop and implement black economic empowerment codes of practice. This was particularly difficult in businesses that required high levels of technical skill. Many businesses found it simpler and sometimes cheaper to contract out IT functions to an empowered consulting firm than to try to attract and retain affirmative action candidates themselves.

Techthink was one of the first equity-empowered IT services businesses to offer black technicians and developers to resolve the problems faced by corporates. The business was in effect built on the back of changes in the socio-political environment. However, the partners are concerned that Techthink is vulnerable to a reverse in the outsourcing pendulum.

Partly in response to this threat, Techthink has begun to shift its core business way from labour broking towards a more tangible proprietary combination of software and services.

A second area of macro-environmental interest in this case is the impact of culture on the functioning of the Techthink business partnership. The cultural differences between Ahmed and Jorge are acute, but seem to add to rather than detract from the effective functioning of the relationship. These cultural differences are seen against a backdrop of similarities between all migrant groupings in the South African context.

*You know when you leave a country, your home country, and you go to a new one, you have to make things happen, and you don't necessarily have all the skills, all the tertiary education. You have to be optimistic, you have to wheel and deal and make things happen. Look at the Portuguese, the Indians and Jewish people have also done that ... (1B MIMG 19:419)*

#### **4.4.2. Competitive environment**

Because of its disintermediating position between corporate clients and skilled employees, Techthink's major interest in the competitive environment rests on these two areas. Although BEE status represented an important advantage for the business, its relatively small size has continued to hamper growth.

*A lot of corporates want you to be big and sustainable from an operational perspective and from a financial perspective before they are willing to take the risk of doing business with you. And there we were, myself and Jorge. (1A MIMG 2:57)*

Throughout its development, Techthink has made every effort to correct the impression that the business was unstable and therefore high risk.

*We were really trying to make the customer feel comfortable with us. You know it's all about perception. You create structures, you create corporate structures and group structures so you can say, 'we own this and we own that which owns this, that, that'. It's creating a picture which makes the people feel comfortable. You have to do whatever is right for the time. (1A MIMG 6:202)*

Techthink's patient relationship-building strategies have paid off handsomely with the major corporate clients it has targeted, and have been used with equivalent effect in developing relationships with employees.

#### 4.5. Describing the experience

For Ahmed, it appears as if challenges and opportunities create equivalent anxieties. The business challenges sometimes seem intractable, and the opportunities that could be open to it almost too abundant for this still-vulnerable business.

##### 4.5.1. *Business opportunities and challenges*

Funding cash flow has been a major challenge for the business, particularly as its needs have grown more substantial and largely beyond the capabilities of the founders' resources. Each month, a single client's payments are required to cover a substantial proportion of Techthink's costs. Any delay in this payment causes a major cash flow crisis, a crisis which bankers are generally unwilling to help resolve. For Ahmed, this is an extremely stressful situation.

*We've reached a point in the business, particularly from a financial perspective, where it is out of your control and that is the worst stress. Not last month but the month before when there was a delay in our payment from Comcorp, and you can't pay salaries. I can't explain to you the level of stress, it's just, it's completely different. (1D MIMG 13:456)*

Ahmed finds this particularly difficult given that Techthink is an organisation that emphasises its care and concern for employee welfare. He seems to find it easy to imagine the worst-case scenario:

*It's scary, you know, and it's that ... I don't ever want to be in a position where you actually can't pay a person their salary, because imagine what it does to them. You know, apart from business and insecurity, I mean here is an oke, he's committed; he's bought a house; he's got a family; he's got kids; he's got ... you know at his level, his stress level might be even worse than mine because it could break him down completely. (1D MIMG 15:520)*

The organisation has grown to a point where formal structures and systems need to be implemented, instead of adopting a cowboy approach and praying that things will turn out for the best. Designing and implementing these structures has required an enormous amount of time and effort from Ahmed in particular.

*When you get to the point where you've got sufficient cash in the bank, you've got the cash flow, you're growing sustainably and you've got all the management and administration structures in place, it will be a lot easier to relax. (1A MIMG 6:216)*

#### **4.5.2. Personal opportunities and challenges**

His lack of corporate experience and business education means the entrepreneurial experience has been a steep learning curve for Ahmed:

*You've never sat in boardrooms, you've always been held, kept away from those environments, and you've always been dealing with supervisors, type of environment. (1D MIMG 23:801)*

Looking into the future, Ahmed believes this personal growth is likely to continue, since much of what Techthink is planning is innovative and outcomes cannot readily be predicted.

*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)*

The relaxation Ahmed refers to seems unlikely to take place in the near future. However, he is beginning to recognise that his personal and family life have suffered in the past seven years, and he is intent on achieving a better work-life balance in future.

*I think also the last five years in business has been very successful. It has taken up a lot of my time, you know where ... I wouldn't say I have neglected the family, but I've given the business more attention, and I've also realised that you've got to find the balance, because otherwise, you know, what is all this for? You know, if you don't have the balance, so you become a millionaire, and you haven't enjoyed it with your family, and when you are ready to enjoy it, you collapse. So what have you achieved in life? (1D MIMG 12:417)*

## CHAPTER 5. CASE SUMMARY: ANDILE

Andile is a 24-year-old black male with a commerce degree, working as a marketing professional in a high-profile fast-food franchising business. Andile and his partner Thabo are months away from launching an innovative denim jeans brand aimed specifically at young black women.

This chapter summarises transcripts 2A-2D, which appear in appendix G to this document. Analysis of Andile's case appears in chapter 13.

### 5.1. Personal context

Andile is of average height and build, and wears his hair closely cropped. His clothing is relaxed and fashionable, although not overly expensive. His passion is quickly evident, even though his voice is gentle and accent refined by private schooling.

#### 5.1.1. Key characteristics

Andile considers himself both highly competitive and driven to succeed, for its own sake rather than to achieve a particular goal. Since his school days, Andile has sought the top slot . in sport, academically and at work.

*I think it comes from the people that I've met. They have always had that drive to achieve, so you are always pushing yourself to achieve. For me, like at school, it was never about trying to achieve good marks, it was always about being at the top. That's what I was always pushing for, basically. And there were a lot of times that I did manage to achieve that. And that feeds you. (2D YBMS 9:336)*

Andile's drive is evident to friends and family, and is a source of admiration, rather than a criticism, says his partner Thabo.

*I just think he is used to succeeding. He believes that he will win basically. So I think that drives him as much as he wants the business to succeed and to make money out of it, with his personality, he really believes he will succeed in whatever he does, and when he puts his mind to it there is nothing that can stop him. (2B YBMS 9:300)*

Unusually for those who are so highly motivated to win, Andile seems able to deal with set-backs quickly and effectively. Thabo relates that failure might give Andile pause for thought but he treats it as a learning experience and sets out to improve himself and the situation in which he finds himself.

*In our process now of creating the jeans there would be small little hurdles and small little failures that he would go through and he would easily pick himself up and carry on because he understands that he did something wrong then or something didn't work out and he would solve it and go around it and improve on himself. (2B YBMS 14:475)*

His will to succeed does not waver in the face of obstacles, in that Andile will reportedly persevere against all odds until he overcomes them. The long lead time for the development of the business is testimony to his commitment, says his father.

*Maybe his main strength is perseverance. This current business that he is busy with, I think it has taken him and Thabo about five years. For years and years they have gone on and on. When nothing was forthcoming from the people they applied for finance from, they still went on and on and said "please, please, please". And they tried this and this and that. So I think that is his main strength. (2C YBMS 5:181)*

This perseverance does not constitute patient passivity, however. Andile's energy is only rarely satisfied by recreational activity, even though he is simultaneously engaged in a full-time career and in building a business.

He considers himself an introvert, and typically prefers his own company to that of his friends. As a result, Andile believes he portrays an image of being remote and emotionally cold. He finds relationships difficult to establish and the emotional nature of others difficult to understand.

*I think people who don't know me well probably see me as very stand-offish. I don't see it, but a lot of people say I'm very cold. I can laugh and joke with people but I'm not a very emotional person. I've admitted that I struggle with that. (2D YBMS 10:372)*

As a rational and analytical decision maker, Andile prefers to collect information independently rather than accepting situations at face value.

*I get as much information as I can. I research things, but I'm not about over-analysing. I'm not going to make any blind decisions, I'll never just say, "yeah right, let's do it, let's go". I always say "give me a day, give me half a day", let me at least just check something out. Once I've got that, then at least I can say, I've got this information here and my decision is XYZ. (2D YBMS 15:562)*

At the same time, however, Andile is learning from past experience that his intuition can be a valuable marker that a situation may have negative consequences, so he is learning to pay attention to and trust in the intuitive signals he receives.

### **5.1.2. Education**

Andile attended five different schools in three different cities across his primary and tertiary years, but this dislocation seems to have affected him very little, either academically or socially. Andile claims his academic success did not come naturally, but that he worked hard to achieve good marks.

*At school, I did well. But then I put in the time. It was never something that just came to me. It was probably that I didn't really like my school subjects much. The only one I did like was business economics, and that did come to me easily. I didn't have to put in hours upon hours. It was just something that I understood. It was something that I could just basically 'get'. So ja, I did well at school. (2D YBMS 4:123)*

Andile also excelled in a variety of sporting codes at the private schools he attended in KwaZulu-Natal and Pretoria.

*Then I moved to Alecstone and I picked up rugby there. I played A-team then, the whole way through. Which was odd, again for a black male. I played hockey for a while, did athletics, did well in long distance. I swam for the school team at Jacaranda, did well in that. (2D YBMS 4:143)*

Andile elected to study marketing at the University of Pretoria, specifically because he believed it offered a combination of business and creativity which suited his interests and talents.

*I've always known that I had a creative side in me. I actually looked at advertising first, but then I kind of realised that although I liked the creative side of things, that wasn't necessarily where my talents lie. Like I said, I had an interest in business economics and business. So I wanted something that would balance out the creative and the business. (2D YBMS 6:184)*

### **5.1.3. Work experience**

Over the past six years, Andile has held brand and product management positions in a variety of marketing organisations. He is currently employed by the franchisor of a multinational food business.

Andile claims to have intended to start his own business from an early age, and has therefore always explicitly considered his career to be preparation for entrepreneurship. His interest in starting his own business is strongly motivated by a need to achieve something of significance.

*You wake up in the morning, eat, shower, come into work, answer a couple of calls, look at your emails, go home and you get paid. That comes very easily, all you have to do is show up. I could never do that for the next 40 or 50 years. 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 9:298)*

Andile believes his employment experience has allowed him to develop a good grasp of business processes and practices and has, in some sense, emulated entrepreneurship.

*You get an overall view of things ... I'm involved in the brand management side, and that I can basically say is like running your own business because you're involved in the financial side of the product, managers, setting price points, all the marketing and advertising, the only nice thing is you're working with someone else's money and the only difference now is it's ours. (2A YBMS 14:444)*

His performance in his career has been good, and his earnings are therefore relatively high. Although this pleases Andile, he has generally used the income to build an asset base and fund the development of AfroBlue.

*I don't think I want to be working for someone at 50 or 60 when I know it's not benefiting me ... like I say I've never worked for a pay cheque, I kind of see it as a default, I like my work and I like what I've gotten into. The pay cheque as I say lets me buy things that interest me, be it the latest toy like a sound system or something like that. (2A YBMS 11:371)*

There is some suggestion that, at work, Andile regards himself as something of a rebel, who questions authority rather than simply accepting it.

*In work terms, sometimes that's a problem. Just because someone is in a senior position to me, maybe older, doesn't mean I'm just going to take in everything they say. I'm going say, OK, explain why you think that way and I'll gladly explain what I think. And if what you say makes sense, then I'll listen to you. (2D YBMS 16:555)*

In spite of Andile's acknowledgement that his career has played an important educational role in his understanding of basic business processes, he is unable to single out any one individual who has influenced him profoundly.

## 5.2. Family and social context

Andile currently lives alone, but remains close to his parents and younger sister, and his family has clearly had a significant impact on the development of AfroBlue. Although Andile considers himself an introvert, generally preferring his own company to that of his social circle, he has developed relationship skills that are adequate for establishing a useful business network.

### 5.2.1. *Childhood and parental influences*

As noted, Andile's childhood was marked by several moves, as well as time spent living with grandparents and extended family in Soweto. At the age of 11, Andile was sent to boarding school in KwaZulu-Natal, but claims that rather than affecting him negatively in any way, it may have contributed to family harmony.

*I've grown up very independently, so it wasn't really very traumatic. Plus I think my parents and I were probably pretty stressful for each other. I think that's because I grew up away from them, and also because I was independent, I started to become assertive at a very young age, so I was always rubbing them up the wrong way. So boarding school was a good solution. So holidays were nice, but it was good to go back afterwards. (2D YBMS 3:78)*

This early independence was reportedly combined with ambition that was evident from an equally early age, relates Andile's father.

*The mother used to say is, "Andile, please Andile, pick up your things, make your bed. You must learn how to do your own things, because in the future, you will have to do these things for yourself". And I remember vividly Andile's answer, "Mom, I will have people to do it for me. I will have enough money to have people do it for me". (2C YBMS 1:08)*

Perhaps the single-most important influence on Andile was that his father, a trained pharmacist, started his own business when his son was around 9 years old. The pharmacy was the first located in a particular township, but suffered under competition from dispensing doctors and other traditional retailers, before succumbing to township unrest in the late 1980s. Andile's father describes the experience:

*So after having tried to grow the front shop, I decided no, just give up. So I went to the wholesalers and said to them, "guys, I still owe you some money for the stock, just take over whatever is left". And, well, I lost everything, whatever little bit of pension had come out, and I think also I had used some of my wife's money. (2C YBMS 3:96)*

The financial loss came at a bad time for the family, as Andile's mother was studying and his father found it difficult to find employment. He embarked on survivalist-style entrepreneurship to keep the family afloat financially.

*But then, after closing the pharmacy, that was the time when my wife was still busy with her studies. So I did a little bit of sewing, making those Afro shirts that was how I got a few cents together. I was selling for R150, take R100 for home and then take R50 and run and pay the bond and all those things. So that is how I survived. (2C YBMS 3:109)*

Interestingly, although Andile describes his parents as entrepreneurial, he seems to have been too young to understand fully the difficulties experienced by his family.

*A lot of things seem to come very easily to my parents. I don't know, they've just been lucky that way, I think. Like my mom, she's just started her business and that's just taken off. It's come very easily. She met one guy who had connections and he was an importer-exporter. So now all of a sudden she's got all these contacts and these potential orders that could come in. I just haven't been that lucky, I have always had to hustle and work hard. (2D YBMS 10:362)*

Instead, the entrepreneurial activity by his parents and extended family members has served as an inspiration to Andile.

*I've got family members who are in business, and it's always just driven me, their personality, the way that they are and those kinds of things, so maybe that passion does come from them. (2A YBMS 19:614)*

### **5.2.2. Family support**

For Andile and his partner Thabo, there has been a great deal of direct family involvement in entrepreneurial activity generally and in the fashion and textile industry specifically. As a result, the partners are fully supported by their respective families.

*Whenever something's going really wrong, and it's tough and it's hard, they are there for me. For example when we were having trouble with the pattern, they were always encouraging, asking how it was going, saying "I know someone I can speak to about it". So they have always been upbeat and excited about it, helping me to get into it. That's always one of the first things they ask about, how's the business going? What's happening now? (2D YBMS 14:493)*

As Andile and Thabo have funded the development of the business so far from their own earnings, family support has taken the form of advice and networking rather than financial support.

*There are a lot of mistakes you can avoid making, there are a lot of contacts that they have that you can use. So ja, I think it does help having those people who've been in the industry to help us out a lot, so you can kind of use their contacts. So you're not trying to make relationships from scratch. (2A YBMS 6:176)*

Both Andile and Thabo also receive abundant positive feedback from friends, both specifically on the product they are developing and their plans to start AfroBlue generally. This feedback has served to motivate and inspire the partners from inception. It is interesting to note that, although the two are considered trailblazers, Andile believes several members of his social circle are considering entrepreneurial activity.

*In our circle of friends, we are probably the only two guys that basically have taken it this far and started our business. And you always get motivation from them as well, when they say, "I want to see myself as you are in two years", and you say, "ja it's taken us five" (laughter). So a lot of people around us are talking business, business, business. But we're just waiting to execute, execute. But it helps to motivate us, I think. (2A YBMS 16:512)*

### **5.2.3. Business and social relationships**

As an archetypal introvert, Andile clearly struggles with personal relationships, although he has made and kept a few significant friendships, says his father.

*He is not like a party-type of person. He makes friends and the friends are normally the good type, you know the type that a parent wants for his child. He would make friends with sensible people. If you tried to talk to him about issues with friends, he would listen, and then make up his mind. (2C YBMS 5:175)*

The most important of these is his relationship with his partner Thabo, who explains that the business partnership is built on a long-standing friendship and considered by both partners to be an important contributor to success. Not only has the partnership helped to maintain focus and motivation over the years it has taken to develop the business this far, it also strengthens strategy and operations.

*For me, being our age and it all being a start up, it's almost like everything is going against you, so it's important working with someone and having someone in the business who ... you guys can at least trust each other and*

*you know that no matter what is going on there is at least one person who is kind of supporting you. Like they say being an entrepreneur it's a lonely road and a lot of new roads, so it's important especially 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 6:185)*

In his social circle, Andile is recognisably awkward with others, but more than capable of hiding his discomfort when it comes to establishing business relationships, says Thabo.

*On a personal level, he's not a people's person when it comes to socially, he becomes that. He sort of puts on that Hollywood face when it's got to do with business, but when it comes to people socially ... I think that's his weakness. (2B YBMS 15:496)*

Andile believes that establishing and maintaining good relationships is a critical factor in the success of any business. Both partners have been active in establishing a network of insiders, advisors, informants and stakeholders, either currently or potentially useful to the business.

*On the fashion, advertising type of side, which is where we would be affected ... I think it's a lot easier because the journalists most of the time ... when something is new and all of that, every one is trying to get in on it. (2A YBMS 4:119)*

The relationship Andile has developed with a key supplier, the company that will manufacture the AfroBlue product, illustrates how this networking has helped in the evolution of the business.

*We've known our guy that we use for about two years now and he's helped us out quite a lot now. He's more than willing and excited for us to launch, and he's more than willing to help us out wherever he can. So we have managed to establish our own contacts in the industry. (2A YBMS 4:129)*

One of the most important functions this business network plays is as a proxy for the relative inexperience of Andile and Thabo, in business generally and in the industry in which they have chosen to operate.

*But the main thing we have been able to do is 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. A lot of the time, if we get a garment made we can give it to them and say, "is this the right quality? Looking at it, it looks fine, yes or no, or did they cut corners?" (2A YBMS 5:159)*

### 5.3. Business and organisational context

While Andile and Thabo were still at school, they conceptualised a denim jeans design and sizing system aimed specifically at naturally curvy black women. They have spent the past five years refining and patenting the design, researching the market, finding the right suppliers and developing their business plan. They have funded the development of the business through their own earnings, but recently received a R1 million loan from an entrepreneurial development non-government organisation to launch their AfroBlue jeans into their own retail store.

The major challenge facing Andile and Thabo is to access space in an appropriately high-profile retail mall to launch and to implement a low-cost marketing strategy that can compete effectively against high-spending global competitors.

Although the AfroBlue product has been in development for some seven years, plans for manufacturing and marketing are fully developed and funding has been secured, the business has yet to launch.

#### 5.3.1. *Inspiration and preparation*

Andile can barely remember a time when starting his own business was not top of mind. He chose to study subjects at school and university that he believed would be of most use to him in an entrepreneurial venture and, after graduation, chose employment only because his own venture was not ready for launch.

*In terms of motivation, I think through high school I never had the intention of becoming employed. I think that's pretty much by default, the fact that we hadn't gotten this business right yet, that we hadn't started it yet, we had to start working. So it's always just been something in me to actually start my own business. (2A YBMS 8:250)*

Thabo too grew up surrounded by family members engaged in entrepreneurial endeavours of one kind or another, and believed so much that it was the correct route for him that he has been self-employed since graduation.

*I think the need to be independent has always been there. 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. (2B YBMS 17:599)*

The inspiration for AfroBlue was rooted in a T-shirt printing hobby that began to interest Andile and Thabo as teenagers.

*It started way back in high school, way back, we basically had a group of friends and it was kind of a gang, not in the bad sense, but a gang of friends basically. And we just started with that. Our group had a name that we gave ourselves and we just started making T-shirts and jackets for a group of friends and people liked what we had made and we kind of thought, "this could be something that we could do". (2A YBMS 1:13)*

### **5.3.2. Opportunity search and evaluation**

The idea for the business came from Andile's father. Having recently observed his daughter struggling to find jeans that fitted, he suggested the partners focus on developing jeans for black women, on the grounds that their natural body shape is generally substantially more curvaceous than that of Western women.

*The waist was the problem, it was always too big. And if the waist was alright, then she can't get them on, because of big bums and all that. And I said, "Andile, that's your market". I said to him, "you can make the jeans". He said, "are you talking of stretch material and all that?" And I said, "no, I'm not talking of stretch material, I'm talking about the original jeans material, make pants that fit onto the person, and not the person fitting into the pants". I said, "That's your market, Andile. Look at the blacks all around you, most of them have big hips, so make something that will fit them". And that is how the whole thing started. (2C YBMS 1:30)*

Initially, Andile and Thabo thought the idea a joke, but as time went by, they began to see that it might have real business merit.

*In the beginning we thought he was crazy and we spent the first few months laughing about it and not really taking him too seriously. After a while it clicked that this is really a good idea and if we can find a solution and work out a solution to this problem, it would be a very good opportunity. (2B YBMS 2:34)*

Early evaluations of the idea centred on informal conversations with friends, which established that the problem of fit was a widespread one among young black females.

*So that's when we started thinking about it, and "OK this could be that unique thing about our brand". So then we started speaking to friends and things like that, and people kept commenting that, "ah, we can't find jeans that fit us well or all clothing in general that fits". And then we just kind of gravitated towards things and at that point we could just see that everyone had a pair of jeans on, so it started to make sense. (2A YBMS 9:290)*

Andile and Thabo began the long process of developing a prototype, experimenting with a variety of different designs and materials. Sometimes designs were discarded because they did not function properly, sometimes because they were not sufficiently unique.

*In the beginning we tried to experiment with the combination of stretch fabric and real denim. I think we moved away from the stretch because we really wanted to have a real solution without cheating in a way. Because when you go stretch it's not really a solution, it's just that the jeans have some kind of give and it might seem like it could be some sort of solution but it's not real. So we decided to get away from using stretch denim as a solution. (2B YBMS 3:88)*

Andile acknowledges that the partners did not know what they were doing, especially from a technical perspective, but eventually hit on the simple and compelling solution of offering different hip sizes for each waist size.

*So, it took a long time and a lot of trial and error to eventually get to the point where we are now. Basically we've got a pattern where it accommodates for the different degrees or if I can call it the curvaceousness amongst women, which then provides them with a far better fitting garment than is currently available on the market. (2A YBMS 2:51)*

A series of prototypes was developed, and each one informally tested and evaluated with individuals in the target market. On each occasion, the partners received positive feedback, which led them to conclude that there was indeed a demand for the concept and that it represented a feasible opportunity.

*In the seven years that we've been working on this whole project or business if I can call it that, every time the product has improved, has improved even though it wasn't 100%, you would always get this good reaction from people, like ... "wow, I like the concept of what you guys are doing". (2A YBMS 2:67)*

Once the prototype was developed, more formal market research was conducted and Andile began to put together a business plan to demonstrate the viability of the opportunity.

### **5.3.3. Start-up decision and sequence of events**

No defined start-up decision point is discernible in this case. The evolution of the business model has taken place over a protracted period, and incorporates elements of preparation, opportunity search and evaluation over the entire period.

Since inception, new venture creation has occurred at a pace commensurate with the available time, skills and money that the partners were able to dedicate.

*At that point we didn't have any money, anything, anything, so at that point it was a lot of drawing and kind of thinking, "how do we solve this?" Then when we started at university, that's when we kind of started getting a little money, doing odd jobs. Then we started getting involved with girls who were studying fashion and asked them to help us out in terms of making patterns. (2A YBMS 9:296)*

Product development has taken place on a shoestring budget and at a relatively slow pace, as the partners learned about the industry and the market they were targeting. Each enhancement to the design has been tested in the market, and responses have been positive, almost without fail.

*I really do believe in the idea. Every day you do a little bit more research, something on the internet and something else pops up. And then there's someone complaining about their jeans and not being able to find decent jeans or women's clothing that fits them in general. So it's kind of like, "wow, someone in the United States or Britain or somewhere else in one of these countries is complaining about the same thing and no one has addressed it", it's kind of like, "wow, it could really be huge". (2A YBMS 11:340)*

Perhaps the most striking feature of the new venture-creation process in this case is the length of time over which development has taken place. In spite of this, Andile and his partner have maintained momentum; researching, thinking through and documenting every aspect of the business in detail.

*So whenever the patterns went away with someone who was working on them, we would think, "OK, what can we do to push things ahead?" So it would always come back to the business, so what can we do on our side to kind of get things moving. So that once the pattern is actually done, we are more than ready to start. We need to be ready, we don't want to have a finished pattern and product and still be trying to get our business stuff together. (2A YBMS 15:473)*

This detailed planning process has allowed Andile and his partner to prepare for the launch of the new business almost as if they were conducting a trial run. As a result, both now believe they are ready to launch the business.

*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 that you can actually see. A lot of times we've found we've prepared for things way ahead and it's come to a point where something is required or something has happened and we've done that three or four months back already, so we are ready to handle this thing, so I think it is about that. (2A YBMS 17:569)*

The launch of the business is imminent. All that remains is for AfroBlue to secure access to retail space in a shopping mall which services its target market. The most popular malls have long waiting lists and may be reluctant to accept an

unknown brand. While the partners wait, Andile acknowledges that the launch approach creates both excitement and trepidation.

*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. So now it's like, "OK, I've got this nice job and it pays me this constant salary" and it comes back to the security aspect and a job that is comfortable, it's safe and you're thinking, "hey the petrol price is high", and now you have to start paying for this yourself. (2A YBMS 16:523)*

#### **5.3.4. Resourcing the business**

Until recently, the business was resourced by Andile and Thabo, in bootstrap style. Wherever possible, functions were performed by the partners themselves, or income from employment was used to purchase supplies and outside resources. AfroBlue has also succeeded in attracting pro-bono support from industry experts.

*We didn't have money, but somewhere somehow we always managed to get people to help us out. Somehow we managed to get a fashion designer to help us out, putting together patterns. We somehow managed to get money to get models to come and fit stuff. We somehow managed to get money to buy material so we could put these patterns together and sew the stuff. (2D YBMS 9:308)*

Andile particularly has spent a great deal of time and energy researching every aspect of the business to understand how each process will function most efficiently.

*I think in general in the past two years we've done a lot of process-driven things in terms of business side of things, in getting things solid even before the business was ready to launch, to the point of where we even know all the details in terms of the configuration of our product, from how we package it to how our manufacturer gets it to us. So that now, it's a lot easier for us, to find exactly the size we need to start a store so we are not sifting through 400 boxes to find one size. (2A YBMS 15:455)*

Funding has been secured for the launch, mainly for marketing and funding the initial manufacturing costs. However, Thabo notes that the launch campaign will have to achieve high impact at low cost to compete with existing high-profile brands.

*There are a lot of alternative points of brand contact that we are looking at that aren't conventional. We are going to be putting ourselves in magazines and such and in addition to that we are going to work that much harder, so we*

*will put it in some alternative media. Not specifically the conventional type of advertising, but something that is below the radar, that isn't really cast as advertising. (2B YBMS 5:147)*

### 5.3.5. **Managing risk**

The partners believe that, to date, they have minimised any risk they might have faced in developing the business by moving slowly and carefully through the process, researching each step thoroughly before taking the next.

*I think a risk is when you buy a ticket to China and you land there and think you're going to do something there, that's a risk. When you get there and you know no one, and you're not really sure where you're going to get your next meal. But I don't see what we've done as risky, I see it as calculated steps, and we've been able to minimise our risk so far, so I don't see the risk at all, so far. (2B YBMS 19:656)*

A second mechanism for managing risk has been to remain employed, by a large corporate in Andile's case and through his own business in Thabo's case.

*So up to now we've gotten to a point where we've done everything without really taking any risks, but using the income we've been getting from our 9-to-5s and our other business ventures to feed our business. So I haven't seen the risk yet, so up to now we've built it up to a point where now there is something there, and we've used our own resources and, if it had to all disappear, we would have lost nothing. (2B YBMS 19:645)*

Thirdly, Andile and Thabo have deliberately set out to create a contingency fund from savings and investments that will pay their personal expenses while the business is establishing itself.

*In the future I see it, but even then 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)*

Andile is so certain the product will succeed, he finds it difficult to imagine what business risks might face AfroBlue in future.

*There are risks, but maybe it's just naivety in terms of ... people say the world hasn't had time to bash me yet? (laughter). But personally I think this kind of product is something where it's an either-or situation, so either you want clothing that doesn't fit or you want clothing that fits, and the general assumption is that you want clothing that fits. So I feel it's something that is almost 100% guaranteed. (2A YBMS 13:405)*

Although the design has been patented, the greatest risk facing AfroBlue in Andile's eyes is the risk that a better-resourced competitor, possibly even an international brand, will copy their idea and launch pre-emptively.

*Something that could go wrong would be someone else taking the idea. With this product specifically, someone bigger than us could take the idea and run with it, and market it worldwide and becoming known in the market as the brand that does this. I think that's the biggest risk that we are faced with. (2B YBMS 20:708)*

### 5.3.6. **Exit strategy**

Given that the business has yet to launch, it is perhaps unsurprising that Andile finds it difficult to articulate a clear exit strategy. The longer-term vision is to build a national South African brand first and then to expand internationally to meet what is believed to be an omnipresent need.

*We want to go international, and we are going to push for it. As I've mentioned, we've done a lot of future planning and it's up to that aspect. In terms of should it go international, how are we going to do it? Who do we need to speak to, and all those kinds of things. So we've worked that far ahead. We've already started doing and figuring those things out. (2A YBME 19:627)*

Andile anticipates that, however substantial the business becomes, he is likely to remain directly involved in operations and as a shareholder, if only on an ad hoc basis.

*Probably the biggest driver for doing this is I have a love for travel and I see this business as a mechanism to allow me to do that. But I will still definitely be involved in this business and actually working, I have that drive and passion. I don't think I'm one of those people who want to cash out and spend my money, I don't really see that. (2A YBME 19:636)*

The main motivating force for Andile to persist in new venture creation is the desire to create an enterprise that is sustainable, independently of its founders. He believes the satisfaction derived from the act of creation will have its own reward.

*I think it's an ego-boosting kind of thing when you build this successful business. There's just this feeling that you've done something and you own something. So that's just the thing for us, just knowing that you've built something solid and it's worked, that's probably the big thing for us knowing that it is actually successful. And the other thing is probably that a bunch of young guys from South Africa have done it and even if we could do it overseas, then it comes back to the whole ego thing where ...one day you*

*hope to see some big-name celebrity in your jeans, and you can say, ja we made those, that's us. (2A YBMS 12:385)*

#### **5.4. Macro-environment and competitive context**

This case makes little reference to macro-environmental conditions that have an impact on the business, although the competitive environment has enormous significance from the perspective of day-to-day operations.

##### **5.4.1. Macro-environmental conditions**

Andile and Thabo are aware of social trends, especially as they relate to their potential target market, and they do appear to take these implicitly into account in their strategic thinking. For Andile, the experience of new venture creation has also provided insight into the way in which entrepreneurship in general is viewed in the broader social community.

*I think that's where a lot of these government organisations say they are trying to help our kind of business but are failing. Also, a lot of people start for the wrong reasons, it's about daily survival. Someone just thinks, "let me start a business" and two weeks later he thinks he's got something, but there was no thinking behind it, there was no, "where's the best place to be? Is there a demand for this?" (2A YBMS 22:719)*

##### **5.4.2. Competitive environment**

Andile and Thabo are acutely aware they are about to enter a relatively hostile competitive environment. Most industry participants are substantially larger and have been in business for years.

*It is very competitive, primarily there are big players, big international labels. Our focus is ladies denim, so we compete against guys like Levi's, Diesel and Guess, a couple of local clothing labels ...which have launched recently and done fairly well. The guys who did Stoned Cherry and Sun Goddess, Loxion Kulcha and those guys have done fairly well, that's probably the closest local label that I can think of, as well as your denim brands like Sissy Boy as well. (2A YBMS 1:27)*

Most incumbents have entrenched brand positions and Andile feels somewhat threatened by their power and influence. He notes that, as a result, the partners have had to be careful what they say, and to whom, in this fragile stage of the business life cycle:

*It is a very insider industry, you always limit how much you tell people, and from what I've heard from a lot of people it's pretty much a hard backstabbing industry ... so we are talking fashion in general. So again it comes back to you only tell people what they need to know basically, you only trust so much. (2A YBMS 5:141)*

Initially, the AfroBlue strategy was to use large clothing retailers as a distribution channel for its products but, after several approaches, Andile concluded that there were a number of disadvantages to doing so. Perhaps the most significant of these was the space retailers were willing to make available to a single brand.

AfroBlue has therefore elected to launch its product in its own retail outlets. Andile believes this will give the business much better control over its brand but acknowledges that, to be successful, this strategy requires space in a large, high-traffic shopping mall, which reduces the need for large advertising budgets.

*In terms of selling the product, the intention is to be in the big retail malls, and primarily the drive for that is that the black females still frequent those malls and they are the prime location in terms of where they go shopping for clothing. So it's just the perfect place to be to get the majority of our target market. It also enables us to get foot traffic without just relying on our advertising alone. (2A YBMS 3:84)*

Despite the hostile competitive environment Andile and Thabo face, their confidence in their product and the extent of market acceptance they expect is virtually unshakeable. Their faith in the product is apparently continuously reinforced by positive feedback from the target market.

*I remember seeing this one girl walking into YDE and we were just looking at her and we said I bet she's got problems and we spoke to her, we walked straight up to her and we started talking to her and asking her how hard is it to find jeans. And it so happened that day that she said it was her third store or something like that, just trying to find jeans. So it's kind of like there is a definite demand for this product. (2A YBMS 13:424)*

## 5.5. Describing the experience

For Andile, the challenges and opportunities, both at personal and business level, presented by the new venture-creation process are what makes the experience interesting and enjoyable.

### **5.5.1. Business challenges and opportunities**

The major challenges facing AfroBlue currently are the barriers to entry faced by all start-ups in a highly developed and competitive industry such as fashion design and retailing.

The first issue relates to the business's ability to gain access to large retail malls. The second is the problem of creating a relevant and differentiated brand that communicates the features and benefits of an innovative sizing system, with an extremely limited budget.

*So for us, it's about creating that aspiration and feeling towards our brand, which I think is important, that they don't see it as a technical solution, because the second it comes across like that then I think the product could then very much die. So it's just making sure we balance and discuss the functional benefits of our product, but still meet the need for the ego side of people. So I think if we don't strike that balance in our communication, then I think it could go pretty wrong. (2A YBMS 18:603)*

The third challenge the business faces is to deal with well-resourced major competitors copying the business idea and launching before the association between AfroBlue and well-fitting jeans can be established in the consumer's mind.

*The thing is to launch as fast as we can, so that as soon as possible it's in people's minds that this is the system and this is the solution and we are responsible for it. If you need the solution, you need to come to us and no one else. As soon as we get that into people's minds the better, because no matter how big the other brand is that comes through and has the same solution, they will always be seen as copycats. (2B YBMS 21:722)*

### **5.5.2. Personal challenges and opportunities**

Andile approaches the challenges he faces in the process of new venture creation with a degree of objectivity, somewhat as if there is an intellectual problem to be solved that does not involve him emotionally.

*Like we don't have enough money, so how do we make this happen? There's always been things to think about, as opposed to "let's do this", and it just happens. (2D YBMS 8:259)*

At the same time, he seems determined to enjoy the experience of new venture creation, not least because he is having fun with his best friend.

*I know business is serious but I think a lot of people take it too seriously, to their own detriment. We know that there are going to be hard times along the way and things will be really, really tough, and it's going to come back to the two of us to really motivate each other to keep going, keep going. So there are going to be times when it's really tough, but you've still got to enjoy what you're doing. (2A YBMS 17:546)*

Andile does acknowledge there will be hard times ahead, even though he can barely imagine what they might be.

*I definitely don't have any romanticised views of what it's going to be like. I know it's going to be hard once we do start. But I don't think you can anticipate how hard it actually is. But until I actually go through it, I have no clue exactly what it's going to be like. But I know it will be hard. (2D YBMS 7:225)*

However, Andile also seems sufficiently self-aware to know that new venture creation is a series of challenges and that overcoming these is what keeps him interested and motivated by the process.

*And failing and failing and failing. Having stumbling block after stumbling block after stumbling block. And still keeping it going. That's given me a lot of faith that what we're doing is worth doing, if I can put it that way. Because I think that anything that's ever come to me very easily, I've given up on. After a short while, I lose interest. I think anything that's made me work, I appreciate it a lot more. And I put a lot more of myself into it. I just value it more than something that just happens. (2D YBMS 7:246)*

## CHAPTER 6. CASE SUMMARY: BYRON

Byron is a 37-year-old black male with both an undergraduate electrical engineering degree and a master's degree in industrial engineering. Byron and his wife Cynthia started CallServ three years ago to sell American paging technology to fast-food and restaurant businesses.

This chapter summarises transcripts 3A-3D, which appear in appendix G to this document. Analysis of Byron's case appears in chapter 14.

### 6.1. Personal context

Byron is classically tall dark and handsome, with a brilliant smile that enlivens his often solemn features. His conversation is measured and thoughtful, revealing both his impressive intellect and personal warmth.

#### 6.1.1. Key characteristics

Byron has presence. He is physically commanding and deliberately projects an aura of leadership and confidence, a skill he says he learned from his father.

*I have been taught to stand up and be seen. You know, don't go into where there are 30 people and just come out, you know like, just be there and be seen, your presence should be felt, you are there, you know, make your contribution felt. (3D MBMS 12:420)*

Byron works hard to maintain his equanimity in the face of difficult circumstances, and seems seldom upset by external events, according to a work colleague. His wife Cynthia notes that when he is under pressure, Byron withdraws from those closest to him, finding it difficult to express his disappointments and anxieties.

*I get into my wife role, I start nagging, "talk to me". But I think in a way it could have been worse if I wasn't in the business, I wouldn't have known and he wouldn't have told me. Now he finds it easy to come home and say to me, "ah that person said no", because he knows when I come to work tomorrow, I will find out. (3C MBMS 14:451)*

For all his outward calm, Byron understands his own anxieties and actively uses others to moderate his demanding nature and offset his tendency to obsess about details.

*I try to calm down, you know, in order to proceed but I find that difficult so what I then do is I ... normally under stressful conditions I tend to ... I work better in a team, then I will use my team mates to help me with that because I tend to be edgy. Maybe I push too much for things that people think are not important ... I'm fussy, maybe I am fussy about things that people think are small when to me they look big, they look big because I probably look at detail. (3D MBMS 16:573)*

There is some evidence that Byron approaches work as an intellectual exercise in which detailed planning and robust process result in an ideal outcome. In many respects he is a perfectionist, according to a business colleague. However, his dedication to entrepreneurship and his resilience, given that the business has failed to generate the cash flows he anticipated, is greatly admired, especially by those closest to him.

*I would say in the current business that he is in now if he was not a resilient character he might have left and come back here. It is not that he is not employable, he is a very employable guy, but he is wanting to make this thing work and it is not easy, so I think he is resilient, he is an intelligent man, he is a very good communicator and he is a good team player. (3B MBMS 4:127)*

His wife Cynthia agrees that Byron's determination to succeed is admirable, especially in the face of what has become a significant personal financial burden as well as a business cash flow crisis.

*Sometimes I think are we holding on because we have spent a lot of money, or is it because we truly believe that it is going to work. But speaking to him more and more I realise it's because he believes it will work and he is putting his energy into it, and you can really see that he believes it. (3C MBMS 9:284)*

Byron himself sees his persistence and determination as a product of his religious conviction and of his faith in the relevance of his business idea.

*But again, as a Christian, I am a Christian, as a Christian on the other side, I believe in a thing called faith so ... which is more like, you know, if I look you in the eye and say this thing is going to work and I strongly believe that it is going to work and I have faith that this thing will work, it will work and my gut has told me that it will work and I ... my faith, I am saying this thing works and it works. (3D MBMS 15:526)*

Not only does Byron believe CallServ will eventually be successful, he has come to realise that the trial-and-error skills he has developed during its evolution can readily be applied to the identification and exploitation of other business opportunities in future.

*I think my greatest strength is identifying opportunities. I can see opportunities. Over the years I have learned ... I have done a lot of small things where I have burned my fingers. I know an opportunity when I see one. (3D MBMS 12:414)*

Byron's educational background and work experience have been heavily rational and analytical, and he is said to have drawn on these skills extensively at work.

*He is an analysis man as I see it. He won't make decisions that's on the fly, from what I know him to be. He is a man who would like to have the right information and then make the right decision. So he is ... the Byron that I know is really from the consulting world where you have to show the process of arriving at a decision (laughter), not just to say. You have to thoroughly explain why you made that decision in a systematic and process manner. (3B MBMS 6:231)*

It is therefore somewhat surprising to find that his decision-making style relies fairly heavily on his non-rational, intuitive capabilities.

*The decisions that we make, or that I make rather, some of them are gut feel. You decide on something and you feel it is going to work then you go for it, because you don't have much information, so you go for it and just go for it. There are two parts, it is a gut feel that I have, which I have always said, you mustn't kill that gut feel because that is what ... we use that gut, you know, to make decisions at some point. Obviously we then look at, you know, other things to see does it work, does it not (3D MBMS 15:518)*

### **6.1.2. Education**

Although he went to primary school in the township where he grew up, Byron's intellect ensured he was selected from several hundred applicants for a bursary to attend a private high school. He believes the disciplines instilled at this school had a lasting impact on his values and behaviour.

*Actually this school was run by Jesuit priests so they had a lot of rules around, you know ... how we handle ourselves, you know, and how we do a lot of things, the way you dress, the way you present yourself, it built of lot of character in me and discipline as well, because there was a lot of order in terms of running the school. (3D MBMS 2:61)*

In particular, the school encouraged boys to compete with each other academically and this ignited in Byron a powerful desire to achieve.

*There was a lot of pressure to be on that board, on that top eight. At the end of each term, they would put the top eight students on the board. There was no prize or anything, but just your name on the top eight, everyone wanted to be in the top eight. (3D MBMS 3:89)*

His academic achievements at high school set the stage for a university education and entry into a profession. Attracted to the sciences, Byron chose to study engineering rather than the less-appealing medicine, despite his earlier interest in and facility for business-related subjects. Later, Byron completed a master's degree in industrial engineering to balance his technical knowledge with more commercially oriented skills.

Despite his educational achievements, Byron readily acknowledges that in terms of new venture creation, experience has proved the most important teacher.

### 6.1.3. *Work experience*

Immediately after graduating with his engineering degree, Byron was employed in a technical capacity at a South African power utility. Here, he quickly began to feel the need to make the transition into a more business-oriented role.

*During that period I realised that I really need to do something that would allow me to understand the other side, the business side. Because one of the things that was happening in the project where you would come up with a very good design, maybe of a transmission line, take it to the head office, present it to, you know, 10 or 20 people. Then they start testing you on the pay-back period, NPV on that project, your very commercial side. (3D MBMS 6:203)*

After some years, he resigned from the utility to join LGD, a multinational food franchise, then moved to a large consulting firm and finally found himself in the purchasing department of a multinational mining house. Byron believes that, in retrospect, these rapid and apparently random changes of direction also had the important benefit of allowing him to develop skills in a number of disciplines and industries.

*It doesn't look good, but if you look through, the common thing is the flexibility, the ability to change, and that I think is the important thing that comes out of that. The ability to switch and say I can now start doing this. I'm not held back by knowledge or experience, I can easily move. (3A MBMS 7:246)*

Despite his rather unconventional CV, it appears that Byron's performance as an employee was exemplary and he remains in demand for relatively senior positions, even after three years out of the corporate environment. In part, this acts as a psychological safety net for him.

*If this thing had to fail tomorrow, he will put in his CV in the marketplace and he will be working the next day. Not exactly that but he won't be in the labour market for three, four months. He has got the confidence, he has got the skills, he has got something. (3B MBMS 15:571)*

From Byron's perspective, broad-based knowledge of this safety net also has negative implications in that it sometimes erodes the support of family and friends, who continually question the wisdom of his commitment to new venture creation.

*The difficult part comes where people know what you are capable of doing and what the market is offering. They know that in the Sunday papers there are all these jobs that are there, the senior positions which I am capable of taking up, they have approached me a number of times. People from the UK have called me for senior positions and if I personally wanted them I would get them. (3A MBMS 14:490)*

However, Byron will probably not find it easy to return to the world of full employment, partly because of his strong need for independence and partly because he believes his desire for new venture creation will not easily serve a traditional employer.

*I don't believe I can work for someone for eight hours, putting my mind to their business when I can make my own money on my own. It's almost like cheating, I would be sitting wondering how I'm going to make money on my own ... so that drive won't go away unless that is achieved. (3A MBMS 14:513)*

The veracity of this comment seems borne out by his entrepreneurial history. Throughout his career, Byron has attempted entrepreneurial ventures, including a consulting firm, a children's educational franchise and a retail store at a market that sold clothes.

*We were importing clothes, nice clothes, corporate suits. So we brought them there, but it didn't work. We later realised that people go to the flea market on a Sunday and they just walk about and read the paper, that is when you go to the flea market, and you go and buy ice cream. (3A MBMS 5:189)*

## 6.2. Family and social context

Byron is married to Cynthia and has two young children. He comes from a large extended family of 11 children, some of whom live in South Africa, but most of whom remain in Zimbabwe. Byron is close to his family, involving his siblings and especially his wife in the business financing and operations.

### **6.2.1. Childhood and parental influences**

Byron grew up in a township outside Harare, where he enjoyed a carefree childhood surrounded by family and friends.

*We played a lot of games outside, there was control, but it was limited control, because when we would come back from school, the parents have gone to work and then you would use the time, maybe play soccer, money games and a lot of games. (3D MBMS 1:15)*

The familial influences on entrepreneurship were strong, as Byron's father ran his own construction company, which employed a sizeable workforce, including several members of his own extended family. He ensured his business was visible to his children by working from home and including them in operations wherever possible.

*He had a lot of influence in terms of how we did things because, you know, he would employ a lot of people, his relatives and not relatives, and we could actually see him run the business from home where every Friday these guys need their wages so he would bring all this money in bags and that kind of thing, then putting them in envelopes and we would be giggling... (3D MBMS 4:145)*

The children in the family were encouraged to work in the business as labourers whenever they needed money of their own. However, they were watched carefully by their father, so that no favouritism was extended to them.

*He would tell you okay, you come but you will work as a ... we called them dagga boy but basically you would be, you know, in the mixing and the passing on the cement to the builders and you would be paid for what you have done and when you are at work my father used to also actually do the work so you'd work but you get paid for what you have done and if you don't perform you would be fired like any other person. (3D MBMS 5:152)*

It appears Byron's father made every effort to ensure important life lessons were communicated and that the family was strongly connected to each other.

### **6.2.2. Family support**

At the outset, Byron and Cynthia decided to embark on the new venture together, a move the partners believed had a number of important benefits, including that the two have complementary skills.

*Mostly it was because of our skills complement. I have a computer science background and IT and Byron was an engineer, but he's also done his*

*master's in engineering, and even when we were working on the business plan he was understanding more than I do ... I would look at what he's done and I would say no let's change this, let's change this. (3C MBMS 6:199)*

The partnership between husband and wife also helps maintain an open communication channel between domestic and business affairs, ensuring that family support for the new venture creation is readily available to Byron.

*The most important people are my business partner, who is my wife (laughter), mainly because she is in it and the challenges of communication are not so great. I think ... if you are in it and the other person is not in it, then you need to be a very good sales person for him to continue for five or six months without money coming in. But she was seeing the deals and the way they were coming in and she was just as passionate. (3A MBMS 11:411)*

However, combining personal and business relationships also creates difficulties. At first, Byron and Cynthia tried to maintain a boundary between work and home, but found this increasingly difficult to do as the business faltered and stress increased.

*It's the challenge, sometimes you wake up and talk about business, and if you are at the office sometimes you want to talk about personal issues. My brother used to say to me, you should cut the line where at work you talk about the office and when you get home you talk about the family. But it's not that easy, you can't just cut the two. (3C MBMS 16:514)*

This was particularly important because Cynthia found that in the two different contexts she played different roles in relation to Byron . at home she was a wife, and at work a business partner. This role flexibility is considered relatively unusual in tradition-bound African cultures, where the husband generally maintains his authority in all spheres.

*That his wife is with him in the business, she is there for support but he also understands that if she is there, she has to make decisions as well and decisions that she makes they have to be challenged by him, and his decisions must be challenged by her as well, you know. That is very different from the African entrepreneur. (3B MBMS 9:341)*

Inevitably, under the strain of an under-performing business, Cynthia and Byron's domestic and commercial roles have become blurred, and business and household priorities become difficult to distinguish from one another. Their inability to make the business work and to provide for the family has been very painful for both partners.

*He started to realise we've got nothing anymore, I can't even take care of my family. And he then switched from being an MD to being a father, and 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. (3C MBMS 15:496)*

At the time the interviews were conducted, it appeared as if Byron and Cynthia were beginning to believe that one of them would need to be employed outside the business to ensure the survival of both the family and the business.

Both Byron and Cynthia's extended family seem to have provided emotional and, to a lesser extent, financial support for the business. However, after three years of struggle, family members are beginning to question the wisdom of Byron's persistence and the partners' decision to go into business together.

*It was fine when we didn't need to ask anyone for money, they kept quiet. You get to a point where now we needed a hand, that is when everybody had something to say. "We told you from the beginning, one of you should have gone to work and even now you should be looking for work". (3C MBMS 10:306)*

### **6.2.3. Business and social relationships**

As noted, Byron readily acknowledges that his most important business relationship is the one with his wife and partner, Cynthia. Their relationship is believed to add value to the business because of the complementary nature of their skills and the different perspectives they bring to bear on decision making.

*When we are at work we make decisions based on very professional ways, you know, we are not husband and wife, you know, we are business partners when we are here. So, I might be very reactive in certain things and she will bring her own points and we will look at that and, over the years, we have always found our solutions to be ones that actually work because they are based on ... we weigh both sides. (3D MBMS 18:631)*

Byron's response to his wife's point of view highlights that he generally respects the views of others, and this makes him an excellent team player in an organisational context.

*He will not only share information in the team and get information from the team, he will also try and encourage participation from all team members and take other people's views and allow his view to be challenged. He is not like, "one view is the main view", or there are some other views that are more important than others. (3B MBMS 8:281)*

An integral part of Byron's world view is that teams are stronger than individuals and diverse teams are stronger than homogenous teams. This is significant

because he considers building an appropriate team to be a critical success factor in new venture creation.

*So if you are in a team now and someone is looking at the negative aspects, you are still positive on the other side but say hold on, let's look at these things. So from there you create a better solution. The team should have different skill sets or characters to help otherwise it becomes more of a ... you know it just flows. I mean if I had a team of very optimistic people or pessimistic then things come down, so that I think helps ... that level of diversity in a team helps. (3D MBMS 17:604)*

Confident and relaxed, Byron finds it easy to establish relationships with others at every level, despite a relatively impoverished youth that might have made others feel socially insecure.

*When we go to a meeting you find that he is talking to people like he knows them. He is easy going. And I think having grown up in different levels and I don't know how to put it ... we grew up in poor households, but his parents had enough for him to be empowered academically and he was intelligent enough to empower himself and that helped for him to mix with different levels as well. (3C MBMS 13:433)*

In any given social or business context, Byron uses his physical presence and natural friendliness to achieve the very specific goal of finding a way to advance his business interests.

*I see an opportunity in every group of people (laughing). But I make friends easily and I try to spend more time listening to what the other people are saying more than trying to push my point across. I am a person who wants to meet ... you know in a room of 50, I will try and meet at least three people. I don't try and meet everyone, I meet a few and engage them and if I see they have some light. (3D MBMS 19:682)*

Byron's relationship style emphasises good listening skills, and he finds this invaluable in understanding potential customers and their business needs.

*With a potential customer what we've learned is that you need to understand their business and you spend a lot of time trying to understand what we do, and they get so curious, why do you want to know more, just tell me more, I need to understand this, how are you doing it, have you ever looked at this, have you done this? (3D MBMS 20:703)*

Having established the relationship, however, Byron finds it more challenging to maintain it over the longer term. He acknowledges that this is a weakness and that it may eventually result in missed opportunities.

*I am not very strong in terms of keeping those relationships. I try all the time to engage the people, like to send e-mails about what we are doing, where*

*we are. Like we have just installed a system at a hospital, at a mine and I have a potential client, a bank that runs branches in mines. So I need to inform them that this is the system that we installed at a mine and the people who are going to be using this technology are actually miners, which is similar to your clientele. (3D MBMS 21:736)*

### **6.3. Business and organisational context**

CallServ was established three years ago to sell an American paging technology to fast-food and restaurant businesses but market response was weak and sales were slow. Following a review of the business model, CallServ now offers a range of service-quality improvement technologies to the banking, retail and government sectors on an annuity basis. Byron and Cynthia have spent considerable time and energy developing the business over the past four years, and face mounting personal and business indebtedness. Turnover is currently R400 000 per annum.

The major challenge facing CallServ is to close a number of promising large-scale sales and find a way to fund short-term cash flow needs to ensure the survival of the business and the family.

#### **6.3.1. Inspiration and preparation**

Byron believes his desire for entrepreneurship was made manifest in the rapid changes he made throughout his career and that this signalled an underlying restlessness that would only be satisfied by the act of new venture creation.

*But, looking at it closely, I realise that every time the bonus comes in the brown envelope or an increase I always believe that I am worth much more than that. So I get frustrated that they give me a bonus or an increase and the following week or so I submit my resignation, then the following month I say no I have to go. But the bottom line is I felt I would never get the satisfaction that I would really want, unless I start something of my own. (3A MBMS 6:215)*

Byron had been considering new venture creation for some time before the current business was established. He had previously attempted a number of survivalist-style ventures, and although they had been unsuccessful, the experience left his enthusiasm for entrepreneurship undimmed.

*Before we actually went to Australia, Byron and two friends of his from MiningCorp had been working on a business plan to go out of MiningCorp ... and work as procurement specialists. So when the opportunity to go overseas*

*came about, we decided to take it just for a year. He had already decided that he wanted to go the entrepreneurship route. (3C MBMS 1:214)*

Byron actively prepared for entrepreneurship, firstly by seeking out employment positions that would deliver the skills and experience he believed he would require for new venture creation. This work experience was diverse and at a relatively high level, which added to his confidence.

*But I was trying to acquire, you know, what do I need to get where I want to be, so I went into consulting and I got those skills, which is basically what we are portraying now when we go out there. The basis in terms of experience that we have gained and we go out there and we are not scared to meet anyone. We believe or I believe I am strong enough I can meet Bill Gates and I will tell him where I come from, I am a CEO as well. (3D MBMS 19:671)*

Byron's second area of preparation was financial. For some years prior to the start-up of CallServ, Byron and Cynthia had been saving and investing in property, with the specific intention of using these investments as collateral for a future business.

*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 and that's what we used to start up the business. (3A MBMS 10:353)*

### **6.3.2. Opportunity search and evaluation**

While Byron was preparing for entrepreneurship, he began to actively seek out potential opportunities. Initially, he seems to have adopted something of a shotgun approach, seizing on business ideas impulsively, sometimes to the dismay of Cynthia.

*I told him it won't work but I didn't listen to what he had to say or to take time to go to those presentations to hear what they had to say, and I got burned. He took his credit card and he paid R16 000 at that company because he believed that it would work, and after that he didn't do anything to try and sell that product to get his money back. (3C MBMS 20:654)*

Over time, the couple began to evolve their own methodology, which has helped formalise the process and ensure due consideration is given to evaluating each opportunity.

*We created a list of criteria that we are using to basically ... once we see an opportunity we throw it within those criteria to see does it fit, does it make sense, does it make money, does it not make money, how then do we move forward. So I have done a lot of exercises around that. (3D MBMS 13:444)*

One of the most important criteria in Byron's opportunity-evaluation methodology is that a new business not be dependent on the founder to operate. In effect this represents his definition of a successful business.

*If you are there all the time, it is a grinder, it takes up your time and you need to be there. Consulting is almost like a grinder, you sell your CV and you have to be there all the time to deliver on what you have said. If you are not there then the job is not moving. It only becomes a business to me once you have a team of people that are working there and you are not involved. (3D MBMS 13: 460)*

Four years ago, Byron ordered a hamburger at a fast-food outlet in Bondi Beach, was given a radio pager and told that the restaurant would page him when his order was ready. It is not clear how much deliberate evaluation of the opportunity this technology represented actually occurred. In something of a post-hoc rationalisation of this decision, Byron and Cynthia explain that, at the time, they saw the business being advantageously related to their collective skill set.

*We thought it would work for us because in terms of the engineering side, I could understand the wireless technology, and also the other systems which were more robust and more detailed, which provided total one-stop communication system. And Cynthia could also understand it coming from an IT background. (3A MBMS 1:31)*

### **6.3.3. Start-up decision and sequence of events**

Within a week of being exposed to a CallServ pager, Byron had negotiated exclusive rights to sell these short-range paging systems in sub-Saharan Africa. He then resigned from his general management role in MineCorp, and returned to South Africa with Cynthia to start up the business.

Byron defends his seemingly impulsive start-up decision by referring to his prior experience of new venture creation as well as the need for full commitment by the entrepreneur when a new venture is being undertaken.

*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. But remember this is not our first business, we have tried a number of things. In some of them, we've got our fingers burned, but we have tried a number of things. (3A MBMS 5:180)*

Initially, the business was modelled on those operating in Australia and the United States of America, where the paging system originated. In both countries, CallServ focused on serving the restaurant market, where waiters could be called either by customers sitting at tables or by the kitchen, or in fast-food environments, where customers could be notified that their food was ready. The product is also widely used in American and Australian casinos, in much the same way.

However, Byron and Cynthia soon found the South African environment different in the way that decision making in franchised chains is implemented.

*We learned the hard way, that here in South Africa it's not that way. The franchisor owns maybe 15-20% and the rest is owned by the franchisee, and he has no obligation of taking out those technologies. So even if it's successful within the trial store, it's not automatic that we will get the lot. So we found ourselves in a very tight position, although everyone was happy and saying that it was working very well, it wasn't automatic that it would be rolled out. (3A MBMS 2:49)*

Each sale in each outlet had to be made independently, making the process time consuming for relatively small per-unit values. As a result, after 12 months, CallServ had not come close to the volumes it needed to achieve break-even. Byron began to change strategy, looking for a higher-volume target market and shifting from a transaction basis to an annuity basis for pricing.

*Our approach before was hard selling, we needed to sell every month to make money, so we have moved away from that now, where we are now selling more on the way that if we sell and close a deal, we should have at least a year of income coming from that deal. So it's more like an annuity model, that is what we are looking at now, that is our focus. (3C MBMS 6:178)*

As the shift in business model was taking place, Byron and Cynthia serendipitously came across a complementary product that measured customer satisfaction and were able to secure the rights to sell AskMonitor in the southern African region.

*We focused on the restaurant business until about June last year, we then did a CallServ pilot at one of the big retailers and, at that point, we needed to know what people thought of the status quo in the shop and that is when they were looking for a measurement tool. And in our search for a measurement tool we came across the AskMonitor. So before we actually sold the AsMmonitor, we used it ourselves, we put it in at the door and before people were going in the door and the people were actually commenting and saying what they thought of the CallServ. (3D MBMS 4:115)*

As a result, Byron now describes a coherent customer-service enhancement and measurement system that has application in a wide variety of customer service contexts, including retail stores, banks, hospitals and hotels.

*So we are basically saying to the market, here is a tool for you to ... we can boost your customer service in this way, using this on-site wireless technology, the pager. And not only that, we can actually measure whether you have actually done that using this other tool which we have just acquired, which is called the AskMonitor. (3A MBMS 3:94)*

However, CallServ now found that its target market had substantially changed, from owners of small businesses to large corporate organisations. Although the value of individual deals was substantially increased, the most significant impact on the business was that the length of the decision cycle was also dramatically increased.

At the time of the study, CallServ was running pilot programmes in several large retail and financial services organisations, but only relatively small deals had been closed.

#### **6.3.4. Resourcing the business**

Byron believes his most important resource is the support he has generously received from Cynthia, his extended family and the community at large. He actively uses this network to provide advice and information as well as emotional sustenance for himself.

*Then the other side is the support that you require to get there. You need people that believe in you, that it will happen, they understand your passion and you know, want to flow with you, who provide all we can outside money, money ... some of us here don't have money but I can help you which is great, you know, and you take that help and see how they can help you and ... so you have got support in different aspects. (3D MBMS 24:846)*

Initially, the partners worked from home but quickly realised the importance of establishing a physical office at a recognisable address, which could be visited by potential clients. This, as well as the inventory CallServ required to establish operations, was originally funded from Byron and Cynthia's personal savings. However, these funds slowly dwindled under the dual burden of supporting the business and the family's domestic needs.

Byron approached several financial institutions for debt funding, but without success. Eventually, he won a business plan competition and this provided the additional leverage he needed to access a small loan. Byron believes that new venture success depends on the entrepreneur's ability to access funding in the right amount and under the right conditions, and that this is becoming increasingly difficult.

*So you have to devise ways of funding your business, if you want your business to work, if you are passionate about your business. And a lot of those ways is creating more debt for yourself. Here I'm talking of refinancing and getting this credit card and all of that. That will not be acceptable now with the new Act. So it means if you go dry, it means you have gone dry, there is nowhere to go to and the banks are not supporting you, you are almost like on your own, you become isolated quite quickly. So that's why I see businesses closing shop much earlier. (3A MBMS 17:613)*

Resources are expected to remain a challenge for CallServ's business in future, especially when contemplated in the light of potential equity partners. Byron also anticipates difficulties in recruiting and retaining the right human resources that will allow the business to grow.

*We are almost saying how do we play the game so that at the end of the 12 or 24 months of the growth stage we will still maintain some control, and without losing too much of that control and ownership of the business. The second part is, in terms of growing the teams, what type of people are we going to recruit? I mean if you are going to ramp up, you have to seriously consider what kind of people you want. (3A MBMS 15:549)*

#### **6.3.5. Managing risk**

Based on previous entrepreneurial endeavours, Byron seems to have been sensitised to risk from the outset. He identified and sought to manage risk in three key areas, the first being his own lack of experience in new venture creation. By partnering with Cynthia, and by selecting the opportunity he did, Byron believed he was offsetting this risk.

*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 4:137)*

The second area of risk that Byron anticipated was financial: the business would take time to deliver a revenue stream that would enable it to grow and be

sufficiently large to support the family. Byron believed he had accounted for this risk by creating a cushion of savings and investments that he could draw on to fund the business. However, he underestimated the length of time it would take for this revenue stream to develop, and was forced to use short-term and long-term personal debt to fund business and domestic expenses.

The third area of risk related to the fact that the business depended on the goodwill of a single principal, or product owner. This risk was partly offset by the formal agreement that CallServ held the exclusive rights to sell the product in sub-Saharan Africa, and partly by searching for and securing rights to sell AskMonitor, a complementary product.

*But we had already foreseen the risk of such a thing happening, so what we did was at the time we had identified the AskMonitor, another customer feedback system. So when it happened it struck us ... and that those pagers would be 10-15% 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 10:375)*

CallServ continues to be plagued by the risk that long decision cycles will overwhelm the business's fragile cash flow resources.

### **6.3.6. Exit strategy**

Byron's definition of success centres on the business being both sustainable and capable of being run independently of his own efforts.

*I want to create systems that are put in place where I get excited when four or five engineers or accountants are in one room on a Saturday working on a project for my company and I'm somewhere at home playing with the kids. That is the kind of system that I want to put in place. Where I value my time and spend my time doing other things, not necessarily to have more like a garage business. (3A MBMS 6:228)*

His vision is not limited to success for CallServ. He envisages a series of businesses at different stages of development, in such a way that more mature businesses fund the development of early-stage start-ups. These businesses would be initiated by Byron, who would then hand over day-to-day operations to a professional manager.

*I can grow a business to a certain level and within that business have different sections and different levels which are also growing a new product which is also growing ... that you can sell. So you grow your business but at the same time make money from the ones that have developed into maturity,*

*then you can dispose of them and continue to grow that way. (3A MBMS 7:262)*

Although Byron sees himself as an innovator rather than an administrator, he does not seek to create a business around himself, in the way that the Virgin brand depends on Richard Branson.

*I think it is a risk because one day I will die, and there is an issue around that brand, because that brand is associated with a person, and personally I don't believe you should build a brand around a person. Although it works, it has been known to work, but I believe the brand should be something that stands on its own and it should have life but you don't become the brand, just in case something happens to you. (3A MBMS 11:393)*

#### **6.4. Macro-environment and competitive context**

Initially, Byron failed to question his assumptions about the nature of the competitive environment in South Africa, and this eventually resulted in a fundamental shift in strategy which further delayed the momentum CallServ could build. Conditions in the macro environment seem to have had less of an impact on the business, although there is some awareness that the current context may not be entirely conducive to entrepreneurial success.

##### **6.4.1. Macro-environmental conditions**

Byron's experience has been that society does not understand entrepreneurs and therefore is reluctant to offer support for any length of time. This effectively isolates the entrepreneur and makes new venture creation more difficult than it otherwise would be.

*It has been very tough and isolating. They don't understand why you are not taking up employment. I mean in the paper there are a lot of jobs in terms of what you do and you are struggling and you don't want to take up a job so it becomes very kind of isolating, where we are saying, you know, you basically stop asking for money from friends and relatives and try and you know, survive. (3D MBMS 21:758)*

This lack of understanding applies to all resource providers including financial institutions, which are generally loath to extend credit to the self-employed. In addition, Byron predicts that entrepreneurs will find it increasingly difficult to create their own funding flow by using credit cards and property refinancing strategies as he was able to, primarily because of the stricter controls on lending imposed by the National Credit Act.

*The moment you leave work, nobody wants to talk to you, especially banks, they don't want to talk to you at all. You are a big risk, the moment you say ... I remember my bank, they now know, thought I was still working, for some reason I never told them that I am now out of employ, for very clear reasons that I didn't want them to put me in that bracket when they say you are a high risk. (3D MBMS 24:882)*

#### **6.4.2. Competitive environment**

It would appear that Byron and Cynthia have tended to pay little heed to the nature of the competitive environment, particularly during the earliest stages of start-up. Fascinated by the technology, innovativeness and potential benefits of their new product, the partners assumed others would feel similarly.

*When we started we thought we were bringing in this fantastic product and everyone is going to grab it. We thought six months down the line, things would be running smoothly. That the market was just going to accept it and because it was a product that was already widely accepted in other markets, we thought that our environment would be the same, but that was not going to be the case. (3C MBMS 3:82)*

However, restaurants saw the CallServ product as a nice-to-have that failed to offer a compelling benefit for an existing customer base and that few stand-alone units could in any event afford. The new target market, corporate retailing and financial services businesses, does find the ability to measure customer service quality in real time and at multiple levels of great benefit. Corporates are notoriously slow to adopt new technologies and their decision making is slow. At present, therefore, Byron's biggest priority is to develop an installed base that can be used as leverage to convince others.

*I think it's having successful case studies where we can point and say it's working there, and not only working but working for big players, it's working at blue-chip companies. So if it's working there, the chances of it working for you are very high, and if they have taken us in terms of their rigorous process in accepting a supplier, basically we are telling other companies that they have done the work for you. (3A MBMS 16:563)*

Despite the difficulties of penetrating his chosen target markets, Byron does not acknowledge that there are any viable competitors to the CallServ model, and even if there were, he claims he would choose to ignore them on the grounds that competitors could be given too much attention.

*I don't regard the guys who are in the same field as me as competition because there are a lot of things that one can do. I mean there are a lot of*

*strategic alliances that I could be busy with every day, doing a lot of things, not worrying about my competitors or what he is doing. (3D MBMS 27:985)*

## 6.5. Describing the experience

Given the difficulties Byron and Cynthia have experienced in establishing a viable business, it might be expected that his descriptions of the experience are somewhat harrowing.

### 6.5.1. **Business challenges**

Byron's description of how the partners came to realise that their original business model was not working suggests that the strategy process was less akin to a deliberate design and more like the incremental emergence of a way forward.

*You know, running your own business, there are challenges. 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. (3A MBMS 15:537)*

Once CallServ refocused its attention on a corporate target market that could deliver higher volumes of business in each individual sale, another problem was uncovered, that of the long decision cycle.

*We are moving more to the corporates which have more of a longer sales cycle, six to nine months and some of them 12 months. So it took longer for them to convert so in terms of the cash flow and the number of customers not going up and also impacted on the funding side. (3A MBMS 2:73)*

Above all, the impact of changes to the business model and target market has negatively affected cash flow, a problem which Byron acknowledges he did not truly appreciate prior to the launch of CallServ.

*One of the things that makes it tough is you only understand this thing called cash flow when you are in it. When you go to business school, they say cash flow is king, cash flow is king. They haven't experienced it so you know, you talk about this thing. (3D MBMS 22:772)*

Any cash flow problems experienced by the business also had a severe impact on the domestic well-being of the family. Funding for both business and family continues to be the most significant challenge to the potential survival of the business. The partners' resources are apparently exhausted.

*Both, it is money to live on, it is money for the business, but more on the business side because I know for certain that it is going to happen, it is beginning to happen but to get to that point, there is a gap here. You can see that gap, how do I get there, so you need funding business wise to get there which you can try, and we did a lot of innovative things to get there almost to a level where we thought, you know, if nobody wants to give us money then that is your problem. (3D MBMS 23:882)*

### **6.5.2. Personal challenges**

Byron notes that his ability to sell his ideas to others has been of critical importance to the new venture-creation process. Not only must the entrepreneur persuade himself of the value of his ideas, he must argue convincingly for the ongoing support of family and friends as well as that of customers, suppliers and other resource providers.

*Remember they are generating energy so they are saying, stop that, you know, stop that. It can get to a level where you actually think they are right and stop and go and do other things. (3D MBMS 24:869)*

However, even with the relatively high levels of support that Byron has attracted, sales have failed to meet his expectations, a fact which he has painfully been forced to confront.

*It was clearly mapped out that in two or three years I should have covered my salary in the corporate world and this is where I should be. Failing to realise that plan becomes a pain because you have expectations ... because personally I am a very driven person, so if you fail to meet your personal targets, then it becomes an issue. (3A MBMS 12:440)*

Although he admits to this failure, Byron finds it difficult to concede that CallServ should be shut down. Instead, he refers to his own determination and his faith that at some time in future the business will flourish.

*So there is commitment and I think some levels ... as an entrepreneur you need that insanity, it is necessary to proceed, because no one actually believes in what you believe and it is more about faith now to me, it is faith. (3D MBMS 15:543)*

For Byron and Cynthia, their faith in the eventual success of the business and in each other is reinforced and supported by their religious faith, which they believe has been an important factor in helping them maintain their levels of commitment to developing the business.

*Being religious and being a Christian has helped, because you realise that entrepreneurship is hard but you are not expected to suffer. So if things get difficult we have gotten to a point where you have peace because of the peace that God actually puts in your heart, and that expectation that things are actually going to change, and you can see the signs. (3C MBMS 17:539)*

Byron has clearly been severely challenged by the stress of the past three years, to the extent that it has alienated him from family and friends.

*The worst thing is you breathe, eat and sleep your business, you are always thinking about your business and that is probably the worst thing because you don't switch off. I have friends who work for big companies and tell them, but no it is weekend, we are playing soccer and what about that? (3D MBMS 22:790)*

However, both Byron and Cynthia believe that despite all their difficulties, they have experienced enormous personal growth which has permanently transformed them from employees to entrepreneurs.

*You grow, even the way you plan, the way you interact with other people, the way you look at situations. Even when you read a newspaper and you read that people say there is going to be a short supply of sugar, I don't see it as a problem, I see it as an opportunity. (3C MBMS 8:241)*

## CHAPTER 7. CASE SUMMARY: HANS

Hans, a 37-year-old white male of German extraction, is a self-taught agriculturalist who has previously initiated and failed in three different agri-business enterprises. The fourth business, Orgoli, was started four years ago when Hans established a contract system with a variety of farmers around South Africa to grow crops for their essential oils.

This chapter summarises transcripts 4A-4D, which appear in appendix G to this document. Analysis of Hansqcase appears in chapter 15.

### 7.1. Personal context

Hans is thin, of average height with dark hair and pale freckled skin. He is highly energetic, continuously on the move, even during the interviews. His rapid-fire, continuous chatter ranges widely and enthusiastically from subject to subject, revealing a great sense of humour.

#### 7.1.1. Key characteristics

Hans never stops moving, never stops thinking, hardly stops talking. Much of his energy is directed at solving problems directly related to the business, but he also concerns himself with a wide variety of social and technical problems, often approaching them in innovative ways.

*The other day I took a little bit of tyres and chopped tyres up and put them in the pressure cooker and got some things and I made diesel from tyres in a small way. Because I thought where do we have abundant carbon that's lying around doing nothing? How can we use these tyres to do that? It works. I put it in the bakkie and the bakkie ran on it. (4A MWME 13:442)*

Hans partly excuses his habitually distracted behaviour by referring to it as an essential feature of entrepreneurship. The entrepreneur must, out of necessity, involve himself in all manner of activities daily.

*Sometimes I have to sit and do a business plan for somebody and I do that; and then I have to run outside and make sure the guy mows the lawn the right way because while I'm writing I had heard that he's taken four hours and it*

*should take one hour. Go out and find out what the problem is. Then a farmer phones for something or then the deliveries have to be made. So you jump around a lot, ja. (4A MWME 32 1136)*

However, he also wryly acknowledges that this behaviour is a function of his own desire to control as much as he can, and particularly to oversee the work of others in the business.

*It took me a long time – really, really long time to actually face the fact that I'm an alpha male (chuckling). It really took me a long time because I thought [that] I'm a peaceful kind of guy but actually I am very dominant and I really try to control many things. It was really difficult for me to accept that. (4D MWME 12:417)*

Hans is aware that this desire for control, coupled with his diverse interests, could be a threat to the effective functioning of the business.

*I have 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)*

Sunny, his partner at work and at home, agrees that his enthusiasm sometimes leads him astray, and this makes others skeptical of his ideas.

*I think that it would be over enthusiasm, if there is such a thing, because it sometimes works to his disadvantage. Because I've noticed with some of his friends, they'll be in a conversation and then Hans will say something and they'll sort of be "whoa, don't get too excited" or "we didn't think of it that way". (4B MWME 14:470)*

Sunny observes that it is often her role to point out the possible long-term disadvantages of a new initiative, as Hans may be blinded to the downside.

*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)*

Hans is seldom easy to convince once he has set his heart on something, so Sunny has had to learn several strategies to deflect his impulses until he can see a more rational point of view.

*And it helps sometimes that we sort of delay things and then he sees reason and sometimes he changes his mind. The more I tell him "no", the more he'll try and convince me. So when he says "we need to buy an aeroplane," I said "okay, fine. How many seats would you like?" And then after some time he'll*

*come back and say “no, an aeroplane isn’t the right way to go”. (4B MWME 17:582)*

Hans’s enthusiasms regularly fail to achieve what he intended them to, but he is seldom fazed by failure, rather regarding each initiative as an opportunity for learning, whether or not it succeeds.

*I say “how the hell do I make sure –” because anyone can have a failure, anyone can make a mistake but if you make it twice, you’re an idiot. So that’s my motto. I try and say it’s fine, you make a stuff-up, we all do ... now how do we make sure that doesn’t happen again? If you do it two or three times in a row, no then it’s a problem. And I’m hard on myself, so I really make sure that I don’t do that. (4D MWME 18:616)*

In this context it is sometimes difficult to imagine what Hans’s motivation might be. His mother argues that her son is more of a social entrepreneur, trying to better the lives of others, and that financial gain has very little meaning for him.

*Well, I don’t think money plays a role. Hans is very giving. He has always been very – I call it philanthropic. He helps everybody. If somebody wanted something, immediately he would do it. He would give it away; he would give everything away. He didn’t mind. He didn’t place any value on things. (4C MWME 8:275)*

Hans himself refers to the challenges he faces as fun. He clearly enjoys the research, analysis and experimentation involved in solving every problem. Learning itself is his pleasure and his motivation.

*Fun is something that’s a challenge. 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, how to do the foundations right. So then I go the Concrete Institute – which I did, “how do you learn to do concrete?” Then I learned how to make bricks. I bought the brick-making machine, made [my] own bricks. What do you put into them? How do you make them stronger? That’s what I love doing. It’s the quest for knowledge, that’s what makes it fun. (4D MWME 2:45)*

Hans notes that entrepreneurship is not easy, particularly because events that affect the new venture are usually difficult to predict or control. As a result, Hans believes the entrepreneur requires a spiritual dimension to be part of the process.

*I think that if you’re a farmer and an entrepreneur, which sometimes is the same thing but not always, I think there is a difference – 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 5:160)*

### 7.1.2. Education

Hans's level of formal education was limited to completing high school. The main reason for this was a series of learning difficulties which included dyslexia and attention deficit disorder, both diagnosed at around age 10, according to his mother. Once diagnosed, Hans was moved to a special school, where an intense learning programme helped him overcome his difficulties enough to rejoin mainstream education.

*We had him at several psychologists to find out. One actually said "he will never amount to anything". And of course this put oomph into him, "I'll show her". It was not as though he was resigned to the fact. So anyhow, then he went to a school where he got special tuition and they were fantastic. Every cent spent there was well worth it because he came out tops. And then he could go to an ordinary school. (4C MWME 2:68)*

These difficulties contributed to low academic self-esteem that seems to have been manifest throughout his early school career and created some uncomfortable memories.

*I remember the first public speaking I ever did in front of the school. I stood up there and I was supposed to do a speech and I just went blank. And I stood up in front of the whole school. Eventually I said "guys, does anyone know what it's like to stand here and look at all of you guys". Then everyone laughed and then – well then suddenly I was able to do say a couple of percent but I felt so bad about it. (4A MWME 35:1246)*

Hans vehemently believes he has not needed tertiary education to be a successful entrepreneur, ironically because his secondary education was sufficient. Hans argues that his relative lack of formal education is actually an advantage because it means he has no preconceived ideas about the right and wrong ways of doing things, and this in turn allows him to think laterally and be more innovative.

*Most of the chemists, the analytical chemists on the planet have gone through the university, so they think according to a certain line. And I haven't done that, so I often think of things that are completely different to what they think. And I have some people that I work together with at the University of Johannesburg and I'll often phone up the guy and say "hey I've thought of this" and he's like "no-one has ever, you can't do that". (4A MWME 12:401)*

Hans is clearly exceptionally confident of his own abilities, despite, or perhaps because of, his early learning difficulties. His mother observes that overcoming

these earlier difficulties may well have resulted in a belief that he was capable of anything.

*He was very confident from the beginning. He knew that he could do it, he never had doubts. And of course we supported him and we never made him feel that he was any different to anybody else. For instance, with his dyslexia or with his scoliosis, it was just one of those things, that's the way it is on earth, you have to learn to cope with it. It's a challenge, do something about it. I think that's where it comes from. He's very confident. (4C MWME 15:523)*

### **7.1.3. Work experience**

Hans's work experience has centred on a series of entrepreneurial ventures, almost all in the agricultural sector. His first business was beekeeping, an enterprise developed from a hobby Hans shared with his father, and which lasted throughout his late teens and early twenties.

*I've never been anything else and it's in my blood. I mean other people on a Saturday night – and you know I used to do this, I used to stand in a nightclub when I was still night clubbing and see those beautiful lights and everything, and I used to say "wow, how can I make my bees more productive." (4D MWME 1:30)*

The beekeeping business was growing steadily until the industry in South Africa was devastated by disease which afflicted all bees in the interior and forced all hives to be destroyed.

At this point, Hans took on his first and last position as an employee. He worked for the Food and Agricultural Organisation of the United Nations in several African countries, and learned a great deal about farming in the process. The job also allowed him to trade in various ways and accumulate substantial savings.

*So I bought bulldozers outside Secunda for – I don't know what I paid, R35 000 – and then had them reconditioned for, I think it was for another R40000. And then repainted them, looked nice and everything, and then sold them for 15% under the new market price in Uganda to the UN. And I made a fortune out of them; I think I made \$60 000 a bulldozer. (4A MWME 16:560)*

As soon as he had accumulated sufficient money, he returned to South Africa, purchased land and started his second enterprise farming vegetables for the retail market. This enterprise failed when the groundwater he depended on for irrigation ran dry.

*I started off with round about a million rand in 1994. I bought the farm. I put everything into it and four years later, my water ran out and I had a huge overdraft; and I discovered this is not the way to do farming, there's a problem. (4A MWME 2:62)*

A brief attempt at a transport business funded by his parents reportedly also ended in disaster after a number of trucks were stolen. It would appear that Hans has learned a great deal from these experiences, not least that he no longer needs to be afraid of failure, says Sunny.

*A lot of people are driven by the fear of failure, the fear of that. He was telling me that he's gone bankrupt, he's been divorced, he's done it all; and he doesn't want to do something because of a fear now. He wants to do it for the success. And I'd say he's really driven by success and love for what he does. (4C MWME 17:595)*

## **7.2. Family and social context**

Hans has a sister who lives in England and he remains close to his mother and father, both of whom have been directly involved in his businesses at one time or another. Hans was divorced three years ago and now lives with Sunny, his business and romantic partner.

### **7.2.1. Childhood and parental influences**

Hans grew up in a house full of books, and comes from a family where conversation and debate were actively encouraged, along with learning, according to his mother.

*You know, he grew up in a house where we read a lot. We always had lots of good magazines, not just the trashy stuff, we never had that. So he grew up with that. He had his own little library – both children. I encouraged them to read because this is my passion. (4C MWME 16:560)*

At the age of 12, Hans was diagnosed with scoliosis, or curvature of the spine, which meant he had to give up his sporting interests, wear a brace and was often in considerable pain. His mother believes this was one reason why he did not want to go to university.

*So this was another challenge for him. And he couldn't sit long, that was one reason why he didn't want to go to university. He just couldn't sit long. He got restless and also the fact that he was hyperactive all his life, from the moment he was born. No, very, very hyperactive. And that is why he couldn't sit. (4C MWME 7:233)*

Hans barely mentions these childhood difficulties. He is firmly of the opinion that his destiny was always to both be farmer and entrepreneur. In this regard, he believes he has been following in the footsteps of generations of like-minded relatives.

*And in our family the weird thing is since 16-something we have always had – the one son does agriculture, the father was an academic. By academic I mean someone who studied like a doctor, a lawyer, that kind of thing. His son would then become a farmer and then the next one would do that. (4A MWME 2:45)*

### **7.2.2. Family support**

It is clear that Hans has received generous support from his family in all his endeavours. From a young age, his parents were encouraging and enthusiastic and provided emotional and financial support whenever he needed it.

*I do think I got a lot of push and shove from my parents in that way. And I think a lot of the fact that my dad believed in me and I was able to. He could have very well, at the age of 18, said to me "you have to pay so much rent. If you can't pay the rent, get out". He never did, ever. (4D MWME 32:1118)*

Hans is today firmly in charge of what may have started out being a family business, with his parents having invested a great deal of their retirement money into their son's various ventures. According to his mother, she no longer actively works in the business, although his father, a banker, is directly involved in managing the financial and administrative functions.

*No, we just put the money. It started off as a family business but my husband is just assisting him now. I've withdrawn. I did the books for years until I just gave up; I was too busy with my own things. I said "no, look find somebody else to do the books". I actually went to – did a bookkeeping course at the college for three years to do it, so that I could prove that I can do his books. (4C MWME 5:175)*

His father is reportedly a powerful and domineering personality, and although this did not adversely affect Hans growing up, the two often disagree about business issues. These arguments can be fierce but Hans is reportedly able to manage his own responses, says his mother.

*And with his fights with his dad, they get really intense but he is able to go back to his dad and say "I am so sorry. This is the way that I wanted you to look at things; and this is the way that I see it in your perspective and I understand. Let's work this out". (4B MWME 16:559)*

Sunny is Hans's business and romantic partner, which created some difficulties early in the relationship, particularly because the two did not draw a distinction between home and work life.

*At first it was hard because we'd have a disagreement on the farm and then just carried on at home. But now we just sit down and say "well whatever happens on the farm, stays on the farm. And if we have to take it home, we'll say from five until six we'll talk about it and after that no more of it". Or we'll talk about on the way home, then when we get home it's like "oh we forgot to wash the dishes, oh this and that". And that has worked so much better. (4B MWME 11:372)*

Sunny has slowly but surely learned about all aspects of the business. Hans travels a great deal and, according to Sunny, she plays an important support role in terms of running the business while he is away.

*I think it's been relieving to have an extra person in the business who sees his point of view; who understands what needs to be done and how it needs to be done; and knowing that he can be in George planting with another farmer and know that everything works well on the farm; and that if decisions need to be taken, it'll be what's best for the business and what will bring better quality and good return on investment in the long run. (4B MWME 19:646)*

Although she is younger and less experienced than Hans, she supports him by acting as a sounding board for new ideas, contributing to decision-making and trying to calm him when he is feeling stressed.

*And also, when there's a problem in the business when we don't have money, Hans sometimes panics and with that I panic, then we get really aggressive with each other. And I've learned over the time that sometimes I just have to remain calm. (4B MWME 11:383)*

### **7.2.3. Social and business relationships**

Hans is strongly drawn to other people, his enthusiasm and sense of humour making him an attractive friend and colleague, although his honesty sometimes seems too direct and therefore alienating, according to Sunny.

*He understands other people very well. And he tries to – I mean over the years, he has calmed down quite a lot, even though he's still quite radical for certain people. And he tries to give out the advice that a true friend would, even though he doesn't know the person. And some people get too scared of that and run away or some become closer friends. And he just tells it like it is. (4B MWME 13:459)*

This directness could be interpreted as dogmatism by some, for when Hans has made up his mind about something, it is not easy to change it. Sunny believes this usually commands respect from others.

*I've also seen that because when you are comfortable with what you are doing, people respect it and they back off from convincing you otherwise, even though they know that they're convincing you to do what is wrong and what is not working for them. They will respect you if you just stick to your guns. (4B MWME 15:535)*

In spite of his openness, Hans has a soft heart when it comes to listening to the problems of others and offering help and support, both practical and emotional:

*Hans is, I think, one of the very few people I know that will cry when he sees other people crying. But not just cry about a broken nail or something but seeing that person is in pain and they really need help and support, he will just support them and help them in any way that he can. (4B MWME 16:556)*

This combination of toughness and kindness is particularly evident in Hans's relationships with his employees. He describes at length how uneducated and unskilled staff can be difficult to manage because they need to work within a structure of clear instruction and close supervision. Hans nevertheless finds time to be friendly.

*They love him. He teases them. He jokes with them but also when it's time to get a bit serious, they know that he can be very tough. If I yell at them, they know that it's kind of okay. If Hans yells at them, phew they almost run out the gate because they know that by the time he needs to yell, the problem has just escalated more than it needed to. (4B MWME 8:280)*

Perhaps the most significant relationships Hans has are with farmers who grow crops on a contract basis for Orgoli. These relationships can also be complex because the farmers are both customers and suppliers and difficult because they must generally be managed at a distance. Hans regularly travels to visit them.

*So when he gets there, they talk until all hours of the night, having their favourite drink – brandy and Coke, lunch, dinner, breakfast. And he'll come back complaining and you'll see the stress in his face. And he'll leave them happy because they have a friend there who's making them money. (4B MWME 9:289)*

The relatively concentrated structure of the global essential oils industry means that suppliers, buyers and intermediaries are generally well known to each other and this means that good relationship management can make a significant difference to the business. In particular, Hans has worked hard to develop good relationships with the major South African trading house.

*And before that it was sort of "ja, Hans is the farmer, we'll buy the essential oils from him and that'll be it". But now, Morton's sort of tells him "listen Hans, I've got a buyer who wants 50 kilos of this. How long will it take to produce? Before it was "Hans, what do you have? I'll buy it, maybe, maybe I won't". But now he actually says "I need this, will you be able to deliver?" (4B MWME 9:297)*

Hans has established an important mentoring relationship with Henry, the person he reported to in his UN job. Henry is older and much more experienced than Hans, acting not only as an advisor, but also as expert leverage in managing his relationships with farmers.

*I look a lot younger than I am, sometimes they don't take me for the knowledge that I might or might not have. If I have a guy like Henry – Henry's CV is as thick as a Bible and the guy has so much knowledge – if I take him with, well then people listen. He really knows his stuff. (4A MWME 13:442)*

Henry also provides useful feedback on Hans's strategy, operations and personal development. The longevity of the relationship, together with his respect for Henry, means that Hans is more likely to take account of this advice than that offered by almost anyone else.

*We've really worked together closely now. He taught me a helluva lot as a kid. Actually it was really nice. Many people give me compliments and everything and it's kind of like "ja, ja, ja". But there's certain people that I really respect and if they say something then it's like "wow". Then my ears prick up and then I listen. (4D MWME 13:434)*

### **7.3. Business and organisational context**

Orgoli was started four years ago when Hans established a contract system with a variety of farmers around South Africa to grow essential oil-producing crops. These farmers pay Orgoli a fee and in return receive seed and ongoing advice about planting and maintaining the essential oil crop. Orgoli undertakes to harvest the crop and to extract the essential oil using a proprietary process before selling it to an agent. Hans also sells the machine he designed and built to extract the oils. In addition, Hans and his partner, Sunny, have developed a range of toiletries that use the oils as a key ingredient and they sell these through a network of independent sales agents to the township market. The business currently turns over R1.5 million and employs seven permanent and eight seasonal staff, most of whom are relatively unskilled agricultural workers.

### 7.3.1. *Inspiration and preparation*

The failure of the vegetable-growing business created a personal crisis for Hans. For three months, he reflected on his past experiences and began to consider what might be next. This deep contemplation resulted in something of a spiritual revelation.

*And then at some point I said okay what would happen if an angel came through that window now and said “Hans, I have the perfect farming system”. I said “okay angel, now you tell me”. (4A MWME 3:77)*

This spiritual awakening was reinforced when Hans met a clairvoyant who suggested that his newly developed agricultural system should be used to produce essential oils.

*She was very religious and she used something like the fruit of the Lord, or something like that – and that was the smell of myrrh and frankincense that they brought to Jesus when he was born. So there's all these kinds of things in all religious cultures, the smells and the essences that go with it. She said “this is what you've got to do, that's your job”. (4A MWME 4:110)*

### 7.3.2. *Opportunity search and evaluation*

With at least three of the four businesses Hans has started, a pattern of opportunity search and evaluation has been established. The serendipitous discovery of opportunity has been followed by an extensive period of research and evaluation. This first began when, as a teenager, Hans started the beekeeping business.

*All of a sudden started being very interested in beekeeping and he devoured every book. We've got a big library on beekeeping and he really did it – an in-depth study and ... Because my husband had bees. It was almost like a pet hobby. He built it up until he had an enormous lot; I think 300 hives which every hive was built here. (4C MWME 3:101)*

Hans began to research the essential oils agribusiness and quickly discovered it represented an attractive, high-value export opportunity with little in the way of domestic competition, particularly if plants could be grown and oils extracted domestically.

*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)*

His internet-based research did not yield enough information about how the extraction process functioned, so Hans travelled extensively to determine how the industry worked in other parts of the world.

*It became more and more exciting. And well, I think there are so many things that can be done. In the meantime we've been offered so many other kinds of things which is why when I started this off, I said "we're in the extractive business". (4A MWME 6:194)*

Although information was not readily available, Hans recognised the attractiveness of the opportunity, and set about finding a way to operationalise an essential oils business.

### **7.3.3. Start-up decision and sequence of events**

Hans designed a production system using contract farmers to grow the crops, thus minimising the capital costs he would incur. But he still needed to fund the purchase of extractive equipment, at a time when he was extensively indebted as a result of the failure of the vegetable business. Again, Hans believed serendipity played a role.

*And that happened when I was so broke I had nothing and it was one of those things where – I don't know how it works. 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 (chuckling). (4A MWME 20:708)*

Hans had inherited money from a virtual stranger, and he used it to buy his first extractive machine for R100 000. The aim is for each farmer that Orgoli services to have an on-site extraction machine, so following the purchase of this initial machine, Hans designed his own extraction machine and has them built by several different contractors at a cost of R50 000.

*So what I've done is I've created this network of these people. And the one guy does this special kind of welding for me. One guy does this and one guy does that. And they're all sitting in their backyards, old and young guys – they're all 55 and over – and they don't have anything to do except drive their wives mad. So by me giving them this kind of job, they build a lot of the equipment that I can then put together. (4A MWME 14:483)*



The implementation of the perfectq farming system has not been without problems, with some contract farmers functioning better than others, which Hans attributes to personality differences.

*We've probably had maybe 200 or 300 farmers that we've worked with and we've only got 42 guys now that have stuck with us because it's a personality thing. We've got to be able to gel with them and it's a trust issue and with a lot of guys it's very difficult. But once we've clicked and we're over this kind of thing, we're as thick as thieves. (4A MWME 10:348)*

Marketing essential oils can also be problematic, as buyers generally buy to a specific quality standard that may be difficult to achieve in any given season. Following the failure of a particular crop, Hans began to explore ways of using the essential oils as an ingredient in Orgoliq's own cosmetic products.

*We had so many essential oils stacked away, stuff that we'd bought from farmers, paid them but couldn't sell it or hadn't sold it. So we thought "let's start out our cosmetic range". At that time we'd only started up the wormwood rub and we sold that very well. And we thought "well why not carry on". (4B MWME 4:134)*

Once they had formulated a product or two, Hans and Sunny began to sell the product directly to consumers at taxi ranks and train stations.

*It taught me so much just sitting in my car with a product that no-one knows, standing at a taxi rank. First of all there's the colour barrier, I'm the only wit oke at Park Station in Jo'burg, jumping out and saying "okay here I sell this product, I make it. Put it on your nose. It'll work". (4A MWME 19:652)*

As demand for the product increased, Hans and Sunny began to establish a network of sales representatives that sell product directly to consumers in the townships. They believe that this grass-rootsqcosmetics business has significant potential. More importantly, perhaps, it helps offset the cash-flow risk associated with farming, a risk that has sometimes left the partners in a difficult financial position.

*It would happen that we'd have R200 left in the bank account. We had to buy petrol with that, there was water and lights, the cars had to be paid, everything had to be paid. How we survived, I don't know – or we'd take the last R200 and put a classified ad in The Star or in some newspaper, saying [that] we're looking for reps, this is what they do, this is what they do. So many people called in. We got so many reps from that and we'd find that there's someone paying in R100 a day all the time. (4B MWME 4:140)*

Hans is aware that financial pressures have in the past caused him to take on a variety of different projects to support business and domestic cash flow. However,

he has begun to see that this activity diverts attention and energy from the core business in a way that is ultimately destructive.

*Someone called me up a short while ago – two years ago-- and said “would you build me a factory for” – I don’t know – “R9 million”. So I said “no, I’m not going to” because I think that would take us into a direction that’s not necessary because we’ve invested so much money and knowledge into what we’re doing, that I think if we took something else now that would all be wasted. (4A MWME 22:785)*

Hans’s most recent initiative is to begin cultivating essential oil plants himself, as a forward integration strategy to capture some of the profits currently being made by contract farmers, but also to establish a model farm that can be used for research and to showcase the system.

*It’s purely a credibility problem. If I was able to take all my farmers or the new guys and the corporate guys, to one piece of land – there’s our piece of land, that’s what it looks like. Here you can see what we’ve harvested from it, it will work. That’s the big thing because you can also use that to increase the sales and everything. (4A MWME 23:794)*

#### **7.3.4. Resourcing the business**

Rather than having to fund crop cultivation himself, Hans was able to persuade other farmers to do so. The relationships with the farmers have therefore become a critical resource for the business, and Hans works hard to maintain them.

His partnership with Sunny is also an important resource, since it provides a BEE partner and support system simultaneously. They have divided the tasks associated with different aspects of the business according to their different skills and talents.

*So I deal with the farm stuff and the running of the cosmetics – the ordering, the packaging, the labelling and the sending it out, the essential oils orders, the importing of the seed. And Hans deals with the farmers. (4B MWME 7:221)*

In his determination to make every business resource function as effectively as possible, Hans has designed and implemented a detailed work process system for all employees, to the extent that even the most unskilled labourer is paid for performance.

*We pay per unit. So if you do that, that’s what you get paid for it. One unit of work is so much. The cleaning lady when she cleans the windows, that*

*window is R2 and that window is R5, and the floor is so much. The whole system we've got. So people work according to that system. It's easy for me to check, because there's a form to do it. And there's a monetary value attached, we can just dump in that computer and get the exact pay at the end of the week. That's how we work. (4A MWME 7:223)*

Hans makes every effort to ensure that all purchases are thoroughly researched prior to making the decision so that he can achieve the best possible value for money.

*I'm informed, I'm not impulsive. That's very important. I always find out where I can do the best things, best deals, all that kind of stuff. And the one thing I know is that I'm too poor to buy cheap things. So I always make sure that I buy the best quality for the money that's available. (4A MWME 15:525)*

### **7.3.5. Managing risk**

Perhaps as a result of his prior experience, Hans seems particularly sensitive to risk. For example, he sees the management process he has developed as a mechanism for managing risk, in that performance-based pay helps to ensure employees share in the entrepreneurial risk.

*I'm not going to have staff anymore. I'm going to have people who want to share the risk with me. So in other words, when we pick you get paid so much per kilo, when we cook out you get paid so much per kilo of oil that comes out. If nothing comes out, you don't get paid. You know that's it, end of story. (4A MWME 7:236)*

Hans believes that his own skills and personality probably pose the most significant risk to the sustainability of the business. He acknowledges his strength is innovation and his weakness is management, and that for the business to grow requires an operations professional that would release him from having to perform routine tasks.

*I have to build the company to a point where we have enough capital and enough cash flow to be able to employ someone who can do that. And then realise that I should stay on the creative side and have wonderful ideas. And some of them will work and some of them won't; then have someone ... that can manage the day-to-day affairs of the business and handle those things because I don't really want to do that. (4A MWME 28:988)*

### **7.3.6. Exit strategy**

When asked to describe his exit strategy, Hans laughingly replied, "Death." He cannot imagine any other kind of situation that might cause him to voluntarily exit

from the business. However, Hans has a clear view of what he would like the business to achieve in future on all fronts.

For the cultivation business, Hans envisages a group of farmers growing and extracting their own essential oils independently, paying a license fee to Orgoli for the use of the technology and for marketing.

*Train the guys up over a three-year period; get them to grow the stuff properly, so that we don't have to ever go there anymore. We can put the extraction machines on, eventually for their 70% – because you put the machines on their property, they can do everything and we can collect the oil and get 30% from that. (4A MWME 13:460)*

For the extraction business, Hans is seeking to dramatically improve the technology he uses to extract the oils, both in terms of environmental friendliness and efficiency.

*I'd like to produce the best extraction technology in the world market with innovative, environmentally sustainable techniques. I'd like to produce the best quality organic oils through genetic breeding, through all those things. I'd like to produce the healthiest products that give the best quality results. (4A MWME 28:1002)*

In the short term, Orgoli cosmetics would become less of a hobbyist business and would build a full-time sales force to increase the market penetration and sales volumes the business is currently achieving.

*If I had R200 000, a guy could dedicate to employing a proper marketing manager that would take care of all the reps, phone them, make sure everything goes – and actually grow the business, go with them in their areas and make sure that – for instance, we've only got two reps in Soweto. You know with the products we've got, these reps probably sell enough to keep them completely occupied. (4A MWME 15:530)*

Despite recognising that the business is under-capitalised, the thought of selling equity in the business is not appealing to Hans, who believes it would be like surrendering a part of himself.

*I would never sell a share in the business. 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. I think that's the most important thing. (4A MWME 17:581)*

## 7.4. Macro-environment and competitive context

Hans seems sensitive to environmental conditions and their possible impact on the business, at both the macro and competitive levels.

### 7.4.1. Macro-environmental conditions

Hans is profoundly aware of the impact of the physical environment on the development of his business. The agricultural component of the business is wholly dependent on the vagaries of weather and the presence or absence of physical infrastructure such as water and electricity

*And the trick is, is the things you can control you have to do right because that's the difference between a good and a bad farmer. Because when you have thunderstorms, droughts, whatever, floods, they happen to everybody, they're very rarely selective. So a good farmer is the person that can take the bad or the good situation and within the things that are in his or her control, make a difference. (4D MWME 4:122)*

Technological developments also have the potential to affect the business, especially extraction technologies. The global social trend towards organic produce and overall environmental sensitivity is also recognised as being potentially significant for Orgoli.

### 7.4.2. Competitive environment

Orgoli's business model is relatively complex because it involves dealing with the needs of a variety of stakeholders, including contract farmers, commodity traders, consumers, and even competitors for scarce resources like water.

*I had to stop farming because my neighbour took my water. That was the main reason why I had to stop vegetable farming because he sunk a borehole that was deeper than mine. Mine averaged between 60 and 90 and he sunk one at a 110, and then all the water obviously goes to the lowest common denominator. (4A MWME 11:367)*

As noted, interacting with farmers can be problematic, in part because of the arms-length relationship, in part because they are simultaneously supplier and customer for Orgoli.

*And at that stage he was having a lot of problems with farmers because – not the farming side of it – but the way the farmers were that they don't care what crop needs to be planted; they just look at the financial and say "well here's*

*money; if this doesn't work, there's going to be real trouble". Then they don't do anything on their side to make it work. (4B MWME 2:43)*

Dealing with essential oil traders, who act as middlemen between producers and the large multinational cosmetic and food houses that use the product, can also be difficult.

*Funnily enough, I've got about 20 litres which is out of spec which nobody wanted to buy. And yesterday, Friday, I got an e-mail from Arnie saying "ah did you know the stuff we rejected three weeks ago, how about letting it slide in our direction". Okay now the negotiation starts, what are you going to pay for it? (4A MWME 23:810)*

However, it does not appear as if Hans and Sunny believe there are sizeable direct competitors for Orgoli.

*A lot of people have got one or two hectares here and there and they do everything themselves – which is buying the seedlings and then growing it themselves – and they'd organise with the buyer, like Arnie in Johannesburg, to get Hans or someone else to extract for them. And other farmers only do the extraction for other farmers and sometimes it works, sometimes it doesn't. (4B MWME 4:110)*

## **7.5. Describing the experience**

Hans's enthusiasm for the entrepreneurial experience was evident throughout the interviews. Although he describes it as challenging, he can hardly imagine himself doing anything else. Hans recognises that, in future, Orgoli must become more efficient and effective at managing its human and financial resources in preparation for the rapid growth anticipated over the next three years.

### **7.5.1. Business challenges and opportunities**

The most significant business challenge facing Orgoli is, Hans believes, gaining access to sufficient resources to enable the business to develop on three fronts, namely cultivation, extraction and the cosmetics businesses. In particular, the funding and construction of extraction machines for each contract farmer poses a significant financial hurdle.

*To build a machine like that costs R50 000 to R60 000 on each farm. So what Sunny and I have to do is, we have to just take all of the money – and the farmer pays us R170 000 – we need to keep our running expenses going and*

*we need to put that machine on each farmer's land. So it takes time to get there. (4A MWME 14:495)*

One of the consequences of this is that Sunny and Hans are continuously moving their attention from one business to another, substituting their own energy for access to the right human and financial resources.

*I think Sunny and I need to get a lot more organised with our daily work, we fuff around too much with the wrong kind of things. The fact that she doesn't have a car and the two of us yodel off together wherever we go is a real big concern. If she was independent, I can go to the office do what I do. When I'm finished I can go home. Now I've got to wait for her to finish if she still works longer. (4A MWME 23:816)*

Hans notes that to survive, entrepreneurs are sometimes forced to operate in a manner which might not always be entirely above board.

*And sometimes you have to put your VAT return in late and use the money, or write an invoice without a VAT thing on because that 14% is really the difference between paying the overheads and that 14% is just your food – and those kinds of things. And sometimes you have to be sneaky. (4A MWME 34:1195)*

### **7.5.2. Personal challenges and opportunities**

Hans describes his passion for the industry he has selected and for the entrepreneurial process he has repeatedly experienced in such a way that it sometimes seems he is having fun, rather than working.

*Isn't it wonderful that we're able to produce those products, and isn't it wonderful that we're a part of something beautiful, that we're able to – through the sense and the smells we make – enrich other people's lives? And I'm doing something I love; I love farming. (4D MWME 4:130)*

However, Hans will admit that the entrepreneurial process is as challenging as it is enjoyable, and that this difficulty is very often experienced as internal and emotional, not merely external and resource based.

*I think that that's the one thing that no one ever talks about when you really, really start off a business – is that hardship and that difficulty that mentally you go through. I think another very important thing is I have very little fear now about very few things. (4A MWME 34:1216)*

Hans believes that his ability to persist in the face of internal fears, external difficulties and social discouragement has proved the most important feature of his entrepreneurial experience.

*Persistence is the most important thing. There were so many times that my family came to me and my friends and everybody and said "Hans, can't you just get a job. Go and make money and that's it". Because there were times when I was really poor, so that I had to lend money from everybody just keep the boat afloat and all those kind of things; and I just carried on. (4D MWME 31:1091)*

Despite these challenges, Hans does not believe they outweigh the pleasures of entrepreneurship, to the extent that he claims he has not experienced stress as an integral part of new venture creation.

*I don't really have a lot of stress. Even in the times when we have absolutely no money, I wasn't really stressed out. In actual fact I think the potential [for] stress is greater now than it has been for a long time, simply because we've got this money and we've got to pay it back. So we've got to make sure that things work properly because we're no longer accountable to just ourselves. (4D MWME 11:380)*

## CHAPTER 8. CASE SUMMARY: MARGARET

Margaret is a 38-year-old black female with an honours degree in mathematics and an MBA. A little over a year ago, Margaret resigned from her position as a senior manager in one of the country's largest banking groups to set up her first business, Bluebird Consulting. She provides consulting services in credit risk management to a broad spectrum of financial service and retail businesses.

This chapter summarises transcripts 5A-5D, which appear in appendix G to this document. Analysis of Margaret's case appears in chapter 16.

### 8.1. Personal context

Margaret is small and compact in build, but her demeanour conveys quiet strength and dignity. She speaks clearly and thoughtfully, but with great passion about her business and its potential for success.

#### 8.1.1. Key characteristics

Margaret is organised. She plans carefully and in detail, and then carries out her plans with precision and focus. This characteristic is manifest in both her personal and business life and she finds it difficult to understand why others are not always as disciplined.

*And even with that, even in how I conduct my life, I mean things like time, planning, are very important to me, I mean I, that's why even I sometimes I, when somebody says to me I'll see you at one, one means one. You know what I'm saying? And I've had, I thought, those things I feel sometimes when people don't adhere to them and they are not apologetic or phone or anything, I just feel that it is lack of respect, for me, sometimes. (5D MBFS 17:642)*

Margaret acknowledges that her need for control is powerful, and sometimes makes others uncomfortable. However, she believes that planning and organising her work makes her more efficient and effective, and are therefore characteristics worth retaining.

*I would rather not leave them to the 11th hour, so I am like that, I think I am sometimes too organised, and I can see other people get uncomfortable because it's like, I organise every little thing, I mean, and so in terms of things that I've got control of, I try not to let that frustrate me. (5D MBFS 4:116)*

Margaret makes decisions carefully, first ensuring she has as much data as possible and then talking to others to gather inputs to the decision-making process. She admits that sometimes she is too analytical.

*I do analyse, I look at the pros and cons, and I take my time and all that, and I think sometimes I analyse too much, I mean, analyse too much and maybe I could have taken other decisions in the past in my life and whatever. (5D MBFS 17:625)*

Margaret recognises that her drive for excellence sometimes creates significant stress for her, and makes her less than tolerant, especially when it comes to dealing with other members of the team.

*Sometimes when I am too stressed, I can be ... I am a very impatient person, when I do things, you know I am very fast and I choose them then sometimes when I work with people who are like slow, they are not moving, I get very stressed, but you know what, at the end of the day I'll pick up the phone and I'll call them, and say I want this, like this, you know that's how I operate, and if they don't give it to me by then, then I will call again. So I always make sure that I don't leave things in the air, because then that threatens me. (5D MBFS 4:136)*

Although she feels the stress internally, Margaret seldom loses control, but maintains a calm and rational façade according to Colette, a work colleague.

*She does stay quite level-headed and even though maybe she just doesn't show it to me either, maybe inside, you know, she's boiling, I don't know. But I've never seen her losing it completely. I have seen her getting angry and worked up and whatever, but she would, you know, manage that and she would just keep it to herself. (5B MBFS 6:214)*

Although she is fairly introverted, and reportedly keeps a tight rein on her emotions at work, Colette describes Margaret as assertive in her dealings with others.

*She's very professional as well. She wouldn't let some personal stuff, you know, upset her or even if it does, she wouldn't necessarily show it, so I think she's quite assertive, you know, to that degree that she will say what needs to be said, but in a very professional sort of manner. (5B MBFS 5:162)*

As a result of her personal characteristics, Margaret believes she has developed a reputation as a demanding manager, although she herself claims to find it difficult to work in a highly structured environment.

*Some people say that I'm a little bit of a strict person, but at the same time I don't like to be in an environment where this is when people come in and this is when they leave. Obviously at the same time, being in an office you can't be flexible and rock up at 9ish or when you feel like it. Even me, if I was the boss, I would want me to rock up at a particular time. I want to be very, very flexible. (5A MBFS 15:471)*

This also suggests Margaret has a relatively high need for autonomy, to the extent that she regards herself as something of a non-conformist, both in work and social contexts. Certainly she pays scant attention to what others think of her.

*I am not a conforming type of person, so I have never been, even when I was a kid I remember, I took ... when people were perming their hairs and everything, me, I wasn't interested, you know what I'm saying. I felt that my hair was good enough, by the time I decided to perm it was because me, I was ready to perm, so the other thing I think is because, I also you know, am not bothered by what other people are doing, I do what I want to do. (5D MBFS 16:570)*

Margaret seems so confident and sure of herself, so quick to make decisions and implement them, that her behaviour seems startlingly independent, even unconventional to her family, according to her sister, Sarah.

*She didn't even struggle to get that job in Johannesburg. I think she was back in August, in September she got a job. Immediately she got a job, she bought herself a car. She didn't buy a car in Cape Town. And at home you know there was no garage but before she could have a car, she ensured that she has built a garage and then owning a car. And didn't even stay with her parents then, got her own private place and then stayed there. (5C MBFS 5:169)*

Margaret is ambitious, even driven, and confident she has something to offer as an entrepreneur. Her sister believes this is at least partly attributable to her strong religious faith.

*When you're born again you can't avoid having faith but Margaret is not – is not born-again but she's got faith. 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 6:192)*

### 8.1.2. Education

Margaret's remarkable intelligence was recognised early. She was identified as a gifted child in her final year of primary school, and as a result participated in a weekly enrichment programme at the Soweto College of Education. She was offered a place at a Model C high school on the other side of Soweto, but her matric year was interrupted by the political unrest and school boycotts that characterised the township in the mid 1980s.

*Yes, I was like 16, so young kids meeting in this hall somewhere, I'd go. I was very talkative, but I was also interested and angry about something, you know what I'm saying, so I'll go to those meetings, and I don't think, in '85 and '86 because the schools were disrupted so much, there was enough time for us to have those meetings, and I don't ... my father didn't like it too much although they didn't see most of it because they were at work. (5D MBFS 8:283)*

In an attempt to avoid the turmoil, the organisers of the gifted children programme arranged for the matriculants to be relocated to Bisho in the Eastern Cape. For the next two years, Margaret remained in Bisho and repeated the final two years of high school, and was then offered a scholarship at Diocesan School for Girls in Grahamstown for a post-matric programme. The year she spent there was not pleasant.

*In my maths it was me and the three boys from the ... because there is a St Andrews opposite and in the computer science I am alone, with this teacher, and when the culture was just not nice, the place was cold. Eventually I am starting to make friends, then I liked it, but when, did I hate it, up until most of the part of year I hated it. (5D MBFS 25:361)*

Margaret won a bursary to study at the University of Cape Town, and after an uncomfortable encounter with computer science, found her niche focusing on mathematics and chemistry.

*Then the second year, when I went and did my second year, I took another first year, I took chemistry, whatever, 'cause that's what you know, I felt okay, fine that's what I know, the sciences. So I continued with my maths and science instead, and that was great, and from first year I was doing very well. (5D MBFS 11:394)*

Margaret completed an honours degree before starting work and later undertook a master's in business administration, which she completed part-time at Wits Business School while she was employed.



### 8.1.3. **Work experience**

Following university, Margaret joined a quasi-government research organisation, but was quickly frustrated by the relatively poor remuneration and was drawn to the private sector, where she worked for BigInsure in Cape Town. Eventually, Margaret began to feel homesick.

*It was starting to get a little bit lonely, although I had a boyfriend at the time, but you know what, my family was much more important than this, and I thought, Mmmh, just how less often I am going to see them, then I started thinking, huh-huh I must come back home. (5D MBFS 12:439)*

Although BigInsure made an effort to retain her in Johannesburg, Margaret joined BigConsult, a large credit bureau and consulting business, and then CAD, a multinational auditing and consulting firm. She was lured to Average Bank by a previous manager.

*I mean, frankly, not because I am not a CA, but I just didn't like the hierarchy, you know, a partner is a partner, and then they were just paying me off. And one guy who was my boss, had experience, was now at Average Bank, and we kept on talking because then I was starting to think of doing my MBA as well, so I kept on talking to him. (5D MBFS 15:515)*

At Average Bank, Margaret blossomed. She outperformed her peers, and was rapidly promoted, gaining useful technical and business experience and developing a valuable set of skills. In particular, she learned to see the role that credit management played in the organisation as a whole.

*I think I was also given the opportunity to be able to deal with people at different levels and, although I wasn't trained to, also worked with a business product, so I was starting to be confident in what I understand and what I can offer from a credit point of view. And also I think my studying also helped me to just feel like, "You know what, I think I may not have been an expert in everything, but I think I can engage and debate other issues and ask the right questions, even though I think that I may not be an expert myself". (5D MBFS 17:595)*

It was generally accepted that Margaret was destined for a very senior position in the bank, and not simply because she was in the right place at the right time, says Colette.

*Look I must tell you I always had the idea of Margaret moving right up to, you know, the highest, because I must be honest, currently at the bank, they just pull in these black people, because they have to and not many of them, you*

*know, really have the mind to take things where it should go. But Margaret is definitely an exception. (5B MBFS 17:591)*

However, this was not enough for Margaret, who felt dissatisfied with the status quo, and particularly with the fragmented nature of her work and lack of independence she felt working in a small part of a large impersonal organisation.

*As I was working, on a daily basis or even if you can go away as a management team and say these are the things that we need to do on a daily basis, when you come back you actually find that it has been a waste of time. And the reason why that is so is because you are focusing on operational issues which are mainly important to somebody at that time. And you never take a step back and say, "how can I look at those things that I know ... and they may not be urgent, but they are important and they can really make a difference, even make a difference to the very things that are urgent today". (5D MBFS 2:55)*

Margaret began to plan the launch of the new business and eventually resigned to set up Bluebird Consulting. Her employers were not happy to see her go, and to this day attempt to draw her back to full-time employment at the bank.

*Even my previous boss because they wanted me to take a position when I was leaving even when he wanted to appoint the new person he called me and on the phone he said ... he just wanted to check, "are you sure, don't you want to come back?" (5A MBFS 14:461)*

Margaret admits that the fact that her skills continue to be in demand is encouraging because it represents a fall-back position should the new venture fail entirely.

## **8.2. Family and social context**

Margaret is the third of four children and although her teenage years were spent at school and university, today she is close to her siblings and parents, although she lives apart from them physically. She is apparently a natural introvert, and therefore tends to form a small number of close relationships, both socially and at work.

### **8.2.1. Childhood and parental influences**

Margaret's childhood was relatively normal, or as normal as it could be given that she grew up in Soweto in the late 1970s and early 1980s. Both parents were

employed full-time and the family could afford to feed, clothe and educate the children.

*We are from an average family, as far as socio-economic status is concerned. I don't mean that we had everything but we were satisfied. I think that mostly because we could get education. Whoever wanted to get educated could get it but it was a family that didn't have a car. I mean my mother would use the train to go to work until she retired and my father was doing the same. (5C MBFS 4:113)*

The children were raised to value education and encouraged to perform at their best, even though their home was relatively humble, and this had a long-lasting impact on Margaret, reports Colette:

*I don't think they were very strict, but they really wanted their kids to perform, especially at the time when she grew up. I think it must have been very difficult for them. They wanted them to really have the best, you know, and do the best that they can do and that sort of thing, I think, got imprinted into her that she needs to do her best and not be scared of trying things. (5B MBFS 16:578)*

Margaret's self-confidence was apparently evident from an early age, to the extent that it was somewhat alienating to her siblings, a problem exacerbated by her private-school education and rapid progress at work, says her sister Sarah.

*As a child as we were growing, I regarded her as cheeky. I don't know if we are following one another. I can't say I didn't, you know, like my sister but ag, we were not getting along very well, when she grew – you know coming from that school she changed. She started working, she was something that you wouldn't love to be with for a long time. (5C MBFS 12:395)*

### **8.2.2. Family support**

In spite of the suggestion that Margaret's schooling made her somehow different from her siblings, her academic achievements were actively encouraged by her parents from an early age.

*I think in terms of my career, sorry maybe even before I started working, I think from my father's side, he always, you know, was very excited about the fact that I was doing so well in a maths type of subject, and even with me, I always felt that "You know what, I am going to do something to make him proud, because I know I can do this", so I enjoyed it because he also encouraged me. (5D MBFS 15:531)*

Although neither of her parents was in business in their own right, Margaret was made aware that self-employment was a highly desirable career option, even though it had not been feasible for them.

*My dad used to say ... and they both worked until they were on pension, "I don't want to work until I go on pension". That is what he used to say, but back then I don't think they were getting enough money and obviously they had kids they had to feed and clothe and send to school, so I don't think he could take the risk, but he used to say that, but he ended up going on pension (laughter). (5A MBFS 16:511)*

Margaret describes herself as being very close to her family, and communicates with each of them at least weekly. This closeness seems to provide substantial emotional support to Margaret.

*Because I don't have any kids, maybe that's why I talk to my siblings, you know, all the time, especially my sister who has a daughter who's now a teenager, so we talk all the time, the three of us, and also my younger brother, I am also very close to my younger brother. My elder brother, I am close to him, but maybe because he is married, he's got his own family, I just find that I don't talk to him as much as I talk to my other siblings, but in terms of my parents, I also talk to them, you know at least once a week, and over the weekend, so we are very close. (5D MBFS 1:28)*

Her family has not been required to provide any financial support to Margaret during the new venture-creation process, but Margaret believes their financial independence has given her the freedom to pursue her own goals, rather than having to support siblings or parents.

*I think I was also fortunate to have had, to have not had siblings that I needed to help financially, because that could have been the other thing, and then again, fortunately I didn't have parents that I needed to help financially, so I could really look after me and only me, so one thing I knew, yes I needed to save money, which I did, I started saving money and saying okay this is what I want to do. (5D MBFS 16:563)*

Today, Margaret plays the part of advisor and role model in the family, encouraging her siblings to further themselves through job advancement and further education, even when it seems difficult for them, as Sarah recounts.

*Then, you know, Margaret said "you can do that". Said "I can't do it, I'm working, picking my daughter from school, I get tired when I come back from work. I'm just tired, I can't do it". She said "you can do it". I said "oh no, from where? Where can I do? How can I do it". You know I really didn't understand her because I was seeing it as being difficult. You know she said "you can do it". And then I just took her advice and I did it. (5C MBFS 7:227)*

### **8.2.3. Business and social relationships**

Margaret is fairly introverted, in that she is fond of her own company, and does not make friends easily, a trait that is fairly obvious to her sister, Sarah.

*Her relationships with people? She's very good ... but she's not a person who likes to be crowded. She doesn't have many friends. If she chooses friends, she's got very different people around her. (5C MBFS 10:354)*

Somewhat reserved with people she does not know well, Margaret is open and honest in her communication with those she does know well.

*I am open to them and I want them to be open to me. I mean, if I am not happy with anything, I don't even wait, I'll tell you now that I am not happy with, especially if I am close to you and you mean something to me, because one thing, I mean, I think for people that know me, I don't talk too much, but I can talk too much and be loud and laugh and everything with people that know me very well, because I take quite a while to get to know people. (5D MBFS 5:156)*

However, Margaret seems skilled at expressing any dissatisfaction she might have without causing offence or any long-term damage to the relationship. This seems particularly true in her relationships with employees, at least according to Collette.

*She'll let you understand obviously that this is not what should have happened but she's not, she doesn't get, you know, funny or personal again. It is not a personal attack that she wants to, you know, aim at you. She makes you feel that yes, you're the person who's messed up, but she doesn't have a problem with you, but it's whatever happened within the project or whatever was done. (5B MBFS 7:226)*

Socially, Margaret appears to maintain a tight circle of friends with whom she has long-standing if somewhat formal relationships.

*But on the personal side I also find that maybe I tend to, when I look at my friends, or people that, like when I said to you, when I go and visit a friend, because we've made an appointment, or they come to me or whatever, there is people that may be ... what word can I use, but people that I know that won't let me down, because I also wouldn't let them down, you know, I respect them, and they respect me. (5D MBFS 19:673)*

Colleagues, such as Colette, notice that Margaret prefers to maintain a boundary between her social and working life, but her business relationships are sound.

*I know we work quite well together, but we don't go out for a 'jol' and, you know, visit each other over weekends, that type of thing. We are good friends, but just when we see each other really at work. So at work level, work relationships, which is obviously also very important, she definitely tries to keep a very good relationship with everyone, not to burn any bridges. (5B MBFS 15:523)*

Margaret has reportedly made an effort to ensure important relationships are maintained, even over long periods. In particular, she has retained connections with several of her managers in different organisations, and these individuals have acted as her advisors and coaches.

*I mean with time, people lose contact, but it just happened for me that, at any point where I have been, I will keep in touch with the person for a couple of years. So, that is why I am saying, even when I was thinking of my MBA, still talking to my boss you know, that is what I have always done and I think for me, in just bouncing off ideas, sometimes you don't even know, you are just talking, and I just ask them, I ask the other person and then I, just then I make my own decision, this is what I need to do. (5D MBFS 16:587)*

Now that she has established her own consulting business, Margaret has become even more sensitive to the role of relationships in acquiring and retaining business, and has begun to regard the establishment and maintenance of business relationships as important to her long-term effectiveness, even given her acknowledged expertise in the field.

*So for me what it eventually showed me was other than I think I am the expert ... how you relate person to person even before you get to the technicalities of what you are doing is also very, very important, and in time you get to know each other as people and also what you can do. (5A MBFS 13:421)*

### **8.3. Business and organisational context**

Established 18 months ago, Bluebird Consulting, Margaret's business, provides consulting services to a broad spectrum of financial service and retail businesses in the area of credit risk management. The competitive environment created by new legislation, together with Margaret's rare set of skills and growing reputation in the industry, seemed to offer a significant opportunity. The major challenge facing Margaret's business is to find the additional skills necessary to service clients as the business grows.

#### **8.3.1. Inspiration and preparation**

Margaret grew up aware that self-employment was a desirable career option, and eventually began to feel the need to exercise that option, even though no particular opportunity was immediately apparent.

*I think a few years ago towards the beginning of the 2000, I personally just started thinking, “you know what, I do not believe that I need to wake up every morning and go working for somebody else”, and at the time I didn’t know what it is that I wanted to do, but I just felt that that is not how I wanted to do things, but I wasn’t really sure what I wanted to do. (5A MBFS 2:43)*

Margaret’s sister observed in her an increasing desire for independence as well as a need to achieve beyond what was possible even at a relatively high level in a major corporation.

*I think she has reached that thing, not in terms of money, this thing when she was working for other people. Not in terms of salary, but in terms of she wants to go independent. And she’s not a person who’s afraid of challenges. So I think she has reached a ceiling where she thought “I’m not developing, I’m not able to stretch my wings anymore. If I can take this opportunity and go independent, yes I’ll meet many challenges”. But she’s a person who thrives on challenges. She doesn’t want to get bored. (5C MBFS 8:253)*

In addition, Margaret was beginning to feel the stress of a senior management position and to resist the restrictions imposed by a large complex organisational structure, recounts Sarah.

*I think she definitely also wanted a different life, not that hurried stress. I mean if you really get a lot of projects you might, as I am, be working harder now than I was at the bank, but I’m doing it at my free will and at my pace and when I want to. (5B MBFS 10:350)*

She began to prepare for new venture creation by ensuring she was debt-free and by saving enough to support herself through the start-up process. At this point, Margaret had still not clearly identified what shape the business might take.

*I didn’t just leap into it because although I don’t have any people to feed, I feed myself but at the same time I don’t want to find myself tomorrow thinking hmm I can’t even afford petrol. I knew I had to sustain myself and life was just not about me making the money there, there is medical aid ... and even ... if you know what I’m saying ... get to the point where I’m saying maybe I need to sell this, but yes I was cautious in that way, ja. (5A MBFS 10:313)*

Margaret knew that to prepare for new venture creation meant she needed to develop a number of key skills, and expose herself to a wide range of scenarios.

*And then, again in terms of experience, especially when I was at BigConsult, I think I did see what was missing every time, the exposure that I was getting, I could see that this is what I can give, however, I can only give so much, I still cannot go beyond this part, and maybe this is what I need to do, you know, to be able to fill what’s missing. (5D MBFS 16:578)*

### 8.3.2. **Opportunity search and evaluation**

Once Margaret had committed to the idea of new venture creation, she began an informal search for the right opportunity. She quickly realised that her own enjoyment of and expertise in credit management could be converted into a stand-alone enterprise, focused on helping organisations become more credit-effective.

*They could have developed some credit systems but they just used the basics and they are not using all the other functionality that they could. But I felt that I could go out there and this is what I would focus on, and “let me help you with things that may not be urgent to you, but they will be important” and that was the initial thought. (5A MBFS 2:67)*

She first considered whether she was competing directly with the potential client organisation’s own resources, and then dismissed this as a threat on the grounds that few organisations are fully resourced in credit skills, simply because they are so rare in South Africa.

*But in my experience, having been inside and having seen ... you find yes maybe there is a head of credit and the layer just below the head of credit might have a ... but what you find is that they don’t have the supporting ... people are just moving around and they always are struggling with resources that are stable on the ground and that can help them to deliver substance to what they have just started. (5A MBFS 5:153)*

### 8.3.3. **Start-up decision and sequence of events**

After some six years of planning and preparation, Margaret resigned from her position at Average Bank, much to her employer’s consternation and the surprise of colleagues like Colette.

*I was actually very surprised, but I think she has the ability obviously to have done that. The bank obviously wasn’t very happy, because she played quite a big role, but in what she was doing and the fact that she was the black lady, means that even now still they are bugging her: “You have to come back. We want to make you this director, that director”. (5B MBFS 10:338)*

It is not clear from the interviews exactly why Margaret chose the time to start the business that she did, other than the fact that she had saved enough money to live on for 12 months, the period she imagined would be required to generate enough revenue in the business to support herself.

Despite her careful planning and preparation, Margaret did not anticipate that clients would be slow to take up offers of assistance that they badly needed.

*What took me by surprise was because I felt very confident, with the product, with the technique ... what took me by surprise was how potential clients didn't respond right away. And when I say right, I just mean in terms of saying yes ... you need to help us here and not only here but here and let's do it as soon as possible. So they take a while to get there, when they do get there...* (5A MBFS 8:252)

Although Margaret realised it would take time to build momentum, she had planned to be earning some revenue after three months, but this did not occur until six months after start date. This failure was painful to bear, but she was determined to see it through.

*I just felt I need to give myself time and I think that I still have scope, I need to give myself that ... so that kept me going, and I think because I believe that, you know what, I know out there is something that I can offer, I know, but I kept on pushing and although I was feeling down, I am telling you, I woke up every day even if it meant waking up and sitting on my desk with the phone and my laptop, I still woke up, I never slept because I was feeling down ...* (5D MBFS 22:778)

She spent her time preparing proposals and visiting potential clients. Although she found it difficult to deal with rejection, Margaret believes these early efforts will not prove to have been wasted. Rather, she views her exposure to individuals and organisations as a marketing exercise which will pay dividends long term.

*I see the business that I have started will be established very soon. In the seven months I can see the different phases that I have gone through, be it the phases of phoning every day, phases of writing proposals, phases of people now calling me. So things are starting to happen so I take it that it will go through the life cycle and it will pick up.* (5A MBFS 16:528)

Her family was witness to her difficulties, and admired Margaret's courage to persist in the face of difficulty and access the resources she needed to succeed.

*And she wouldn't complain or say it with her mouth to any person. She had undertaken, planned her things. She would say "if I don't get off from the ground, I'll survive". She's a good planner, more than myself, she's a good planner. And sometimes I don't even want to reach that stage where she is because she really plans.* (5C MBFS 8:273)

#### **8.3.4. Resourcing the business**

As a consultancy, Margaret was able to set up the business with the bare minimum of physical resources. She had previously purchased the required IT and telecommunications equipment and began operating from her home office. The idea was to contain monthly costs and keep monthly cash flow requirements at the lowest possible level.

*I started with it in mind that you know what if it's going to be a proper company, a Pty Ltd, one day, I will have premises somewhere else and as and when I get work then I will start getting the people as and when I need them. But at the moment I am not at that stage where I can start getting that because I also don't want to feel like, "oh my God I need to pay somebody", I'm not ready for that yet. But as things pick up I will get people as and when I need them. (5A MBFS 4:112)*

In future, Margaret believes the most important resource issue Bluebird will face is attracting and retaining rare, highly skilled human resources who can interact effectively with the client. She does not appear to have a strategy in place for fulfilling this need.

*It is mostly the skills, because it's a very statistical, mathematical type of thing, there are not many people that actually go out and study that and even though there are quite a few that might study it, but they can't always come back and have the practicality to actually apply what they've learned. It makes it difficult, most of these people just stay at university and, you know, to teach and whatever. So it is difficult to really get someone that can understand this statistical stuff, but still be able to carry that over in normal English, so that everyone can understand. (5B MBFS 13:464)*

Margaret has ultimately come to believe that the most important resource in the business is herself, and her belief that she is capable of achieving what she set out to achieve.

*One needs to believe in themselves, you know, believe that they can, because I think, well I think everybody knows, I mean those that want to acknowledge it and it's not easy to start a business, because otherwise everybody else would be doing it, but just believing in themselves, you know that at least will give them the courage. (5D MBFS 22:797)*

#### **8.3.5. Managing risk**

As a rule, Margaret makes decisions with risk firmly in mind, trying to anticipate what might go wrong and what the consequences of such failure might be, before making a final decision.



*And I also, I think, I also don't take decisions that maybe I think, what if this happens, I also try and understand the impact if things don't go the way I would want them to go, and if I find that, mmh, the impact, you know, is not so big, I can live with it, or maybe there is also an alternative, then I would, I'd take it. I mean it is like now, having to say, okay fine I am leaving work, I'm going to ... you know I had to weigh you know the options, and I said ja, the road that I am taking, is it is risk, maybe yes, maybe no, if it works, great. If it doesn't, does it mean the end of the world? Maybe not. (5D MBFS 17:611)*

For Margaret, the most significant risk she faced was not being able to support herself financially. She believed she had offset this risk by reducing her debt burden and ensuring she had sufficient savings for domestic expenses for 12 months.

*But because I had prepared financially for not getting anything for a couple of months, although for me I thought it was going to be a shorter period than what it turned out to be. But from a risk point of view I looked at my life and I don't have any dependants, I don't have debt. I tried to clear out big debt because ... so the risk was not that big because I gave myself enough of a cushion from the financial side. (5A MBFS 8:237)*

Her ability to maintain key relationships over a lengthy period seemed to Margaret to represent a way to manage market risk. Her expectation was that these relationships would directly deliver revenue.

### **8.3.6. Exit strategy**

It is not clear from the case whether Margaret has defined an exit strategy, possibly as a result of the relative closeness of start-up. However, she has considered the worst-case scenario of total failure. She believes she could use relationships with previous employers to return to full employment at any time.

*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, and I haven't burned any bridges wherever I have been, so I've maintained good relationships ... (5A MBFS 8:243)*

## **8.4. Macro-environment and competitive context**

Margaret seems relatively sensitive to the impact of environmental conditions on her business, possibly as a consequence of strategic introspection caused by a six-month period without revenue.

#### 8.4.1. **Macro-environmental conditions**

Although Margaret claims it was not the driving force for start-up, the implementation of the National Credit Act six months after her venture was created will have effectively increased the attractiveness of the opportunity.

*What we are finding is that many credit providers, not only are they nervous about it but also they are not sure what level they have to comply with it. If they comply too much they might be considered too conservative and get not enough information from the customer and that could impact in terms of the turnaround time and the customer could just decide to go elsewhere. (5A MBFS 1:27)*

#### 8.4.2. **Competitive environment**

It is not clear whether Margaret had clearly defined a competitive strategy at start-up, although subsequent events have forced her to reconsider this position. Increased market attractiveness has enticed competitors who might otherwise have been regarded by Margaret as collaborators. Although she claims competition is healthy, she seems somewhat at a loss on how to deal with it.

*People that I've known and people that I thought I could actually work with formed a company and they are competitors. Even yesterday I was in Cape Town and they were mentioned. So in terms of competition it is there and competition will always be there and, in my view, I think competition is healthy. But yes they are a big threat for now, maybe the size of the competition because obviously me just starting and with them having been established, even an international organisation, it's not an easy thing to deal with. (5A MBFS 6:171)*

At present, Margaret's competitive strategy is limited to her ability to establish and maintain close relationships with existing and potential client organisations, on the grounds that close relationships will exclude major competitors.

*So my approach is going to be as close to the business as I can be and of course I don't want to give away everything because I still want to be needed throughout, but to make sure that they feel I am with them all the time, and they also feel that I am holding their hand, especially the people that need to be trained. So my presence really is how I want to differentiate myself. (5A MBFS 6:185)*

Margaret agrees it might be possible that her status as a BEE supplier might represent a competitive advantage, but points out that the financial services industry tends to be conservative, and that the requirement to build good relationships exists for any industry participant.

*It must be difficult not only because of the industry I am in is so very white male dominant. And today you might feel that some people understand that they need to start giving black people opportunities, but whether we are moving forward as people or not, sometimes it takes a while before you get to know a person and sometimes even more so when they come from a different culture, even before you can talk any further. (5A MBFS 14:437)*

## 8.5. Describing the experience

During the interviews, it became clear that the experience of new venture creation had been an intensely emotional one for Margaret. Although it is not readily apparent in the transcripts, she wept for much of the first interview, as she related how initial market interest in the business had failed to meet her expectations.

### 8.5.1. *Business challenges and opportunities*

Initially, Margaret's most significant challenge was to win over her first client because, as Colette observes, Margaret's is the kind of business in which a foot in the door will allow her to penetrate the client organisation ever more deeply.

*You'll probably never be able to get rid of her, because there is always something. You will also have to be able to actually create work for yourself, you know, if you find those spots where there's opportunities that they might not even see. (5B MBFS 19:676)*

In particular, her learning centred on the sales process . identifying the right target, making the right approach, proposal preparation and presentation and understanding the real nature of the response to her offer.

*There were other people that had already said, "no, no, no". The people that had not said no, the way that they were doing things struck me as different and I thought maybe they are still thinking it through, so it was emotionally difficult, but the hope was still there. (5A MBFS 9:274)*

As noted, Margaret expects her most significant future challenge will be capacity. She anticipates having difficulty finding the right people with the right skills, not just because these skills are rare, but also because she believes that only a certain kind of individual will be appropriate for her business.

*Because even some people you might think you will work with them, even though they are not a formal person that you have employed, you just find that your working style is slightly different, maybe you knew them on a different level. (5A MBFS 16:537)*

Margaret is beginning to grapple with some of the problems associated with growth, particularly the need to ensure a consistent standard of quality and output for the client.

*And hopefully because I need to be there so that I can get the same, how we deliver the ... you know it has to be the same, the training and the culture of how I do things to be the same with the people that I get when and as I need them. But I am just focusing on growth from this point of view now. (5A MBFS 7:206)*

However, as often the case, Margaret will need to think carefully about how she manages her cash flow. As Colette points out, the most significant challenge will be to deal with the lumpy cash flows that characterise most consulting businesses.

*But now it's a bit tricky, you need to think "oh hell", okay this month it was great. Who says the next three or four or next year will be that great. So that makes it difficult. And those are the new kind of stresses that you now have. You know you don't have the stresses of just being there on call for everyone the whole time, you sit there and you just wait to see who is going to be on my case next, you have different stresses. But it's stuff that you actually decided you are going to take on. (5B MBFS 18:642)*

### **8.5.2. Personal challenges and opportunities**

Margaret describes her personal experience as turbulent, ranging from excitement to fear and back again as the business was launched and the real impact of independence began to be felt.

*I think that first few months, and I don't know however many months, the first part was ... never, although it was exciting, and then suddenly you see you are afraid of change, and then on the 2nd of Jan you get a little bit nervous, because you know what, you definitely have to wake up now. So that nervousness, and then there was a very sad moment in about March, April, when you think, ahh now I am not in control of my life, somebody is running my life, so that part was very, very frightening. (5D MBFS 20:724)*

In retrospect, Margaret sees the process of new venture creation as a period of personal growth and development that, however difficult at the time, added to her capabilities and self-esteem.

*When I look back at the past seven months, for me I think it has given me the opportunity ... not that I never understood myself but I think to just understand myself more. And maybe because at the same time you find that you've got*

*more time to yourself really and you start to really understand how resilient you can be. (5A MBFS 11:347)*

Her progress down this steep learning curve happened even though she had anticipated some level of rejection from the market.

*For me I thought things would start happening sooner, but also thought that things wouldn't be smooth, I knew that doors would be closed in my face. (5A MBFS 12:387)*

Margaret has discovered that, in new venture creation, her education is of less significance than her passion for the business she has started and her determination to make it work effectively.

*And at the end of the day what I also realised was at the end of the day as long as you've got the drive, you've got the passion for something, you can do it and you can survive. In a way that you don't even have to have an academic background which to me I've always said you know what ... not that I'm saying it's not important but it's something that today even if you don't have it, it's the drive and the belief you can do it. So for me to just understand the resilience in myself, understand that there are many opportunities, that has been important. (5A MBFS 11:363)*

Now that revenues are flowing, Margaret is beginning to manage her emotional responses more effectively and acknowledge the more positive aspects of entrepreneurship.

*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, so you'll get your problems, give yourself pain, or you will say Ohh ... but you learn from it and you move on. And ja ... so just being in control although sometimes you still get that nervous attempt, you know to say "Huh, maybe it's too much now", will I enter that, what if this doesn't work out and what if this will never come ... So that, it is a mixed emotion all the time, but it is fun, I think. (5D MBFS 21:742)*

Margaret found that her interaction with other members of an entrepreneurial support network was helpful because the act of sharing views and experiences with others undergoing the same process was both comforting and enlightening, according to her sister:

*It really helped her to meet other entrepreneurs because every time she comes back from a meeting she would say she feels much better now, because people have given her their views and said that she's not the only one in this type of position and she actually grew from that. (5B MBFS 8:279)*

Margaret's advice to other would-be entrepreneurs is revealing: both what she did correctly, that is to plan carefully and ask for advice from others, and what she did less effectively, that is to prepare emotionally for entrepreneurship and to be flexible about what the future shape of the business might be.

*Make sure you really, really understand your strengths and your weaknesses, and obviously use your strengths as much as you can and where you have your weaknesses, see where you can get other people to help you. They might not be physically helping you but get advice from other people to deal with things that you may not feel confident doing. But think carefully and understand what you really want to do. You don't need to be rigid about it, be flexible because it will change if and when you see the reality. (5A MBFS 17:553)*

## CHAPTER 9. CASE SUMMARY: JOHAN

Johan is a 44-year-old white male with an engineering degree and an MBA. He is a serial entrepreneur, having established two informal businesses and three formal businesses with varying degrees of success over a period of some 20 years.

This chapter summarises transcripts 6A-6D, which appear in appendix G to this document. Analysis of Johan's case appears in chapter 17.

### 9.1. Personal context

Johan is tall, blonde and blue-eyed and moves with easy grace despite his lean height and large hands and feet. His rich accent and turn of phrase bear witness to his Afrikaans-speaking heritage.

#### 9.1.1. Key characteristics

Johan believes his strengths lie firmly in the cognitive field. He sees himself as an analytical and strategic thinker, able to solve problems by creating new products and services.

The interviews revealed a talent for innovation in every aspect of his life, coupled with a willingness and practical ability to get things done. This characteristic was in evidence at work, where he is directly involved in everything from employee recruitment to preparing distribution agreements, as well as at home where he fitted the kitchen, and built the furniture for his youngest daughter's bedroom.

*I've said many times in my life "I'm a creator" and that's maybe why I've built eight houses in my life. Played around in the building industry sort of as a hobby and what I loved about that was looking at a piece of land, thinking of what the pictures would look like and actually work with the full process to see the final product. (6A OWME 20:696)*

Johan clearly values the creative process, but also appreciates that he can save money and achieve the high standards of quality he sets by doing things himself.



His childhood, education and early work experience reinforced this self-belief. The most extreme example of this, related by his wife Anna, is that despite being a novice at dress-making, Johan made the elaborate dress his older daughter wore to her matric farewell dance.

*I promise you, because the cheapest one we could get was R3 500 and he said no way is he paying that for a dress (chuckling). He bought the pattern and the material and he made it himself. And he looked at the pattern and he decided that there were three mistakes on the pattern, from an engineer's point of view. (6C OWME 5:161)*

Johan's religious practice is very important to him and his values and beliefs strongly influence his perceptions and behaviour in business.

*I think it plays a big role because he doesn't really make any decisions before he's prayed about it, and feels that he's doing the right thing and that's where the Lord wants him to go with whatever it is that he is doing. And it's also – I suppose that's also where the integrity thing comes in hand-in-hand with that because a few times already people were introduced to him but the things they wanted to do weren't really a 100% kosher. And then because of his belief and ... the way he wants to live his life and run the business, then even though it could've been big money, he chooses not to go through with it. (6C OWME 10:336)*

In particular, Johan considers his abilities to be God-given talents and attributes the strength of his entrepreneurial commitment and determination to his religious conviction.

*Whether you accept it or not, or appreciate it or not, or whatever, the fact of the matter is that ... thinking of the entrepreneurial product is a God-given in my opinion, all right. (6D OWME 21:743 )*

His perseverance in the face of significant barriers to success illustrates that he is determined to succeed, almost to the point of obstinacy:

*He's stubborn. Ag, if he sets his mind to something then there's not really much chance of you changing it. And determined; I suppose the two go hand-in-hand. And, I suppose, trying to get a business started you need both those qualities. (6C OWME 2:53)*

### 9.1.2. **School and university education**

The family moved a great deal while Johan was growing up . it seemed to him that he changed schools every 18 months . but he does not believe this unduly affected his academic record, as his performance in matric was reasonably good.

Johan describes one of the most influential experiences of his life as occurring in high school. He had entered and won a place in the finals of a national economics competition. At the time he was attending a small school in a rural town and the whole community became involved in helping him prepare and supporting his efforts to win. He had been told to appear in the provincial capital to answer questions about his project which would be put to him by an expert panel.

At the final, his rival stood first and recited her application verbatim, not giving the panel any time for questions. Johan was taken by surprise . his reading of the rules had not allowed him to prepare a verbatim presentation, and he lost the competition.

*It haunted me for many years thereafter. And what basically haunted me is if I only – at the end of my presentation said "that's regarding the content, let's start defending this thing" and then present my own question and my own answer, and just do a few of those. Why this? Why this format? Why? I mean, I would've bowled her six-love out of the process. But I was baffled as a result of circumstances, instead of thinking logically of what they should've been asking ... (6D OWME 16:543)*

Johan cites this as an explanation for his inventiveness and willingness to challenge the status quo despite a conservative and conformist upbringing.

He won a bursary to study engineering at Pretoria University. While studying, Johan supported himself by operating a black taxi business. He purchased two mini-vans, hiring people to drive them during the week and maintaining them over the weekends.

*Black taxis, ja. Bought the vehicle, got the vehicle roadworthy, got the certificate to actually operate a taxi which I rented from a guy in Shoshanguve. 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, etc. 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 9:319)*

This direct experience in successful business, albeit in an informal survivalist-style venture, seems to have contributed to Johan's entrepreneurial self-efficacy.

Johan later completed an MBA while employed. He believes his education has stood him in good stead in the new venture-creation process. His engineering training provided a set of logical and analytical skills while the MBA provided general business knowledge.

### **9.1.3. Work experience**

Johan was employed for 12 years in a large national telecommunications corporation, from the time he completed military service until he made the decision to resign and start the new business.

Initially, his roles in the corporation were predominantly technical, but he quickly became interested in the business aspects of the corporation. His performance in a variety of positions ensured rapid promotion.

*I was fortunate enough to almost have carte blanche in terms of rolling out technology. I was responsible for IP at the corporation. As a result I dealt a lot with industry. I started the Southern African ISP Forum which met on a six-weekly basis with all the major industry players. So I knew quite a lot of what was happening in the industry and where technology was going, where the opportunities lie. (6A OWME 2:52)*

His final role involved leading the corporation's efforts to implement ISDN, at the time a leading-edge technology that was the precursor to full digital telecommunications. In this capacity, a relatively young Johan was intimately involved in setting standards and negotiating with leading telecommunications networks around the world, as well as creating the momentum for change within a corporation known for its bureaucracy and conservatism.

*I would have phoned my executive from Madeira, representing the corporation at a meeting there and I said "okay this is what's busy happening, I'm going to propose XYZ. Do I have your support". And he would say "whatever you think is best for the company, go for it". And they would set, adopt, approve and I will come back and I will start implementing in South Africa. (6D OWME 12:413)*

All this was achieved relatively independently of any internal supervision and support. Once ISDN had been fully implemented within the corporation, Johan found himself looking for new challenges.

*I think he likes the idea of progress very much in its literal sense of progression and seeing things done and being achieved. So I think that could have been a big motivator for him to leave the environment of the corporation. (6B OWME 15:530)*

Johan believes this corporate experience was invaluable in teaching him a wide range of business skills. In particular, he views his experience on the ISDN project as entrepreneurial and, therefore, excellent preparation for start-up.

*But the fact of the matter is, you do everything in terms of what you want to achieve with this business, attend whatever meeting, put the processes in place, get the sales teams growing, do the gearing of the organisation, operational and support all those different things and start monitoring and – you know, take it through the full cycle. (6D OWME 13:444)*

Johan now believes he may have underestimated the difference between establishing new ventures in a corporate environment and the entrepreneurial new venture-creation process.

## **9.2. Family and social context**

Johan continues to feel the influence of his childhood today, and he remains strongly connected to his nuclear and extended family. However, he considers his social skills weak and has experienced problems managing relationships with his superiors at work, as well as his partners and employees in the businesses.

### **9.2.1. Childhood and parental influences**

Johan is the oldest of three and has a sister and brother. Johan's father, a church minister, was a powerful influence in his life. His family was religious and his father strictly enforced rules restricting the children from being exposed to corrupting influences of any kind, especially entertainment and interaction with other children in social contexts.

*Well not quite religious. I think that was basically the extent of my childhood. I mean, you know, you sort of – you live in church for that matter, if I may put it like that. The foundation was very, very spiritual. (6D OWME 5:176)*

The family was not wealthy, and a consequence of this was that Johan's father regularly did repairs and maintenance to the household's vehicles and appliances, and insisted that his oldest son watch and learn each time.

*I've learned many of my skills from him you know – I mean I won't say no to anything and I was taught that anything and anybody – if somebody else can do it, you can also do it and you can do it better if you really apply your mind. And as a result of that, I'm a – maybe a jack of all trades and you know – and I've learned to sort out certain things. (6D OWME 5:166)*

Although to some extent, Johan rebelled against parental constraints in his late teens, he has retained many of the values he learned as a child and his religious practices and beliefs remain aligned with those of his father.

### **9.2.2. Family support**

At the time of the study, Johan was married for the second time and had two children, a teenage daughter from a previous marriage, and a two-year-old from his marriage to Anna, who is expecting twins. Johan had already started his business when he met Anna, so she has only known him in an entrepreneurial context.

Johan seems to communicate frequently and in some depth with his wife about the business, and this apparently has important benefits for both:

*I suppose because I don't work, to me it's like when he comes home I say "how was your day, what happened?" And then he can sit and discuss it with me. I don't always understand him but I try to remember, so that next time I can ask him whatever is – you know, what's the progress on this and what's happened there and what's happened there. I think it's important because if you're not going to show any interest, he's not going to talk to you about it. Then you're not going to know what's going on anyway. (6C OWME 4:108)*

Financial uncertainty is uncomfortable for Anna but she is also relatively sanguine about it. The family does not appear to have experienced any severe hardship.

*Sometimes it's frustrating because you go through phases where there's lots of money and then you've just gotten used to the fact that you don't have to turn the pennies anymore, when it's back to "okay well it's going to be tough*

*for the next few months because we have to push all the money into this or into that venture or whatever". So then it's tough again. (6C OWME 8:265)*

Although she sometimes wonders how long it might take, Anna has confidence in Johan's ability to achieve his goals. She supports his efforts because she believes they are motivated by the desire to build the business for his family.

### **9.2.3. Social and business relationships**

The childhood rules governing social interaction, together with the frequent relocations the family experienced, are believed by Johan to have negatively influenced his social skills:

*In terms of what I've seen with other people, I don't think I'm that good at relationships. I won't regard myself as somebody that really nourishes – and maybe that's the right way of putting it – having good relationship with. As I said, certain people if we click and that click boils down to if we start sharing certain things, then I'm the best buddy you'll have in life. But on average – I cannot just walk in and start building a relationship. (6D OWME 19:663)*

His natural introversion, together with his intellectual prowess, helped develop a self-perception as someone that others don't understand and this adds to perceived difficulty in managing relationships.

*The fact of the matter is that people, in many cases, they totally miss me. And I've learned to ignore it in certain cases, in other cases I will take my approach in such a way that I will do a – you know in the normal discussion that we could've had in five minutes in my opinion to resolve certain things, based on certain information, I now do a full-on presentation to take people step-by-step through it. If I need the buy-in at a certain point – I find it difficult to communicate certain objectives to people in some cases. (6D OWME 18:617)*

There is some evidence to suggest Johan can be quite confrontational in his relationship style, particularly at work in the corporation, where he seems to have been comfortable adopting the pose of the rebellious non-conformist employee:

*I went to one of the senior hoofbestuurders – or whatever it was then at that stage – and I said "listen, you've got one of two choices, either you fire me or you give me a post somewhere in this area. I'm not moving out of Pretoria". And then after about three-four months they sorted out the issue and they got me a job in Pretoria but it did upset a few people the fact that I took that approach. (6D OWME 10:339)*

As discussed, Johan is a demanding employer and thus also experiences difficult relationships with employees. In spite of this, Johan believes finding the right partners is a critical factor in entrepreneurial success.

### 9.3. Business and organisational context

Started seven years ago, Johan's first formal venture, Netstrat, an internet-based consultancy, is still operating. However, most of his time and energy is occupied with developing Datacred and Printcheck, the second and third formal businesses. The businesses are moderately successful, collectively employing five people and intermittently supporting Johan and his wife in a firmly middle-class lifestyle.

The major challenge currently facing Johan is that the businesses have yet to achieve the ambitious goals he has defined for them.

#### 9.3.1. *Inspiration and preparation*

While he was employed in the corporation, Johan had thought often about setting up a business on his own, partly fuelled by his earlier small-scale entrepreneurial successes and partly motivated by the desire to create something of significance.

*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. (6A OWME 20:708)*

His business partner observed that Johan has a high need for autonomy and that this also strongly influenced his motivation to leave the corporation and set up a new venture of his own.

*I think there's strong sense that he likes to dictate his own direction; rather than have it dictated for him. Frequently he talks about his frustrations within the corporation, you know, it not being a fleet-footed operation because it's slow moving by its very nature. So he doesn't like that. (6B OWME 12:397)*

While he was employed, Johan also built and sold six houses, initially using his savings from the taxi business, and then substantial profits from the sale of the properties. This hobby further enhanced his self-efficacy and allowed him to develop a useful asset base.

*I designed the house myself; got the plans drawn up and started project managing the various skills. I did the kitchen myself and the doors and some of the tiling. I mean, I worked my butt off. But I ended up with a 300m<sup>2</sup> house – for R135 000 – which I sold two years later and I made a 100% profit which was excellent at that stage. (6D OWME 10:323)*

Johan made the decision to resign and set up his first venture in reaction to the appointment of a new, more controlling boss in the corporation.

*I had a new boss. Now although I told him that we don't have to like each other to be able to work together – I think I'm mature enough to put all the differences aside and still continue working together – he had a personal thing at me for that matter. And as a result he started questioning a lot of the decisions I'm making. He started hauling me in ... (6D OWME 14:480)*

Although his start-up decision seems to have been somewhat impulsive, as the business model for start-up was not clearly defined, Johan had access to resources . he had a good business education, relevant business experience, familiarity with leading-edge technology and savings he could draw from. The risks must have seemed low.

### **9.3.2. Opportunity search and evaluation**

Formal opportunity search has not explicitly been part of the new venture-creation process for this entrepreneur.

The first business, Netstrat, was conceptualised as a consultancy focused on applying the internet to the resolution of business problems. The business model was initially vague and based on the assumption that the technology would become pervasive and that specific opportunities would present themselves.

*At that stage the internet was sort of a passion. I mean, I started realising the capability and the possibilities of using that type of technology. In my opinion, maybe a bit too early for the market, but the fact of the matter is we started the business. It started quite slow. We had one particular customer that sort of kept the basic expenses under control. (6A OWME 1:19)*

The idea for Datacred emerged from the development of a customised application for a Netstrat client, and in response to the realisation that the first business was failing to attract clients at the desired rate. Printcheck evolved as a particular application for the Datacred database, in response to Datacred's stalled development in the face of competitive barriers.

Johan's inventiveness means he is continuously coming up with new business ideas, playing with them for a few months and then discarding them. These ideas are not always related to the existing businesses and may signal that he suffers from a low boredom threshold and lack of focus.

*I mean I'm already working on a few other ideas in the back of my head ... things you just realise is archaic and there are alternatives. So for example, I haven't found a suitable tie rack in my life up to now. So at some point I will invest a R50 000 and get a plastic mould processed, sort it out and make a tie rack; and go and get someone to sell it through the Woolworths chain or whatever. (6D OWME 24:838)*

Opportunity evaluation seems to have concentrated on developing business cases designed to garner support from partners or equity investors. Johan claims these are detailed and well-researched and he regards them as being important precursors to successful start-up.

### **9.3.3. Start-up decision and sequence of events**

As the first step in the start-up process for Netstrat, Johan gathered a group of interested individuals, selected on the basis of their skills, experience and familiarity to himself. He presented them with the basic business idea and once he had captured their interest, the group agreed on a shareholding structure, resource contributions and a division of responsibilities and operations commenced after these details were finalised.

*At that point I knew zip about owning a business and I think the support from two or three different friends of mine basically got us to the point where we said "all right, let's formalise the business". And we dished out 25 percent shares to each of them and the business was called Netstrat. And Netstrat was focused on finding – or applying web technology to resolve particular business related problems within organisations. (6A OWME 1:13)*

Over time, several of the partners lost interest in Netstrat and the business struggled to maintain momentum, although it continues to operate with one employee and a handful of clients.

Datacred essentially involves the development and maintenance of a consumer profiling database to be used for credit checking and risk management

applications. Johan's vision for the business was that it would empower consumers by giving them direct access to their own credit records, enabling them to actively manage their own risk profile.

*Now Datacred per se started as a result of one particular customer that we approached had the particular requirement, and the more we started dealing with that requirement and putting systems in place to address that requirement, the more we realised but this could become a huge opportunity, directly in competition with what the incumbents are doing (6A OWME 1:26)*

Once he had identified the opportunity, Johan set up Datacred as a separate legal entity and began the search for partners who could help resource the new business.

*And obviously in this process we realized all right we need funding, we need decent funding because it's going to take a few million to get this thing off the ground. And the one guy actually introduced me to the one potential partner that he was dealing with – one of the agents sorry. He introduced me one of the potential shareholders. I was also at that stage talking to another company. I was talking actually to Shareholder 1 at that stage and he - Shareholder 1 then introduced me to one of our other partners (6D OWME 1:24)*

Once funding from the partners was made available, Johan was able to develop the product to a point where it is functional enough for limited applications and can generate revenues from a few small clients. Agreement has also been reached with four resellers who will act as a distribution channel for the product on a small scale. This is effectively a testing phase of product development. Johan will consider the business operational once it has access to a full set of competitor-owned data.

The third business, Printcheck, which was started 12 months ago, uses fingerprints as the basis for checking identity against the Datacred database. Johan conceived of this as a replacement for paper-based security systems.

In this business, the major emphasis has been on establishing a distribution channel for the Printcheck product, rather than making any attempt to market it directly. A powerful reseller has been selected and agreements have been reached. The business is reputedly on the brink of closing its first major sale, and the future seems promising for both partners, says Roger.

*Johan and I have found that we ... complement one another, I think, commercially and intellectually, really quite well. And the intention is to develop that relationship. And we've worked on already some new products; and we're thinking of bringing them into the marketplace. And moving into consulting in the area of managing identity, how we deal with identity commercially, which is really very exciting and is globally a new thing. (6B OWME 5:143)*

#### **9.3.4. Resourcing the business**

Netstrat began when Johan found the right partners and agreed on the legal and resource structure. In the case of Datacred, three partners were identified on the basis of their ability to add value to the development of the business and to participate actively in the business value chain. Together with Johan's Netstrat, three partner businesses now hold equal 25% shares in Datacred, and have provided the funding for product development over the past three years:

*I actually I don't know why I didn't go the bank. I think I firmly believed that if you have the right partners who are more or less in the same type of field that you are but not really focusing on the specific thing that you are doing, seeing you as a complement, that the co-operation between the different parties will just enhance the process. (6D OWME 2:58)*

When Johan conceived of Printcheck, he followed the same pattern, setting up a separate legal entity and searching for a partner who could contribute to the development of the business. He found Roger, an individual with a high level of marketing skill and thorough knowledge of the security industry, at which point Johan considered the business to have been set up.

#### **9.3.5. Managing risk**

In many respects, the serial start-ups of Netstrat, Datacred and Printcheck could be seen as a step-by-step risk management strategy. Faced with the problem of being in advance of the market with Netstrat, Johan established Datacred on the basis of a product that had been custom developed for a client. Once it became clear that his plan for Datacred might be derailed by competitors, Johan sought a way to capitalise on the partly developed system by launching Printcheck.

A major risk management strategy has been to search for business partners who would offset his weaknesses and contribute to the business value chain.

*Another lesson that I've learned is in terms of resources, in terms of finding the right partners for an organisation, I think that's maybe the most critical element. The type of business that I'm in, I know I cannot carry it myself. It's just too much. The fact of the matter is, the result is you have to find the right partners that have the right commitment, the right buy-in, a shared vision. (6A OWME 16:562)*

Moreover, his emphasis on resourcing the businesses correctly has allowed Johan to keep his personal affairs separate from his business affairs, thereby ensuring he could experiment without undue risk to his family life.

### **9.3.6. Exit strategy**

Although he has not clearly articulated an exit strategy, Roger, Johan's partner in the Printcheck business, believes Johan is bored with Datacred and would move on if he could.

*There are lots of people who are still committed to their marriages but are dead bored with them. I think it's just something that goes with the territory. I don't think he's any less dedicated to see the business move ahead, but it's not as interesting to him. (6B OWME 8:264)*

This is reflected in Johan's own understanding of the entrepreneur's role as being heavily focused on the design and start up of a novel business. In effect, his description of the role of the entrepreneur reveals his exit strategy . build a business, sell it, move on.

*An entrepreneur, in my opinion, is a person that understands the product that he is focusing on, or the business environment in which this product will function correctly, and then systematically has the ability to actually start putting these elements in place, so that you can end up with a fully functional engine supporting the idea. And in most cases that entrepreneur will walk away and start something new. (6D OWME 25:889)*

## **9.4. Macro-environment and competitive context**

This case makes some reference to macro-environmental conditions that have an impact on the business, but on the whole the entrepreneur seems to display a tendency to discount them, to his cost.

#### **9.4.1. Macro-environmental conditions**

Johan attributes the lack of success of the first internet-based business, Netstrat, partly to the relative novelty of the technology at the time:

*The internet is only now at the point where it's becoming a mature technology. And applying internet-based technology – I'm we're talking 10 years ago, nine years ago – had many risks involved in the process. (6A OWME 3:101)*

Datacred currently faces a major environmental challenge. To become fully functional, the database requires access to financial information from banks, retailers and other credit-rating agencies.

Despite a favourable legislative framework, the business has floundered in the face of resistance from incumbents who have united under the auspices of an industry association to prevent new entrants to the market. Johan intends to persist in attempting to gain access to the information, if necessary by legal means.

*Being Mr Nice Guy and complying to all the requirements and not shaking the cage is a waste of time in my opinion. I think, in retrospect, if we rattled the cage two years ago, I might have had a year's worth of that already, most likely. ... So I always knew that it's going to be fight. I mean for obvious reasons these guys are not going to be just handing over the stuff that is so critical for the success of their business, to start with. So we knew from the start it's going to be difficult days. (6A OWME 13:438)*

#### **9.4.2. Competitive context**

His dealings with competitors have taught Johan that cooperation with competitors is a waste of time and to be wary of the lack of ethics of incumbent operators.

*And I think an entrepreneur, when you start up, you've got a very idealistic mindset, "I'm going to do this, I'm going to change the world," etcetera, etcetera. But as soon as you start – when you start happening in the world for that matter, then you realise but the real world out there is ruthless. (6D OWME 14:474)*

Johan also came to realise that Netstrat had failed because of the reluctance of clients to pay for the full cost of custom-developed software.

*You know, the mindset of the customer is "I want to buy it. I want to own it. I want to leave you out of my life as soon as possible, unless something breaks, then I'm going to shout at you". Where our business model said that we are going to be such an integral part of your business process that it's important for you to know that if something happens, we will attend to that immediately, and the only way to basically do it is to pay us on a per-transaction basis. (6A OWME 4:124)*

## 9.5. Describing the experience

In his descriptions of his entrepreneurial experience, I was struck by Johan's ability to deflect responsibility for his businesses' lack of performance onto temporary external conditions, thereby revealing an external locus of control and profound optimism.

### 9.5.1. Business challenges

Datacred faces a significant environmental threat, as discussed. In spite of this, Johan believes the most important challenge facing Datacred is conflict between and indecision on the part of his partner shareholders. He has found these relationships frustrating to manage because they inhibit effective functioning.

*The net result is, from what we ended up with is ... four different mindsets almost, trying to achieve a common goal. And I think the fact that we couldn't get commonality in the mindsets has been the biggest cause of us not progressing the way we're supposed to. (6D OWME 3:98)*

Johan has also found it difficult to find the right employees, a fact he attributes to competition for resources, but admits that his standards are high. As the business grows, the search for good employees will become increasingly important.

*I have recruited quite a few people and I haven't – from all the people I've recruited, I would say that there was actually only two that really fulfilled or really complied to the actual requirements that I had. So I think you're right in the sense that finding the right level or the right quality person is not an easy job. I thought I knew how to summarise people and how to assess certain qualities but ... (6A OWME 18:618)*

Johan notes that entrepreneurs need to be financially disciplined because cash is most important to the development of the business. The lack of resources that all start-ups face means that the entrepreneur has to do everything, which creates an imbalance between thinking strategically and acting operationally.

*And I think one of the important lessons that I've learned is that you need to make sure that you spend money wisely because money is the most important – cash is king, it's the most important resource to a small organisation. And because of that I tend to do everything myself and as a result of that I don't get to – I'm constantly running – I don't want to say managing crises – instead of attending to important things. So I think managing the resources in an organisation and utilising the resources in an organisation and spending the money wisely. (6D OWME 15:511)*

Although he seems to be self-sufficient, Johan claims to have needed support in the development of his business.

### **9.5.2. Personal challenges**

On a personal level, Johan enjoys the entrepreneurial experience a great deal. He is committed to making the business successful and confident that he will be able to do so. His recipe for preparing for entrepreneurial success requires passion, education and experience.

*Entrepreneurs need to understand how to take passion and convert that into a working business model because I think entrepreneurs start with passion but do not understand the environment they're operating in, the players, the competitive forces, the things that's making the heart of the organisation function correctly. (6A OWME 21:734)*

Once he has recruited a potential employee, there is a suggestion that he has difficulty delegating to the employees he does have.

*There are certain standards that one would like to achieve and as a result of that it's in most cases easier for me to do it myself. I'm fairly multi-skilled or whatever. I was taught that there's nothing that somebody else can do that I cannot do. And in most cases because of the standard I set, I do it better than most other people. So as a result of that I tend to do a lot of things myself. (6A OWME 15:530)*

Possibly as a consequence of his difficulties with finding and keeping the right employees, Johan feels over-stretched and frustrated that he is required to undertake routine tasks which he finds unpleasant and tedious.

## CHAPTER 10.CASE SUMMARY: ANDRE

Andre is a 44-year-old coloured male who left high school at 16 and obtained a diploma in graphic art while working to support himself and his family. He has started four diverse businesses over the past ten years, one of which he still runs profitably. The current start-up involves developing and commercialising of a proprietary software product, GoMate, designed as an integrated information management system for the freight forwarding industry.

This chapter summarises transcripts 7A-7D, which appear in appendix G to this document. Analysis of Andre's case appears in chapter 18.

### 10.1. Personal context

Andre is tall and slim with dark hair and eyes and olive skin. He is always immaculately dressed in expensive designer clothing. He speaks slowly and calmly with a drawl that hides any trace of his Cape Flats origins.

#### 10.1.1. Key characteristics

Andre does not easily reveal himself to others, according to his wife, Tanya. He is complex, somewhat introverted and habitually behaves in an unpredictable way.

*Andre is actually not an easy person to know. What you see is not really what you get. He has a public persona and he has a very private, private persona. (7C OCMS 5:167)*

This is apparently because Andre believes it important to look the part of the successful entrepreneur, even when this is not a real reflection of the man.

*I'm very aware of my image, the image I like to project because I believe, you know, people treat you in many ways in how you look. You know I will never go to the bank in my shorts and tackies. You know I'm going to look like I'm there to raise some capital. (7D OCMS 2:59)*

By his demeanour, Andre attempts to communicate that he is a calm, relaxed professional, but his demanding nature soon becomes evident during business and personal interactions.

*I'm an intense person. I expect a lot from other people. I can be a perfectionist, and sometimes I see myself as relaxed. But I was talking to a guy the other day and he said to me, "you're a hard person. You know you are quite intense". We play golf together. And he said, "when we play, who you are comes out". (7D OCMS 8:268)*

Andre is ambitious and fiercely competitive in all aspects of his life. He wants and expects the best, and will drive himself hard to achieve his goals.

*I believe that whatever you can conceive in your mind you can achieve. And I think that if you believe that and you strive for it, you can do it. And I look around me and I see people who can sell in a straitjacket in their minds. You know, I mean I started out with nothing. (7D OCMS 13:474)*

However, he realises that this is not always ideal and he is learning to disengage somewhat so that every relationship does not become a battlefield.

*I've learnt to step back sometimes, because I've always wanted to win every battle. I'm a dragon. That's my sign. I'm a dragon. I'm a Chinese dragon. You know but the thing is this, one, I don't like to be criticised. I don't take criticism that well. But again I'm learning. I'm learning. (7D OCMS 12:417)*

Uncomfortable with criticism from others, Andre also fights hard to avoid failure, especially when it might be publicly visible. Andre's wife, Tanya, worries that this tendency inhibits effective functioning.

*I think, I think failure for him is not really interesting. Man, he doesn't like to fail. He doesn't like failures and he thinks, "I'm going to be a loser if I don't make this happen". But that is fear-driven behaviour and I don't think that is necessarily healthy. I don't think it is optimal. (7C OCMS 21:732)*

Andre considers himself a visionary, able to see potential in ideas that others cannot see. He believes this characteristic is both a cause of his entrepreneurial effort and a consequence of it.

*But I could see the outcome and I think as an entrepreneur sometimes you see the potential. You see the outcome. You don't always see what's in between. Because you know I'm not a linear thinker. If I was more linear in my thinking I would think of processes. I can, I can. Somebody can sell me an idea and I can work in my head and I can see the outcome. (7A OCMS 23:826)*

This talent for seeing opportunities is recognised by others, and defines him as an entrepreneur, according to Franco, a work colleague.

*I think Andre is an entrepreneur, because it is very easy for him to maybe go and get a degree and try and get a job, you know, it's not a problem he can do that, but he doesn't want to do it. He wants to own his own business and that's what the entrepreneur thinks like. (7B OCMS 16:559)*

He acknowledges that he is better at initiating projects than he is at completing them, mostly because he lacks the discipline to persist once the excitement of novelty has worn off.

*I'm a good starter, but I'm not a good finisher. I can come up with lots of things, but my biggest challenge is getting to, when you get to the parting stage, right where the excitement is gone, it is going through the motions and I lose interest. (7D OCMS 11:402)*

Tanya confirms that Andre is better at innovation than implementation, although she believes he procrastinates because he is afraid to act.

*One of his weaknesses is he procrastinates. Andre will sit on a billion-dollar idea and just kind of like, you know, it will soon happen, and I can see it. And he procrastinates, but I think some of it has to do with fear. Fear of success, fear of failure because a lot of times his arrogance is really a mask. (7C OCMS 12:410)*

In contrast, Franco describes Andre as someone who is capable of high levels of concentration and focus. Once he embarks on a course of action, Andre works hard and stays focused to achieve his goals.

*Andre is focused. When he is working on something, he is very focused. Andre will sometimes come in and sit by the computer and start writing in his book and put some stuff together. You always see him working, working, working. He is always at it. He will be successful. He will be successful. That I know. Him and the wife. They will do very well. (7B OCMS 14:502)*

Andre is proud of his entrepreneurial achievements, especially in light of his poverty-stricken childhood. He is grateful for the privileges he has earned.

*I live a fantastic life. You know, I travel when I want to. I work when I want to. And that's, you know, that's pretty cool. There is a lot of my friends who have to work everyday to maintain their lifestyle. I don't have to do that. And they work for somebody else. (7D OCMS 12:429)*

### **10.1.2. Education**

Andre went to primary school on the impoverished Cape Flats, after an early childhood spent with his grandmother in privileged Bishop's Court. The

experience left him with a sense of alienation which made his school years uncomfortable and unhappy.

*I ran away the first day of school. I didn't relate to other coloured people, because most of my time was spent by myself in this big house. You know living in absolute luxury. Now I had to share a room with somebody and I just didn't relate to coloured people. It was very difficult. So through my primary school years, you know I was always picked on and stuff because I was different. (7D OCMS 3:102)*

He eventually made friends in high school and began to enjoy school a little more, but the family's financial circumstances were dire, so Andre left school at 16 to work and study part-time.

*So what I did was I enrolled myself at the School of Art. I am quite creative and three years later I graduated with a diploma as a graphic artist. And in the meantime you know I worked at Retail Giant, I worked at Finance House, I was a messenger. (7D OCMS 5:165)*

After some time in employment, Andre began to realise he needed formal business training, so he studied marketing at Unisa part-time and earned a BCom degree. Later, after he started his own business, he enrolled in a short course to sharpen his management and financial skills.

*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, because I think you know being a marketer is one thing, but you know you need to be able to read a spreadsheet. (7D OCMS 11:391)*

Andre often refers to the University of Hard Knocks namely the learning process he has experienced as an entrepreneur. However, this informal education has not always been sufficient. When Andre started GoMate, he began to realise that he needed to improve his knowledge of technology, and he undertook to learn the intricacies of system design.

*So one of the things I started doing was educating myself a little bit more about technology, what technology to utilise, what are the alternatives in terms of technology. So when I talk to people, our potential funders, you know I speak with a little bit more knowledge of what I am doing. So in terms of the architecture of how all the dots connect to each other, I know exactly what I want and how the system needs to look. (7A OCMS 21:770)*

### 10.1.3. *Work experience*

Andre's career has been a patchwork of employment and entrepreneurship. His entrepreneurial experience began early . at age 14, he began working as a general handyman in the local community in an attempt to supplement the family's income.

*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 OCMS 5:153)*

After completing his diploma, Andre was employed as a graphic artist, first at Finance House and then in a series of advertising agencies, all based in Cape Town. Although he performed well, Andre began to feel that his progress in the advertising industry would be inhibited by his ethnicity.

*Then, while I was at that agency, I was studying and I started dealing a lot with the marketing departments of different companies. You know I looked and I said, you know where do I go? Because then you know I wanted to be a creative head for Young & Rubicam or one of the big houses. I wasn't going to get that. (7D OCMS 5:183)*

Motivated by the desire to earn a substantial salary, Andre decided to move away from the creative business and aggressively pursued financial reward, rather than career development.

*He said you can make 50 000 staying in one company or working for 20 years and going up, up, up or you can move from one company to the next company but you have to educate yourself. And he said it's going to get you there quicker, but your résumé is going to look like a circus. And I decided I'll live with the circus, I'm going to get to 50 000 as soon as I can. (7D OCMS 6:203)*

Andre then joined the marketing department of a large retail pharmacy franchisor, where he focused on helping franchisees set up new pharmacy businesses. It was at this time that Andre's entrepreneurial spirit began to make itself felt.

*So after doing that for a couple of years, people started saying to me, "you helping me making my business successful, why don't you do it for yourself?" and I was in a corporate environment, allowances, cars and entertainment and stuff like that, and I didn't want to get out of that environment because it was very comfortable. (7A OCMS 2:45)*

In 1996, Andre started the FiveTwo Agency, a promotions business which he has operated profitably ever since in parallel with other work and entrepreneurial activities.

However, Andre felt he still needed to build his financial resource base, especially since he was experiencing the emotional difficulty of divorce, so he joined a large media business, where he made a successful and highly lucrative career from selling advertising space.

*I got divorced, and I could not really focus on the business and I needed, I just needed a job to get myself mentally right. At the time I was, I had certain interests. I was working in the media industry, so I was involved in again launching a product which is Males Only in South Africa. That was successfully done and then I got seconded to Beautiful Dame Magazine. (7A OCMS 3:81)*

At this time, Andre identified the opportunity to launch an upmarket magazine for black professionals, and began to resource the business from his earnings. The idea was to use the brand and content of an American magazine and to operate in South Africa under licence. However, Andre failed to finalise the agreement with the American principal and lost all the money he had spent on putting the business together.

*Then my ego got in the way, whilst we were busy negotiating in New York and you know, I got into a verbal disagreement with one of the directors and he said, well, if you don't do it this way, then the deal is off. So I had to come back to South Africa, had to lay off the people, pay all the service providers, you know. So I was a few hundred thousand rand in the hole. That was the first time I was broke. I didn't have any money. (7A OCMS 4:111)*

Andre then started his second business, Movie2u, a video home-delivery business that was relatively quickly sold to a food home-delivery business that had provided the distribution infrastructure. Now a little more cash-rich, Andre moved to Johannesburg and accepted a sales management position in Shipcorp, a shipping company, to support his then-girlfriend Tanya in her new restaurant venture.

There is evidence to suggest that Andre was not entirely content with his job at Shipcorp. There was conflict between him and his boss, and this seemed to Tanya to be worsening.

*And I also do think there were a lot of guys at Shipcorp that are like asses and Andre can be a real ass when he wants to be, so it is just like a contest and he just became, you know, it was just like a fight every time he went to work (7C OCMS 10:342)*

Andre resigned from Shipcorp to help Tanya with her restaurant, which had been operating successfully, until disaster struck.

*About quarter to eight all I heard was tables and chairs moving around. And as I came out of the office four guys had walked in with their guns out. They robbed everybody, from the receptionist right into the kitchen, including our clientele. Three months later we had to close up shop. (7A OCMS 5:163)*

## 10.2. Family and social context

Andre is the oldest of five children, whose parents divorced when he was 6 years old. His mother later remarried, but Andre continues to feel somewhat alienated from the rest of the family. Andre now lives with Tanya, an American national and his second wife, her teenage daughter and his teenage son from a previous marriage.

### 10.2.1. Childhood and parental influences

Andre's early childhood was spent living with his grandmother, who worked as a housekeeper in a wealthy Cape Town suburb. The owners of the house were childless, and indulged Andre's every whim.

*So I lived in Clover Lane for the first six years of my life. So I lived a very privileged life. You know I had a piano, I had all the toys. I always tell the story about I had a walk-in closet that was full of candy, and whatever I wanted I could walk in there. (7D OCMS 3:82)*

This experience was in sharp contrast with the lives of his siblings and parents, who lived in poverty on the Cape Flats. When he reached school-going age, Andre returned home, his parents divorced and his relationship with his father deteriorated.

*But then he started, my dad told me, "you are so stupid you won't see the inside of a high school bench". When he started doing those kinds of things I said, "you know, why am I getting suddenly beaten down? Let's go somewhere where somebody lifts me up". (7D OCMS 21:749)*

His mother married again, but this does not appear to have improved the family's economic circumstances to any great extent.

*My mom married this guy, they were Muslims and he had five other families. So you know he would spend his nights you know at different houses and when it came to maintaining his family he would be somewhere else. And I would have to get onto a bicycle and go and collect money so we could eat. (7D OCMS 4:130)*

As the oldest, Andre believes he bore the brunt of the family's acute poverty, especially during his school years, difficult times which he describes vividly.

*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)*

Andre believes these experiences were formative, because they made him determined to make a financial success of his life.

#### **10.2.2. Family support**

Andre is somewhat alienated from his family today, but the early nurturing he received from his grandmother had a lasting impact on his self-confidence, according to Tanya.

*I think his grandmother really loved him and really supported him and really told him when he was a little boy that he could go far in life and he can succeed. And I say that because, you know for people of colour, that quite often the message that you get when you are young is that you're not going to go far and that life is really difficult and what you can hope and inspire to be is, I don't know, like a blue-collar worker, that's a good job. (7C OCMS 6:204)*

When Andre started his first business, the FiveTwo Agency, he was still employed and working long hours in the business. As a result, his marriage ended, which had an extremely negative effect on his personally.

*My first big failure was when I got divorced. I didn't see it coming. I was busy with FiveTwo and I was away from home so you know that wasn't good. I didn't see it coming and when it happened it hit me like a ton of bricks. I mean I went into depression for six months. I was about to lose my job, I didn't care. That for me was one of the biggest things that ever happened to me. To be depressed and there again I lost everything. (7D OCMS 15:548)*

Second time around, Andre had a clear idea of what he wanted in a life partner, and made sure that Tanya met all the relevant criteria.

*I wrote down everything I wanted in a woman. And then I met her. I said OK, now that I've met you, what do I have to do to complement you. So I showed her where I wrote down, this is what I want. I didn't know what she would look like, but I said these are the characteristics that I want. And I'm very clear in what I want and what I want to do. (7D OCMS 14:498)*

Andre was directly involved with Tanya in her restaurant business, not just providing emotional support but also practical managerial assistance and financial resources, as Franco observed.

*Andre played a very important role in a sense that he was always there injecting money you know. He will assess, he will question shall we go, shall we close, shall we, you know, shall we tell them well look this is something. The restaurant was actually more Tanya's thing than Andre, so he was encouraging, he was sort of helping with a lot of work, admin work and things like that. You know advertising and things like that. And he was very supportive of her you know. (7B OCMS 3:103)*

Once the restaurant closed, the couple decided it was Tanya's turn to support Andre through the process of creating the GoMate venture, while she was employed full-time.

*So I said to Andre you have got a year. You supported me in this madness, in this monstrosity that I created. He used to call it a monstrosity, it had big ropes around it like jazz bands and a dance floor. It was fabulous. So I said to him, "listen, you supported me in my endeavours, so you have got a year". (7C OCMS 12:404)*

Tanya wryly acknowledges that although this mutual support system is effective, it means that, as a family, their history has been that at least one person is embarking on the risky business of new venture creation at any one time. This is sometimes problematic for the family's financial health.

*You know it is tiresome because we are always pumping money into something. I mean if there is a R100 000 in the bank we can't just leave it alone, we have got to start a new business before the money disappears. And so you just always stress. (7C OCMS 13:465)*

Tanya also makes the point that community support for entrepreneurs is generally weak in South Africa, and this has a detrimental effect on self-efficacy.

*Because I so think he has some limiting beliefs, attitudes and assumptions. You know what I call circumstances that will impact his ability to move forward. And so it's, it's a journey of personal growth, but I think it has to take place simultaneously, particularly in an environment like South Africa where you have systematically programmed people to fail. (7C OCMS 24:874)*

### 10.2.3. **Business and social relationships**

Andre believes his ability to establish and maintain relationships is his greatest weakness. This is partly because he is demanding of himself and others, and partly because he does not make the effort to be friendly.

*I'm not good with relationships because it's you know one of my weaknesses. Also, I'm very impatient. But again I put it down to age. I realised that I need to manage people better. I don't always have time to work on a relationship. Whereas I look at my son, I look at my brothers and sister, they know, they have a lot of friends and always people around them. (7D OCMS 16:585)*

Franco agrees that Andre is not good with people, and points to his reticence and ability to get on well with those he is closest to.

*Andre is not, Andre is not a people's person. Honest, I'm not going to say he is brilliant. Andre is a bit on the shy side. That's what I have noticed you know. He is a bit on the shy side and you know, but when you get to meet the guy he is a very nice guy, but he does not know how to approach people, you know. (7B OCMS 7:254)*

Andre's wife notes that he feels alienated from many of the people in his life, including his family and childhood acquaintances from Cape Town and his business and social relationships in Johannesburg.

*He is South African and he is Capetonian, but living in Johannesburg is very different for him. He definitely feels like a foreigner. And he feels like a foreigner when he is in Cape Town. Most of our friends come from other places. (7C OCMS 8:291)*

Difficulties were encountered in the relationships involved in the video and the media businesses, suggesting Andre has difficulty selecting the right partner as well as maintaining the relationship once it has been established.

*And it happened with me with the media business when we had all equal partnership, but I put the money in. Too many people making decisions. In the video business, we had an equal partnership. We couldn't decide whether we're selling or you know moving on. And my ex partner put his hand in the kitty. Right. (7A OCMS 21:758)*

When Andre started GoMate with a partner who was expected to deliver technical expertise in software development, relationship difficulties also emerged. The partnership did not end well, again with costly results.

*What happened also when my relationship with my partner or my ex partner, you know, ended, he took a lot of the links, some of the source code with him. So he is not answering his phone, but I've got some people that I have commissioned to work on that. So that is costing me money. (7A OCMS 15:520)*

Andre claims to have learned from his past experience with partnerships. He intends to make sure that, in future, partners in any enterprise are minority partners, which he believes will avoid insoluble conflict in such relationships.

*You can have partners and they can have an input, but there has got to be, the buck has got to stop at somebody. When you are equal partners, you are not going to have you know the most successful business. Somebody has to be the one that calls the shots. (7A OCMS 21:753)*

### **10.3. Business and organisational context**

Andre conceptualised the GoMate system, funded the design and specification and then hired a team of programmers to develop the product. At this point, he successfully applied for funding from a government enterprise to contribute to software development costs.

#### **10.3.1. Inspiration and preparation**

Andre's main inspiration for new venture creation has been achieving the financial security and success he desires for himself and his family.

As a teenager, Andre embarked on survivalist-style entrepreneurial activity to earn extra income for himself and the family. Later, in his position with the retail pharmacy business, he saw himself as helping others to create successful businesses, and this gave him the confidence to try new venture creation himself, despite his financial security as an employee.

Although he acknowledges that his work and educational experiences have been useful to him during new venture creation, Andre tends to regard the entrepreneurial experience as being personally developmental because of its emotional content and motivational demands.

*I mean these are the University of Hard Knocks. But you go through it. But I know that I'm going to be successful and I have to constantly motivate myself, because there were many times when I didn't have any money. Many times. So I have been broke. Where I say this is my last hundred bucks I'm spending*

*and then, in some form or fashion, I get some money somewhere. I get a contract somewhere, something happens and it is as challenging emotionally to be an entrepreneur to believe in something that you know can work. (7A OCMS 26:953)*

### **10.3.2. Opportunity search and evaluation**

Andre has tended to find opportunities related to the industry in which he was operating at the time. The FiveTwo Agency, a promotions company, was created while he was working in the marketing department of a pharmaceutical retailer, then he attempted to start a magazine while employed in the media industry.

While he was running the sales department at Shipcorp, Andre was frustrated by the enormous volumes of paperwork his sales team was required to complete in preparing quotations. When he suggested to his manager that an automated system would free the sales people to sell, his idea was rejected on the grounds that such a system would be too expensive to develop.

*Yes, 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 are in the business of shipping cargo, we are not doing IT products. He was very, you know, like tunnel vision. So he wanted to sell space, but he did not want to create products that sell space. (7A OCMS 20:724)*

Although there appears to have been little formal research taking place as part of opportunity evaluation, Andre has tended to use the business-planning process to establish whether or not a particular business would be viable. This evaluation process seems to have become more formalised with each new venture.

*But I've learned through the last ten years that, you know, it's just not greed that makes an entrepreneur. You have got to have vision. You've got to be able to sit down and take a business idea and say it's viable or it's not viable. You've heard about, you know there is a gap in the market, right, but is there a market in the gap. And that's something that I'm learning the last ten years, is looking whether there is a market in the gap. (7A OCMS 25:913)*

### **10.3.3. Start-up decision and sequence of events**

The GoMate start-up decision was taken in reaction to the rejection by Andre's boss of a proposal to develop an automated estimating system for Shipcorp.

*And the boss says well that's too expensive, but thanks, no thanks. 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. (7C OCMS 10:339)*

Andre reacted by resigning from Shipcorp and decided that the opportunity was worth pursuing. When the restaurant closed, Andre decided, with Tanya's full support, that the time was right to develop GoMate.

*I came up with the name GoMate. I said, "this is a gift to you. This is the name for the concept for you". He liked it which is surprising because he always thinks his stuff is better than mine. And I said, "OK, the clock's already ticking, we are going to close this thing and you have got a year". And within a year he really pulled it together. (7C OCMS 12:419)*

Andre developed a business plan for GoMate, and entered a business plan competition which acted as further encouragement to pursue the opportunity.

*Well I entered the business plan competition for starters. And I was one of the finalists. So I thought to myself if somebody can ... if somebody else recognises that is totally divorced from me, that is commercial benefit and potential in it, I should pursue it. (7A OCMS 20:734)*

Andre approached one of the largest shippers in South Africa with the idea, but they were initially skeptical that such a large and complex project was technologically feasible.

*So the challenge was initially a year ago, when I went to go see SeaMove, they said we have 30 000 ports. We call on all the ports in the world. How will you take our data and put it into a database and when we do a search are you going to come back with the right price, the right surcharges? A year later, we invited them to download a prime. They now want to be involved because the system we created works. (7A OCMS 12:407)*

Twelve months later, GoMate is in beta version and ready for live testing. However, Andre acknowledges that, in software development terms, there may still be a great deal of work before the product is functioning effectively.

*So with the functionality that we have, we haven't done the live test. All the testing that we have done was under our control. So we populate the database, we put in there what we wanted and we just got the test subjects to come and play around with the system. But the real test is once we start going live and people generate you know queries, quotations, book online and taking that entire process you know from start to finish, that is the challenge. (7A OCMS 16:564)*

In addition, Andre requires further funding to commercialise the product and ensure the business can achieve break-even.

#### **10.3.4. Resourcing the business**

At the time that Andre decided to set up GoMate, his knowledge of technology was relatively limited, and his first requirement was therefore to find a technical partner who could contribute this expertise. Eventually he settled on a Cape Town-based academic who had limited business experience but grasped the complexity of what had to be done.

*Basically GoMate is an automated freight and transportation and estimation and costing system. Now GoMate, if we time it right will be a world first. It is technically very challenging to do. Because, there is 30 000 ports around the world and about 500 shipping lines alone. (7A OCMS 6:196)*

Andre's technical partner developed a full technical specification, which together with Andre's business plan, formed the basis of a series of funding applications. Several commercial institutions rejected Andre's application, but he eventually interested the funding arm of a government institution, which agreed to provide matching funding for the development costs.

*What happened was I got, besides my own funding, I got funding from Python, so you know I then had a contract with Python and he said we will give you x amount of money but how this Python grant works is you put the money in and then you get the money back once you have met the milestones and deliverables. (7A OCMS 16:582)*

A GoMate office was established in Cape Town. Andre recruited an office manager and developers to work under the guidance of the technical partner. Within a year, the team had developed the alpha and beta versions of the product, effectively meeting the milestones dictated by the Python funding.

However, development stalled at this point, and Andre decided to move the business to Johannesburg so he could manage the project more closely. Recruiting developers in Johannesburg has proven much more difficult.

*So when I moved office, they didn't come with me and we only opened this office two months ago. So I have been interviewing developers, but I haven't found anybody that, number one, I could afford or had the skill set at the right price. (7A OCMS 14:513)*

### 10.3.5. *Managing risk*

In general, Andre considers himself risk averse, even though for several of the previous businesses he initiated with partners, he alone bore the financial risk. He does not intend to repeat this pattern in future.

*Well I'm going to look for a partner that comes to the party with some risk. Financial risks. Whereas my previous partner didn't put any money in it. Previously the majority of them I put the money in. Movie2u, I put the money in. The media business, I put the money in, because I believed in what we were trying to do. (7A OCMS 23:816)*

The FiveTwo Agency, which has been operating profitably for almost 10 years, does not employ staff but rather uses people on a contract basis. This reduces business risk, in Andre's opinion, because costs are directly related to associated revenues. However, when a product is being developed, the business needs to employ skills, and that increases business risk.

*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 23:838)*

Andre has also had direct experience of partnership risk, both because his partner in GoMate failed to perform to expectations and because he effectively withdrew intellectual capital from the business when he left. Andre believes he was too dependent on this technical partner, but also that the partner lost interest because he had no financial risk.

*Now with GoMate, you know I again had somebody that I relied on too much and I could not make a decision without him. So the mistake that I made was just that you know I need to be more strategic in how I choose my partners. What's the expected deliverable and milestones for them? Because sometimes you go into, you know, you go into an arrangement with somebody because you need them so much and I don't want to do that again. (7A OCMS 21:763)*

Andre is also aware that with a new product such as GoMate, it is important to consider how the market will view the risk associated with adopting a new technology. He believes this barrier will be overcome by a low-price entry strategy.

*Because we are a new product and we're not tried and tested yet. Once we have a certain amount of product utilisation then we are going to start charging for participation. Right now I don't want to charge them. I want to make the decision as easy as possible for them. So there is no risk on their side. (7A OCMS 13:475)*

Now, Andre is faced with the challenge of accessing additional funding required for rapid, large-scale commercialisation of the product, without which the business may fail to establish a sustainable competitive position in the market. In his opinion, this is the most significant risk the business has faced so far.

*The big risk is capital. Not getting it. Yes, because my cash will run out at some point. Secondly is that we are going to miss the boat in getting the product on the market. (7A OCMS 18:657)*

### **10.3.6. Exit strategy**

Andre's exit strategy for GoMate is not clearly defined. Although his expectations of the levels of success the business will achieve are exceptionally ambitious, Andre believes they are realistic.

*If there was ever something that I believe could make me a billionaire it's GoMate, and that's why I took the risk. I believe in it, and that's why I'm putting my money where my mouth is. Yes, one of the things that I do is, I always run the numbers. Because once you run the numbers, you can see whether you can make it or not. Even if there is a 10% market penetration with this product, I will still make money. (7A OCMS 24:879)*

First, GoMate requires funding of at least another R2 million for to complete the commercialisation phase and launch the product. Andre recognises this is likely to require surrendering equity to a potential investor, the prospect of which does not appeal to him.

*The next challenge will be to take this product to market. To find the right people and the right buyers. That's the next step. But, I realised that in many ways I'm scared of success. You know, I say I want success, but I want success with a certain amount of control. Somebody said to me GoMate will only work if you allow yourself to let go of control because GoMate is bigger than you. (7A OCMS 26:927)*

Nevertheless, Andre believes there will be a time when he is no longer involved with GoMate, and he is constantly on the lookout for new opportunities in diverse industry sectors.

*I'm looking at a travel business. There is in the US you get a company called Experience Travel, it's targeted mainly at the high end. You know, lawyers,*

*doctors, people that need an experience. So let's say you come to the Experience Travel and you get a prescription, this is what you need. Whether it's a hike in the Himalayas to destress or whatever, but your experience starts from the time, the day that you leave. (7A OCMS 29:997)*

#### **10.4. Macro-environment and competitive context**

Possibly as a consequence of his prior experience, Andre seems sensitive to macro-environmental and competitive conditions, both as they have the potential to affect him personally and impact on the business.

##### **10.4.1. Macro-environmental conditions**

While Andre was already developing GoMate, a major shift in the shipping industry's regulatory environment has made conditions for market acceptance of an automated information system much more favourable than before. Shippers will be required to publish rates, rather than dealing with each customer on a confidential, case-by-case basis.

*What happened in the month of February last year, the governing body called the Federal Maritime Commission did away with the confidentiality. They said price fixing is killing the business, right. Now, the amount of goods that move around the world is worth £52 million and if you keep on loading the freight rate, you know, you are going to basically kill certain industries. So they said from now onwards you have to publish your rates to make it available to the public. (7A OCMS 9:301)*

Both Andre and Tanya agree that the South African environment is in many ways hostile to entrepreneurial endeavour. Andre complains repeatedly about the banking and financial system and its lack of understanding of new venture creation. Tanya also observes that social values, especially historically, are not conducive to building entrepreneurial self-esteem.

*South Africa is unique because you know you spend 40 some odd years programming people to believe some things about themselves. So then you can come to them the next day and say great well here is some money, I told you you're stupid, you're useless, you are incapable of doing anything else but being my gardener, now I want you to be a CEO of a Fortune 500 company. (7C OCMS 25:883)*

Andre notes that mixed race coloured people have particular problems in the new South Africa, a comment that also reveals his own sense of alienation.

*I look at coloured people's vision when I go to Cape Town. They have achieved a lot or as much as they could. They're still confused. At one point they weren't white enough. Now they are not black enough and it's a lost people almost. You know Indians have India that they can relate to. You know, where do you fit in? (7D OCMS 10:352)*

#### **10.4.2. Competitive environment**

Andre is aiming to achieve a first-to-market position with GoMate, but recent legislative change has made the market more attractive, and it is likely competitors will follow rapidly, even though GoMate is apparently ahead of the race in development terms.

*So what, what made me comfortable is they said, they didn't say this product exists. They didn't say somebody else is doing it. They said our people are working on it, but nobody has brought it to market. So that window option is going to close. The market is big enough for at least four of these products. (7A OCMS 19:670)*

Andre intends GoMate to be applicable beyond a single industry, and this will enhance its effectiveness and differentiation.

*What makes GoMate different is our competitors are focusing on just shipping. We are focusing on building a network for shipping, airlines, road and rail transportation. (7A OCMS 6:199)*

Andre's experience with suppliers of capital and labour has not been a positive one; he is currently grappling with finding the right amount of money to enable commercialisation and finding the right people to implement his plans.

*This bank went on a campaign to attract entrepreneurs, about six to eight months ago, with the whole idea of if you bank with us then you don't pay bank fees for a year. That was mainly to get small to medium enterprise businesses. But then once they have you there, they don't know what to do with you. (7A OCMS 1:12)*

#### **10.5. Describing the experience**

Andre describes his entrepreneurial experience as simultaneously financially and personally rewarding and personally challenging. His frustration at being unable to raise the finance he requires was often evident in the interviews, but his commitment to entrepreneurship in general, and to GoMate in particular, seems unshakeable.

### **10.5.1. Business challenges and opportunities**

Andre has so far been able to operate GoMate in bootstrap-style, keeping costs as low as possible and funding much of the development himself. However, he believes new skills and capabilities are now required, which means that unless he can access a substantial sum for funding commercialisation, the business will not be launched.

*But now to take it to market you need a little bit more money than you know developing on a shoestring budget. And you need proper developers now. We have developed everything in open source, but legally there is going to be a problem once we start commercialising. Because even with open source technology, there are rules and regulations that you have to stick to when it comes to commercialisation. (7A OCMS 18:628)*

Software development skills are generally scarce in South Africa, and product development for GoMate has currently stalled because Andre is finding it difficult to find staff with the right kind of skills at the right price.

*Developers in Johannesburg, the people that I need come at about between fifteen and twenty-five thousand a month. I can't afford that. For the same people I used to get at that skill set was about ten, twelve and a half thousand in Cape Town. So I've gone through a bunch of CVs and interviews so far. A lot of junior people are wanting senior people's salaries. (7A OCMS 15:532)*

### **10.5.2. Personal challenges and opportunities**

Despite his acknowledged lack of success at achieving his goals so far, and the difficulties encountered as an entrepreneur, Andre enjoys the independence and creative satisfaction that self-employment represents.

*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 everyday but you know what, I wouldn't change it for the world. (7D OCMS 16:563)*

Andre describes the entrepreneurial process as intensely demanding, at least partly because he feels others expect him to continuously exceed his previous achievements.

At the same time, Andre perceives prevailing social values relating to entrepreneurship as so negative that there is a lack of respect shown to entrepreneurs, especially by financial institutions.

*And then you go, you know, into the world of entrepreneurs and you deal with people and they, they think you just stepped out of a box somewhere. You have never worked in your life. And those are the kind of things that really irritate me. Where people, you know, disrespect entrepreneurs, you know banks don't really know how to deal with us. (7D OCMS 9:329)*

The process of initiating a new venture carries a great deal of creative satisfaction for Andre as well as pleasure in the creative process, and he wryly admits that his irritation with others stems from their lack of appreciation for his creation.

*You know I mean to sit and make up an idea and somebody gives you money for it. If that's the fun of being an entrepreneur and enjoying it, I mean that's great. And then I expect people to buy it because I thought it out. And I get upset when they don't. (7D OCMS 18:642)*

However successful or unsuccessful his ventures have been, Andre believes each experience has meant significant personal growth for him. He is convinced that this development in his knowledge and capabilities far outstrips what he might have learned in even the most senior position as an employee.

*You know, I look at how I've changed in terms of my thinking. You know as compared to ten years ago, and I feel I have grown way beyond if I had stayed in the company. A lot of my friends are CEOs of companies and they have a lot of comfort. They don't have any risk. You know they get paid their salary and they are comfortable with that. (7A OCMS 26:944)*

In future, his most significant personal challenge will be to achieve the financial goals he has set himself, goals he is confident he is as capable of achieving as even the most successful entrepreneurs in the world.

*Now who the hell is Bill Gates as compared to me? You know the only difference is that I haven't figured out how to make a billion dollars a year. I certainly have made a million and I've lost a million. I have lost two and a half million in one deal of my own money. And I had to walk away with my underpants, that's all. I mean the only stuff that I had left, was the stuff I could pack into my car. (7D OCMS 15:535)*

## CHAPTER 11. CASE SUMMARY: KENNETH

Kenneth is a 27-year-old black male educated to matric level, followed by a series of ad hoc courses in information technology. Filmfast, Kenneth's corporate event photography business, was established five years ago as part of a multinational IT corporation's social responsibility experiment. At a time when many traditional photography enterprises are failing entirely, Kenneth has grown the business steadily.

This chapter summarises transcripts 10A-10D, which appear in appendix G to this document. Analysis of Kenneth's case appears in chapter 19.

### 11.1. Personal context

Kenneth is tall, with chiselled good looks and medium-length dreadlocks to match his immaculate, fashionable clothing. He talks calmly and deliberately, with what has come to be known as a 'Model C' accent in the Soweto in which he grew up. He gives the impression of being easy going and laughs often.

#### 11.1.1. Key characteristics

Kenneth is generally agreed to be a people person and he has taken to heart the notion that the entrepreneur primarily sells himself. His charisma is used deliberately to maximise effectiveness in every aspect of the business.

*He 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, but he's strong as well, he knows how to delegate. (10B YBME 9:309)*

Kenneth's personal charm is coupled with a quiet persistence that has stood him in good stead, both at start-up and in the continued development of the business.

*It's not the easiest thing to go to a couple of people in a nightclub or a restaurant saying: "I'd like to take a photo of you". Print it out on the side and sell it to you for R20. You know, you try have dinner or you having a good*

*time, the last thing you want to do is pose for a photo and then pay for it so it takes a certain personality to go up and be persistent. (10B YBME 8:265)*

Kenneth admits that his persistence is rooted in a fear of failure and the risk of losing what little he owns, together with the knowledge that he has no access to a safety net should things go wrong.

*I just wanted to keep pushing, pushing and pushing. So ja, my biggest driving force was the fear of failure, and the fact that if I do not succeed in whatever I do, there is not really much to go back to at home or anywhere else. I needed to find a job and ja, so I pushed, pushed, pushed, whatever I got, I just pushed. (10D YBME 7:224)*

Over the past five years, he has developed a good grasp of the basic principles of business, and a calm approach to opportunities and problems.

*I am not the type of person that would fight fire with fire. I would keep quiet about things, think them through and I would just let it slide. I don't let it get into my head and let it bother me much. (10D YBME 11:386)*

Kenneth describes himself as religious and considers his beliefs to have been instrumental in his ability to remain positive and confident in the face of even the most challenging entrepreneurial experiences.

### **11.1.2. Education**

Kenneth was educated at a government school in Soweto, and claims to have been aware from an early age that his education was relatively inferior.

*Around my neighbourhood at the time, you would get kids that go to very serious private schools, and you wanted to go to some of those schools, but you didn't understand why you couldn't because your parents couldn't afford it, so you go to a school and had to pay R50 per year, so ... that is what you got used to. (10D YBME 4:122)*

However, he was a confident pupil and did well academically and socially, to the extent that he was a role model for younger pupils.

*A lot of my school peers looked up at me, you know, and it was quite an uplifting thing that your standards seven and eight were talking about you. "We want to be like him when we get to matric", and those kind of things, so, ja, that boosted my confidence big time. (10D YBME 5:161)*

A turning point came at the age of 16, when Kenneth's confidence over-reached his capability and he failed the year. This experience seems to have had a strong influence on his motivation to make a success of his life.

*It was so bad, I couldn't even take the report to my parents that year. I actually hid it and said, no we did not get a report, we are getting it next year (laughter). I didn't know how to tell them, because I had never failed before, and to me it was a big deal. (6D YBME 2:65)*

He believes the experience taught him several important lessons, including the risks of over-confidence, and the importance of focus, which has become his mantra as an entrepreneur:

*That next year I was really focused, I did not have a lot of friends, no girlfriends, nothing, nothing, I was just focus, focus, focus. And from that year on, I stayed low, I stayed focused ... (10D YBME 3:85)*

Following high school, Kenneth wanted to go to university, but the family could not afford the fees, a fact which he recalls with some bitterness. Instead, Kenneth began to study at a technical college, where he later won a bursary which allowed him to undertake several short courses and diplomas in exchange for tutor-related work at the college. Eventually, however, Kenneth was forced to leave college because of a lack of funds.

### **11.1.3. Work experience**

Kenneth's formal work experience is limited mainly to a series of part-time jobs as a scholar and as a student. This began in the year he repeated standard eight, when he joined a large IT business as a part-time salesperson.

*I used to be a sales rep over the weekend, I was a Weekend Warrior, if you are a student, you can get a job as a Weekend Warrior, because my background was IT, I was studying IT, so I have sold their printers, their cameras and their laptops during the weekend. (10A YBME 3:75)*

As a salesperson, Kenneth enjoyed a good measure of success, and began to take on some financial responsibilities at home, even while he was still a student. Over time, this success became the foundation of his belief that he could make money for himself rather than for someone else. When he was forced to leave college, Kenneth took on a position as a salesperson at an IT-focused retail chain. Although his experience as a salesperson has stood him in good stead, as

Kenneth's business grows, his lack of work experience is increasingly felt by him and by his business partner, Steven.

*From a weakness point of view ... it's really things he hasn't been exposed to in terms of the ... I want to say the proper running of a business. I do a lot of the quoting, invoicing, I do all the payments, the cash flow, I see to all our audit sheets, I keep all our files, do all the filing of everything, I do VAT returns and that. (10B YBME 10:360)*

As a proxy for his own lack of exposure to the intricacies of business, Kenneth maintains close relationships with two important mentors: his older brother David, a lawyer, and the ex-CEO of IM, the IT business that gave Kenneth the means to start Filmfast.

## **11.2. Family and social context**

Kenneth is somewhat alienated from his family, although he financially helps to support several siblings and remains very close to an older brother. He uses his personal charm to great effect in his business life, and clearly has a host of good relationships in that sphere. However, Kenneth maintains a tight circle of personal relationships and seems a little uncomfortable discussing his private life in any depth.

### **11.2.1. Childhood and parental influences**

With a policeman father and nursing mother, Kenneth had a conventional Soweto upbringing. His brother remembers a child who tried hard to please his parents and teachers.

*He knew about the right things to do, the things that would please his parents as a young child. More than anything, more than you wanting to be successful, you want to please your parents. So he wanted to be on track. (10C YBME 7:226)*

Kenneth is one of six brothers and sisters, and describes a childhood that was busy and crowded. He believes he was somewhat neglected by his parents, especially after his younger sister was born, at around age 10. From this point, Kenneth considered himself to be independent.

*Basically his dad spent all their money on the eldest brother to get him through law school and all of that stuff and basically for the rest of the children there was as much, more kind of, "get out there. Do it yourself. Fend for yourself". (10B YBME 7:231)*

The family was fairly religious as Kenneth grew up, and he continues to consider this an important part of his life as an entrepreneur.

*I think it makes you to think properly, to have time to sit down and reflect on life properly, ja. I think that has played some part. You usually look around at his friends who are not as spiritual, there is no direction. (10C YBME 9:308)*

Although he felt alienated from his parents, Kenneth developed a strong admiration for his oldest brother, forming a relationship which has acted as a paternal substitute and continues to play a significant role. In particular, Kenneth will often ascribe his drive to succeed to a desire to imitate his brother's success.

*He is just like me, he likes the good things in life, but he understands that the good things in life do not come easy. You have to work for them. The other thing is that he sees me as successful and he wants to emulate me. He will sometimes say that he wants to be there, where I am. He thinks that I am having a good time and he wants to have a good time also. (10C YBME 6:214)*

### **11.2.2. Family support**

Initially, Kenneth's family tried to persuade him to follow a conventional career path into one of the professions, but when he elected to leave home and pursue an entrepreneurial career instead, they felt reluctant to insist.

*He subtly, subtly resisted. The problem is that you do not want to be labelled. If the guy fails, then he points the finger at you. And you yourself would feel it, you know what, I messed up. (10C YBME 12:413)*

The extent to which the family other than David supports Kenneth's business is not clear. Rather, Kenneth and David latterly share the task of financially supporting their siblings:

*Me and my brother, we are sort of the only two that are going in the right direction in terms of career and what not ... but now my sister needs some help and one of my brothers is mentally ill, so he needs financial support, and one of my brothers is in Polokwane, he also needs a bit of financial support, so between me and him, we sort of take care of the rest of the family. (10D YBME 7:236)*

Kenneth currently lives with his girlfriend, Thembi, and their 18-month-old son in their newly purchased townhouse in the north of Johannesburg.

*I don't work on weekends. Weekends I relax, stay at home, play with my child, go out with my fiancée, she loves going shopping; I play a bit of golf on Sundays. That is basically it. Weekends are for family. I sit at home, I have just bought a new house, and I love it. (10D YBME 9:308)*

### **11.2.3. Social networks and relationships**

Kenneth acknowledges that his ability to establish and maintain relationships is a particular skill. He will typically identify an individual whom he believes will be useful to him and then make approach after approach until he successfully gains access.

*I wasn't qualified, so I couldn't get a job, so couldn't study any more, I stopped. I went to work for Compushop. I saw the CEO (of IM) over and over, saying I'm here working for Incredible Connection because you don't want to employ me and, and, and ... and one day I just went to him, he said, "OK, OK, I will give you 30 minutes to say what you want, that's it". (10A YBME 4:115)*

Having worked hard to establish the relationship, Kenneth then spends a considerable amount of time and energy on personalising and maintaining it. A vivid description of Kenneth's relationship style indicates how this is used to the benefit of the business.

*He listens to people. He knows what is important to them. He remembers birthdays, which is important to clients, like yesterday, he had to go visit Carol from one of our clients, it was her birthday yesterday and she does good business with us. Kenneth remembered that it was her birthday and he went and bought her flowers and took her. He listens to people if he knows that, for example, one of our clients was pregnant some time ago and had the baby, and you know, he would ask, "how's the baby?" He'd actually go and see the baby. If somebody is sick, he'd phone and ask "how are you feeling?" (10C YBME 8:278)*

Kenneth uses events and people he photographs as a networking opportunity, and his ability to create useful networks has played a critical role in developing the business.

*He tells me he is meeting important people and I say, "how do you know these people" and he says, "I am working there today". He has done very well. Very well, and he has got connected to important people. He is very well connected. (10 C YBME 5:166)*

Apart from his ability to manage relationships with clients, Kenneth depends on an excellent relationship with his partner, Steve, and the two mentors he has

selected. Kenneth is reportedly also competent at managing employee relationships.

### 11.3. Business and organisational context

Filmfast digitally captures, prints and frames photographs so that they are immediately available to clients, competitors and guests at a sporting event or function. At a time when many traditional photography enterprises are failing entirely, Kenneth has grown the business steadily. Today Filmfast turns over R1 million a year and employs two full-time and four part-time staff. Ancillary services have been added to the core business, with the goal of offering clients a one-stop branding and promotions agency. Growth is the major challenge facing the business, both expanding the customer base and adding new products and services.

#### 11.3.1. *Inspiration and preparation*

Kenneth singles out his brother as his main inspiration; David's success as a lawyer motivated Kenneth to want to be successful as well. He claims he would have preferred being employed in the IT industry, but circumstances would not allow him to continue his studies. His brother David describes a more deliberate decision-making process.

*So I was asking, "are you okay, don't you think you need a base? There are lots of things you need to know. You need to study, you are very young to say you want to be in business". He said, "no, I must try". I said, "you try, okay". (10C YBME 5:172)*

At the time he started the business, Kenneth was ill-prepared for the experience. His education had been only indirectly relevant and although his part-time work experience had left him with some useful sales skills, he had had little exposure to the workings of business or to the technicalities of photography.

*I've never run this business as a photographer because I didn't know how ... I didn't know anything, I was actually quite shocked about lighting and all these things now that I am studying photography (laughs). (10A YBME 10:362)*

Although Kenneth readily admits to his lack of preparedness, he also attributes his willingness to initiate the business to his religious beliefs.

*I think since I was born again, as a person that believes that Jesus Christ is my personal saviour, it has affected a lot of my thinking and way of doing things ... I don't just I do things, I really and truly believe that I have a path that I need to follow and I try to follow that, and try and get guidance from God. (10D YBME 14:504)*

These beliefs, together with his success at school and as a part-time salesperson, contributed to Kenneth's sense of self-efficacy.

### **11.3.2. Opportunity search and evaluation**

Kenneth elected to start a business because he believed no other reasonable options were open to him. Initially, he considered opening a restaurant/internet café, and he turned to IM, which had employed him as a salesperson for some years while he was a student, in the hope that it would lend him the money required for start-up.

*I looked at him and I thought "whacko!" (laughs). 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 YBME 2:45 )*

The source of Kenneth's business idea at IM was the chief executive, who turned down his request for funding, but instead offered Kenneth some equipment and a challenge, as part of a corporate social responsibility programme that was just being implemented:

*He was given a camera and a printer from IM and they said: "You've got to repay us within three months, but go out there and start a business with this." Kenneth actually started by going to IM asking for a job and the guy he knew said: "I'm going to give you a camera and a printer, you know, find a way to make money out of it". (10B YBME 8:261)*

The entrepreneur did not formally evaluate the opportunity, rather he began to experiment with different ways of using the equipment to generate revenue. Kenneth reports that other participants in IM's social responsibility programme were largely unsuccessful in converting the loan of the equipment into a viable business.

### **11.3.3. Start-up decision and sequence of events**

Having been given the camera and the printer, Kenneth experimented by taking pictures of family and friends, and in time ventured into a nightclub to take

photographs of the patrons. Club owners liked the idea of an added-value service and consumers, impressed by the novelty of instant photographs, were happy to pay for the photographs.

*And because it was new, it was like ... cool. And that is exactly what happened. It was really just by accident, it was just luck. (10A YBME 6:194)*

Eventually wearying of the nightclub scene, Kenneth sought an event that would offer higher volumes of potential customers.

*One day I went to a launch party, one of the biggest artists in South Africa launching a CD, very prominent, he still is, to this day. I went there and I claimed to be the official photographer at this launch party, and I ordered people around, give me a table over there, looked for mains, and I wanted a tablecloth with some branding, banners, bring me two banners, and they did it. (10A YBME 2:50)*

These activities generated sufficient cash for Kenneth to pay for the equipment IM had lent him, and seemed to represent a business opportunity, especially once IM became his first corporate client.

*In two months I gave them back the full ... R8 000. And I bought some more, after the second set I bought more, and I bought more and I bought more. And I told them, I must be employed by you, IM, for all your events. I didn't have any photography experience at the time, none whatsoever. But, I got employed by them, wherever they went, the roadshows, whatever, where I worked with them, that's how I got connected with my other connections, that's how I network, basically. (10A YBME 4:134)*

Since then, the business has continued to develop through trial and error, rather than as a result of deliberate design on Kenneth's part. A strategy for the business's development only began to be formalised once the partnership between Steven and Kenneth was established, some three years after the Filmfast start-up.

Originally the idea was to cross-sell a range of marketing and promotional services to the same client, whether the initial approach came from Kenneth's photography business or Steven's PR business.

*So the client came for PR and I could say, "we do photography as well", by the way, your website, we can do that for you as well, and if you need a corporate identity, yes, we can do business cards for you and everything and the card that you've got there is all our ideas and our conceptualisation. (10C YBME 3:77)*

It appears this strategy has had limited success, as the photography business and the PR business operate largely independently of each other, with the former continuing to be responsible for the greater percentage of total turnover, and a relatively small amount of cross-selling taking place.

However, with rather more success, Kenneth has concentrated on penetrating the existing corporate client base by establishing longer-term systematic relationships rather than reacting to requests for ad hoc services.

*So now I have said, "can I come in and actually sit down with you and go through your calendar for the year, and see how many events you guys have, and then I call you, two or three weeks before the event, just make sure that it is still on, find out what do you need in terms of frames and those kind of things. (10A YBME 8:258)*

Kenneth attributes this success to a mindset which refused to consider surrender, and persistence in gaining access to corporate clients.

*I was very persistent, I didn't think, "what if we fail?" I don't want to see it fail, I know it's got a lot of potential, and I know that, if I work hard at this, and make sure that my clients are satisfied all the time, they will keep coming back. (10A YBME 10:336)*

#### **11.3.4. Resourcing the business**

Kenneth worked from home initially, using public transport to get from event to event, and operating as a sole proprietorship. Since start-up, Filmfast has done well enough to buy a vehicle and occupy offices in the upmarket suburb of Rosebank. Apart from the relatively modest loan of R10 000 from David, the business has been funded from earnings and is, as a matter of deliberate policy, currently debt free. This has required a certain amount of financial discipline on Kenneth's part.

*We haven't asked for any loans or whatever, entirely from funding and you put money away, you try and put as much money into the cash flow as possible, and keep it back for as long as possible, and try not to use it, just try and pay off the salaries and pay the guys and the kit, keep the money in the business. (10A YBME 15:546)*

The volume of business quickly became too large for Kenneth to handle alone, so he recruited several school friends to assist him at events. Today, Kenneth

employs six contractors and they are kept sufficiently busy to make a living from Filmfast.

While he was learning how to run the business, Kenneth experienced personal financial difficulties. At this point, Kenneth turned to his brother David for help.

*His worst was when he was struggling. He never said anything. He struggled, financially, and that was his lowest point. Then I thought to myself, instead of being me bringing the money into my house, let me invest in his business and help to grow it. (10C YBME 13:463)*

Two years after the business started, Kenneth decided to take on a business partner, at which point the business was formally registered. Steve, whose background was in corporate PR, believed he and Kenneth would complement each other well.

*I initiated it, because I more or less I liked the way Ken did his ... ran the business and his ideas on things, I like. He always had like ... a very raw kind of business, business sense, which you need, you know, you need a bit of street hustle every now and again to do some good business deals. And I think it balanced me out nicely, because I come from a very corporate environment and, you know, I've got my rule book and Ken kind of thing on the other side where ... you know, we were just okes who create a really good team. (10C YBME 1:26)*

David, Kenneth's brother, appears to have been fairly intimately involved in the development of the business. His counsel has been frequently sought, he offered Kenneth a rent-free place to stay when times were tough, and even put some money into the business at one point.

#### **11.3.5. Managing risk**

Kenneth does not appear to have considered risk in any formal or explicit manner, which is partly because he considers hard work and personal commitment of greater significance in entrepreneurial success than environmental threat or opportunity.

Kenneth tries to ensure the success of the business by proactively managing relationships with existing clients. The intensity of his effort in this regard could in effect be a risk management strategy. The importance of these relationships is

such that Kenneth regards them as the main reason why the business will be sustainable in the longer term.

*For the past five years, I have had repeat clients, which is, I think, what is making my business sustainable. I have had a lot of repeat clients as opposed to newer clients. I have a lot of new clients as well, but the old clients are still staying there, which means that we are doing something right. (10A YMBE 10:339)*

#### **11.3.6. Exit strategy**

No exit strategy is articulated by either partner in the Filmfast business. The business has grown rapidly, but Steve, Kenneth's partner, believes this is not sustainable in the longer term without diversifying into other promotional areas.

*Since Kenneth and I teamed up, we've grown our revenue. The first year I think we grew it by 40% and this year we looking at growing it by 80%, but you not going to carry on seeing that, that growth. Branding, the branding side of it, needs to grow for us to really start defining ourselves or calling ourselves a creative agency, because right now, we are only playing with our skill sets. (10B YBME 6:206)*

Kenneth has a completely different vision for the business in the longer term, and it is difficult to understand how these competing perspectives will be resolved.

*I imagine myself as a retail outlet, in shopping malls around the country, where people come to us. Universal Studios for instance, where they develop and do this and do that. Where we can franchise those stores and grow that way. (10A YBME 21:737)*

### **11.4. Macro-environment and competitive context**

This case makes some reference to macro-environmental conditions that have an impact on the business, although the competitive environment has greater significance in terms of day-to-day operations.

#### **11.4.1. Macro-environmental conditions**

Kenneth acknowledges that Filmfast was started in a fertile environment and that the emergence of the opportunity could be considered serendipitous. However, he and his brother believe that this was not sufficient.

*It is not only luck. If you get a feeling that waking up in the morning that you do nothing and you are hoping that you win the Lotto, that is not enough. You need to be doing something, things that you are not working on, you know, you need that in life. You have to work very hard and without luck ... that's another story. (10C YBME 15:547)*

The environment in which he grew up was considered less than supportive for developing entrepreneurs. Nevertheless, Kenneth dismisses the notion that this necessarily impacts on levels of entrepreneurial motivation and commitment to succeed.

*Everybody is poor in Soweto, everybody needs something. We all come from bad backgrounds, except your mind might not be. If you want to be like the white boy your age who is driving a Porsche, what has he done that you are not doing? Like where I live ... there is a guy who does garden services and he has got a house where I live at the estate, and that is what he does, and he just goes around and mows people's lawns, but he's professional, he's got books and whatnot. The same guy who mows lawns in Soweto – what does he do with fifty bucks or one hundred bucks that he cuts grass with? He chills around afterwards, he has a beer, he's a big man, he's got chicks around him. He's not focused, he can't take his business to a different place. (10D YBME 19:694)*

Apart from these factors, Kenneth appears to pay little attention to macro-environmental factors as far as they impact on the enterprise.

#### **11.4.2. Competitive environment**

Filmfast operates in a highly competitive environment; Kenneth is sensitive to the firm's position relative to other market participants and confident that his business delivers a superior service within the context of the business relationship:

*I thought ... there is a lot of competition, but how we have done it, we kept ourselves sort of consistent or professional, we try and make it different to most of the guys that are out there, in a sense that ... like when they deliver to you, they just put a sticker on and take a coki pen and take it there. They don't label there, a lot of the photographers, when they take a thousand photos, for instance, they just dump the photo onto the CD and give to the client. (10A YBME 8:292)*

The technology used by Filmfast also represents a competitive advantage relative to more traditional photographic competitors.

*One-man photographers, he'll take photos, he'd go to a lab, and try and develop those photos but when you are at Sun City, where will you find a lab?*



*In fact, last year, last year, one of the photographers, he borrowed one of my printers. (10A YBME 14:484)*

The business also sets out to keep costs low by finding the right suppliers and negotiating hard for each purchase to be able to price competitively.

*We actually found a guy in town in the city centre that actually builds frames, picture frames themselves and we get a great price, which means we can come at a lower price point for a client and make a decent margin on it as well. So we scout our suppliers. We don't just go to anybody. We find guys and we drill them down to the lowest possible price. (10B YBME 4:125)*

Kenneth's early entry to the market has allowed him to build a reputation for reliability and good service which supports both new client attraction and retention.

*There's not many reputable people out there doing it, there are probably three out there. Kenneth has been doing it the longest. I think he is probably the first that started in the country and because we doing it for so long and because he's had so many clients over a period of five years, we get a lot of by word of mouth marketing leads, people just phone us out of the blue. (10B YBME 5:172)*

## **11.5. Describing the experience**

Kenneth's optimism and good nature make it difficult for him to refer to new venture creation in anything but the most enthusiastic terms. However, it is clear that the experience has often been difficult, for the business and the individual.

### **11.5.1. Business challenges and opportunities**

Kenneth is directly involved in most of the photographic shoots Filmfast undertakes, partly because his employees are contract workers, untrained and difficult to motivate.

*There is a lot of it that I do, initially they were just there for the sake of just being, they didn't have work, so they clicked and clicked and clicked, now the guys that we have now, they are like really motivated, they can feel that this company will go somewhere, and if you stick around long enough they will reap the benefits of being around. (10A YBME 15:523)*

Despite his youth and visible charm, Kenneth is reportedly a leader who commands respect from his employees, and is quick to censure when required.

*But they are not the easiest bunch to work with and Kenneth ... Kenneth ... handles all of that, so he's got a very strong character and they know, don't mess with him, because you'll ... you'll ... go and you won't come back and Kenneth will find somebody else. (10B YBME 9:319)*

Steve sees himself as taking on the lion's share of the business administrative burden, while Kenneth takes on the less stressful operational roles.

*And I want to get Kenneth more involved in that because I am very busy as well and I can't really carry on doing all of this by myself. Kenneth used to do jobs, money in the bank account, pay, you know, he never really checked to see where I'm earning, what are my busy periods, what are my slow periods, who's my biggest earner, which client do I have to look after, you know, look after best and stuff like that. He never used to give like gifts to clients around Christmas. (10B YBME 16:576)*

Especially in the earliest stages of the business operation, managing cash flow was a critical success factor.

*And manage your cash flow at all times. If you can, plan out for 12 months or 24 months, put that money away. Don't let it tempt you. As soon as you realise that the money ... because that's how I was in the past, R15 000, it's gone. R20 000, gone, then I am left with no money. (10D YBME 18:642)*

Kenneth admits that a lack of appropriate management systems, his own naivety in trusting clients and a lack of personal discipline often created the problem.

*And not getting paid on time, that was a big, big problem for us. In fact I should say that was the biggest, because without getting paid in time, it drains the business in a big way, because you have more clients to service but you've got no money, to buy consumables or whatnot. I was gullible actually at the beginning of the business as well. "Ja we'll do the work for you, I take responsibility for it, and I will pay you later". That type of client that probably owes me for probably four or three years. (10A YBME 10:365)*

### **11.5.2. Personal challenges and opportunities**

Kenneth has a great passion for his business and the opportunities it provides for him to meet interesting people.

*I really love it, the exposure that I am getting, the different businesses that I am getting involved in ... or involved with ... like last night ... the type of people that were there ... and the type of plans that they have for the country and the continent, you know. Some of the President's advisors were there*

*that were speaking, and I get to listen. My career is really brilliant and I'm enjoying it. (10D YBME 10:365)*

Kenneth works long hours, but he believes this is a short-term sacrifice worth making for the longer-term benefits it represents.

*My job is really time-consuming. I have no office hours, any time is work time. Most of my work starts at six in the evening and at 12 at night. And in the afternoon, I do some of my admin stuff, but it's really ... it takes away a lot of my time ... but I believe now in my twenties, it is my time for me to work hard and smart, so that when I am 40, I can live in a house like David. (10D YBME)*

Kenneth highlights the excitement and anxiety inherent in the entrepreneurial experience and emphasises the importance of learning from one's mistakes.

*It has been amazing and very challenging at times, where 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. (10A YBME 16:567)*

He attributes his success to his personal commitment and determination, and particularly to the discipline of focus.

*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 ... basically ... that is what has made this business work. (10D YBME 15:548)*



## **Part III: Case analyses**

Part III contains Chapters 12 to 19, each of which comprises a detailed analysis of one of the eight cases in the study.

Each case analysis considers: early influences on the entrepreneur; his or her social capital, the strategy and business model; support required by the entrepreneur; how the entrepreneur makes meaning from the venture creation experience; relationships between different levels of analysis and similarities and differences between respondents. Each case concludes with an examination of the implications of the analysis.

## CHAPTER 12. CASE ANALYSIS: AHMED

Ahmed is a 36-year-old Indian male who has worked his way through the ranks of the IT (information and technology) consulting and software development industry. Techthink was started by Ahmed and his partner Jorge some seven years ago, and has been growing steadily.

Although he appears calm and genial, respondents described him as stress-prone, detail-oriented and with a high need for control. Ahmed could be described as a blend of the personal achiever and real manager/entrepreneurial personality types (Miner, 2000). Ahmed feels somewhat intimidated by the superior corporate and educational experiences of those around him, but he is proud of his personal growth and the business success. He clearly extracts much enjoyment from the deal-making inherent in venture creation, but is acutely aware of the responsibilities toward employees and clients that entrepreneurship imposes.

The interviews with Ahmed were brisk and businesslike, with a strong focus on the nature of Techthink. The founders' passion for the business was very evident throughout the discussions.

This case analysis is based on transcripts from the interviews contained in Appendix G and coded as per Appendix I, and summarised in Chapter 4 of this document.

### 12.1. Early influences

The most significant event of Ahmed's life was the death of his father, which together with his impoverished childhood, left him with a strong desire to achieve financial security through entrepreneurial endeavour (Jack and Anderson, 2002). He achieved this security through judicious career moves and disciplined control of business and domestic spending, even before embarking on entrepreneurial activity.

As illustrated in Figure 3, the events respondents described as influential for Ahmed were generally negative during the early years, becoming more positive

as he left childhood and school behind and gained a measure of control over his own destiny.

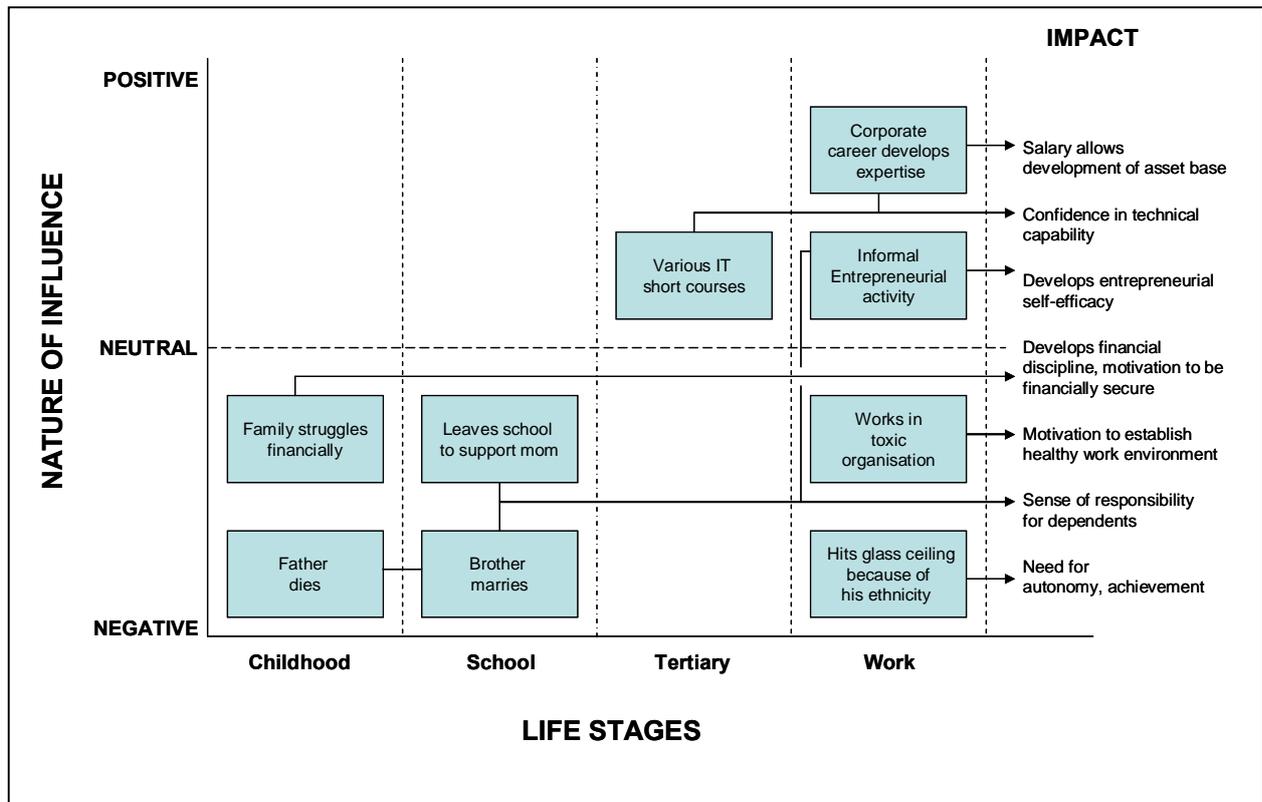


Figure 3. Early influences on the entrepreneur

Following his brother's marriage, Ahmed had to support his mother, a responsibility he continues to fulfil, and which echoes his commitment to the welfare of his employees, reinforcing the influence of family and network embeddedness on the entrepreneur (Aldrich and Cliff, 2003). Ahmed's unpleasant work experiences also motivated him to prioritise the establishment of a healthy, empowering workplace at Techthink, demonstrating the blueprint theory of founders' organising preferences (Baron and Hannan, 2002).

Although Ahmed did not complete his education, a constructive corporate work environment and a series of technical diplomas have left him with relatively high levels of perceived technical competence. In addition, his early entrepreneurial endeavours, while relatively survivalist in nature, appear to have contributed directly to the development of his entrepreneurial self-efficacy (Chen *et al*, 1998).

The shift from employee to consultant to contractor also allowed Ahmed to steadily develop his own appetite for risk. His success as an employee and a consultant allowed him to build up a significant asset base which was later used to fund the development of Techthink. This helped lower the perceived risk of start-up (Mullins and Forlani, 2005) and increase perceived feasibility of the new venture (Krueger *et al*, 1994).

Perceived discrimination on the basis of his ethnicity contributed to Ahmed's need to achieve (Johnson, 1990) and stimulated a need for autonomy (Shane, 2008), which is possibly in conflict with his need for financial security, triggering anxieties about risk taking and a need for control (Kets de Vries, 1985) over even the smallest financial expenditure.

## 12.2. Social capital

Ahmed's family relationships are strong and tradition-bound, placing him at the head of the family and representing an important source of affective support (Steier, 2003). The involvement of one of his daughters in the business reflects the established influence of entrepreneurial parents on their children (Jennings and McDougald, 2007).

Ahmed also appears to be part of an active network characterised by a relatively large number of relationships, most of which would appear to be strong ties (Anderson and Miller, 2003), offering close personal and community relationships centred on his family and religious affiliations. It is likely that his business success is appreciated in this network and that relatively high levels of deference are extended to him within the context of these relationships (Goss, 2005).

Weak-tie relationships seem somewhat less productive for Ahmed, possibly as a result of his own uneasiness on his formal educational and social status, and the consequent sensitivity he might feel towards shame-inducing interactions with corporate clients (Goss, 2005). His business partner contends that Ahmed's natural conservatism appears as a lack of trust in interactions with clients, and this inhibits relationship development (Welter and Smallbone, 2006).

The partnership itself is a critical source of social capital (Greve and Salaff, 2003), in that its BEE status represented a significant and relatively unique

component of the venture offering at start-up. The relationship between the two partners also represents an important font of resources and mutual support (Anderson and Miller, 2003), to the extent that neither can readily imagine entrepreneurial success without the other.

### 12.3. New venture-creation process

As illustrated in Figure 4, the need for security and the need for achievement appear to have been the dominant motivating factors behind Ahmed embarking on new venture creation.

Ahmed's early interest in business was apparently stimulated by the belief that no better opportunities were afforded him in apartheid South Africa. This verges on a forced choice and he could thus be seen as being dislocated from normal employment (Shapero and Sokol, 1982), at least perceptually. The start-up process may be illustrated as follows:

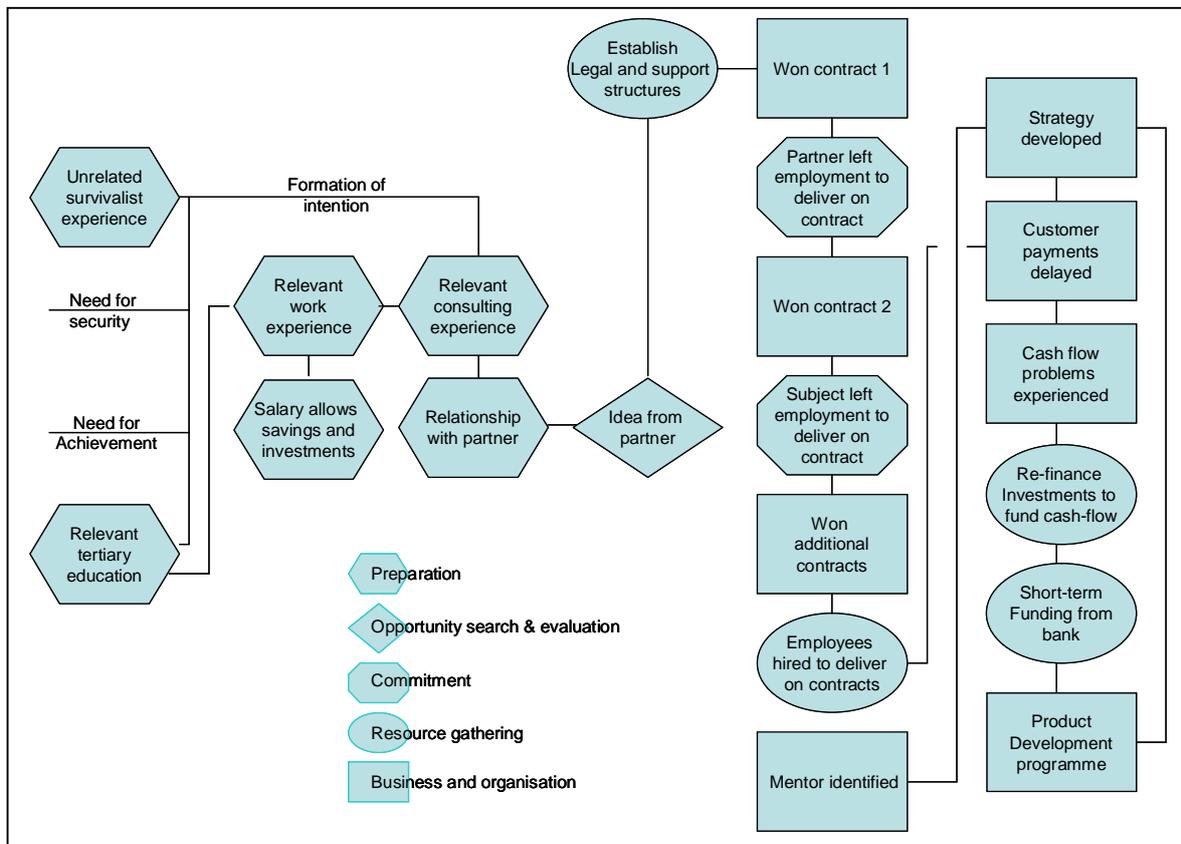


Figure 4. Ahmed's New Venture-Creation Process Map

Soon, he learned the thrill of making the deal, and began to believe he would pursue entrepreneurial activity one day. He prepared for this eventuality by selecting ever-more risk-seeking work roles and by ensuring he was debt-free. However, it is not clear to what extent Ahmed was engaged in an active search for an appropriate opportunity (Shepherd and DeTienne, 2005).

It seems possible that Ahmed's conservatism and risk aversion might have motivated him to remain in full-time employment or the equivalent, had the Techthink business concept not been presented to him by Jorge. In turn, Jorge seems to have been primarily motivated by the desire to apply his new MBA-stimulated business skills, rather than by the promise of financial gain (Zafirovski, 1999).

As illustrated in Figure 4, the partners agreed to proceed, the legal structure was established and the first client contract won. It was at this point that the business was considered to have been initiated (Carter *et al*, 1996). Start-up seems to have occurred within a relatively short period of three to six months, although Ahmed's financial preparation and the evolution of his risk appetite took place over many years.

There does not appear to have been a formal opportunity search and evaluation process (Ardichvili *et al*, 2003). Instead, the partners sought a customer willing to pay for their services, and then steadily replicated the first sale. In a sense, the opportunity was evaluated and validated by the acquisition of the first and each subsequent customer.

It could be argued that in a project-based business such as Techthink, opportunity search and evaluation is not a once-off event at start-up, but rather an ongoing process of managing risk while building a sustainable business model. As a result, resource gathering and organisation building occur continuously in reaction to the needs of a particular client opportunity rather than systematically as part of strategy implementation.

#### **12.4. Business model and strategy evaluation**

In this case, the business model has developed over time as the partners have learned about the competitive environment and their own strengths and

weaknesses (Morris and Zahra, 2000). Strategy development has therefore emerged as a pattern of decisions rather than as a plan aimed at achieving a pre-defined goal (Mintzberg 1991).

The Techthink business model is described in Table 10, in terms of the six components of Chesbrough and Rosenbloom's (2002) business model framework:

**Table 10. Business model and strategy**

<b>Value proposition</b>	<ul style="list-style-type: none"> <li>Initially, a basic labour-brokering service offering scarce IT resources on an hourly basis, where and when required by clients.</li> <li>Now, design and implementation of unique, cost-effective software solutions by a fully-fledged BEE accredited business.</li> </ul>
<b>Market segment</b>	<ul style="list-style-type: none"> <li>Initially, large corporate IT departments.</li> <li>Now, developing special expertise in the telecommunications industry on the back of a long-standing relationship with Comcorp.</li> </ul>
<b>Structure of value chain</b>	<ul style="list-style-type: none"> <li>Large corporates seeking to implement sophisticated IT initiatives with the capability to improve organisational effectiveness are hampered by a lack of relevant skills, especially South African, BEE skills available at a reasonable cost. Corporates outsource to empowered consulting companies who own the skills and can cost-effectively deliver solutions.</li> </ul>
<b>Position in value network</b>	<ul style="list-style-type: none"> <li>Initially, the broker between demand for scarce resources and labour market supply.</li> <li>Now, supplier of proprietary software products and services.</li> </ul>
<b>Competitive strategy</b>	<ul style="list-style-type: none"> <li>Initially, competitive pricing, willingness to take on small projects for low margins to build relationships.</li> <li>Intensity of relationships, competitive pricing because of lower overhead, in-house development team that offers proprietary solutions.</li> <li>An organisational culture and management system, including an employee-owned trust designed to attract and retain rare and expensive IT skills.</li> </ul>
<b>Costs and profit potential</b>	<ul style="list-style-type: none"> <li>Naturally relatively low as revenue and costs are closely related, and because margin sometimes sacrificed to benefit relationship.</li> <li>Will be higher as solutions strategy replaces outsourcing strategy and licensing fees from proprietary software begin to flow.</li> </ul>

Techthink's strategy could be termed 'reactive imitation' (Park and Bae, 2004) in that they were followers in a local existing market, albeit with an opportunistic eye on changes in BEE legislation.

The strategy as currently described is mutually consistent (Rumelt, 1991), especially as the intended organisation culture supports the heavily relationship-oriented strategy. The strategy has been consonant (Rumelt, 1991) with the environment, paying particular attention to changes in customer needs. The strategy is also feasible (Rumelt, 1991), although it is clear that financial

resources are stretched, and access to external funding may prove critical to the business viability.

The dependence on relationships as the most important source of competitive advantage (Rumelt, 1991) may leave Techthink vulnerable to larger competitors able to fund the development of more measurable competencies. Alternatively, this may be a function of lower competitive intensity in the developing country environment, as previously suggested (Lingelbach *et al*, 2005).

## 12.5. Support required

In this case, the required support has been actively constructed by the entrepreneur, who has created a micro-environment of family and business partnerships that deliver resources and emotional support when required. This environment substituted for institutional support, which even when it was sought, was not made available to the entrepreneur (Schlemmer and Hudson, 2004).

The respondents clearly describe Ahmed's need for emotional support and resources during the new venture-creation process (Audia and Rider, 2005). The business is self-funded and there is a continual struggle to find and retain the right skills. The partnership delivered the business idea, the skills and financial resources to make it operational, and a great deal of the intellectual validation and emotional encouragement required during the development of the business.

Ahmed requires substantial emotional support (Grundlach *et al*, 2003). His daughter refers to his fears prior to start-up, Jorge describes Ahmed's intellectual and financial insecurities during the business development and Ahmed himself admits to high levels of stress and anxiety even after the business could generally be considered successful. Ahmed's family absorbs much of the emotional load, although the partnership with Jorge also plays a critical role.

Further support for the business was supplied by the mentor (Ozgen and Baron, 2003) that Ahmed and Jorge contracted with to assist in strategy development, and additional financial assistance in the form of a reasonable overdraft was provided by a financial institution.

## 12.6. Meaning making

Ahmed makes sense of his entrepreneurial experience primarily through the medium of the journey metaphor (Hill, 1995). Not only does he describe the entrepreneurial experience directly as a journey of unknowns (1D MIMG 22:799), but his speech is littered with oblique references to the metaphor terms such as *move*, *explore* and *step*.

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.

*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. (1D MIMG 8:258)*

*How can you understand the difficulties of life without going through them yourself? If someone tells you about it, you don't appreciate it. Only when you have been there can you say 'I don't want to go back there'. (1A MIMG 3:96)*

Ahmed also uses the journey metaphor to refer to future challenges and uncertainties, again suggesting that the risks involved are part of the enjoyment of the entrepreneurial experience. The metaphor highlights the pleasures of the journey without necessarily communicating the fears and anxieties that such travel might arouse:

*It's like going to find new business, and strategically where we going, and like you know, let's say we want to go to Australia now, how do we do it? You know, what are the plans, go and do the visit, this, that, you know that's the part I'm looking forward to now. (17:595)*

*You [are] not always necessarily in control of your destiny. You can just try and ... like I said, it's circumstantial, depending where you are at that particular point in time, that will determine where you are going to go to. And it's those initial steps that are the critical ones, because sometimes you just go so far down there's just no turning back. (1D MIMG 29:1056)*

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).

The use of the journey metaphor is intended to evoke in the audience a sense of the interest and pleasure of entrepreneurship (Douglas and Shepherd, 2002) . that the experience is surprising, challenging and inherently rewarding. The learning that this implies (Turner, 2008) is possibly of particular significance to entrepreneurship.

Of particular interest is that the metaphor suggests uncertainty may be a positive feature of entrepreneurship, as it is with a journey. Uncertainty means risk, and the metaphor implies that risk-taking such as that characteristic of a journey is enjoyable and fun (Garneau, 2001), a feature of the entrepreneurial experience that has been largely ignored by the literature.

Secondly, uncertainty 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 use of the journey metaphor simultaneously hides features of the experience such as the stasis, routine and even aimlessness that day-to-day management of a business might involve. The metaphor also minimises the fears and anxieties that might ordinarily be aroused by the uncertainty and difficulty of all journeys.

## **12.7. Levels of analysis**

The linkages between personal, social and business levels of analysis in this case are relatively weak. It may be because the presence of a strong partner in the business dilutes the individual entrepreneur's ability to project his personal characteristics on to external contexts.

### ***Personal – social***

As noted, it appears that Ahmed struggles somewhat with business relationships, both within Techthink and across the organisation-customer divide. This is likely to be particularly difficult given the business-relationship-based strategy and its importance to the effective functioning of business in a developing economy (Kristiansen, 2004). However, as the organisation grows, it becomes less dependent on the founders, releasing Ahmed from the burden of managing relationships himself.

### ***Personal – business***

Ahmed's desire for financial security forced him to attempt a variety of informal entrepreneurial enterprises throughout his school and work career, despite his tendency to minimise risk wherever possible, an aversion not atypical of experienced entrepreneurs (Saravathy, 2006). His career path from full employment to independent contractor and eventually to participating in new venture creation with his partner could be viewed as a steady progression towards entrepreneurship. Ahmed's self-efficacy and appetite for risk grew as his financial security increased.

Ahmed and Jorge's personal values on what constitutes a positive and productive working environment have been made manifest (Baron and Hannan, 2002) in the creation of an empowering organisation able to attract and retain highly skilled human resources.

### ***Personal – environment***

Techthink was initially built on changes to the socio-economic environment, specifically black economic empowerment and its associated legislation and the needs these created for Techthink's corporate clients. However successful this focus on the customer has proven, there does not appear to be any evidence of a sustainable competitive advantage. It is almost as if Ahmed and Jorge view their operating environment as protected from external competition, possibly as a result of their belief in and passion for the business. Again, this environmental naivety might be a function of lower levels of competitive intensity in a developing country environment (Lingelbach *et al*, 2005).

## 12.8. Respondent differences

Respondents were consistent in their description of Ahmed's motivation and perseverance as being based on his desire to achieve financial security and stability for himself and his family. His aversion to risk and financial discipline are also clearly observable from all perspectives.

Some interesting similarities and differences between descriptions of Ahmed emerged during the interviews, illustrated in Table 11.

**Table 11. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
<b>Motivation</b>	Financial security for self and family			
<b>Thinking</b>	Risk averse	Decision-making consultative	Analytical	Careful decision maker
<b>Emotion</b>		Controlled, but gets angry quickly		Warm, loving Withdraws when stressed
<b>Communication</b>		Talks a lot		Discusses business with family
<b>Relationships</b>		Prefers connecting to people	Makes deals, then hands over relationship	Good relationships in community
<b>Strength</b>	Financial discipline Good eye for detail			
<b>Weakness</b>			Maintaining relationships	

His daughter's description of Ahmed as warm and loving but nevertheless capable of disapproval complements the subject's own perception of his anger as a loss of control. Clearly his control is far better than he is aware of. The different descriptions of Ahmed's decision-making style all complement each other, creating a detailed picture of someone who is prepared to risk only once he has considered all the potential angles of the current situation.

The descriptions of Ahmed's relationship capability contradict each other. While his daughter observes that he has a facility with relationships, especially socially,

and the subject himself states that he prefers making light-hearted connections with others rather than asking for business from clients or managing employees, Jorge observes that Ahmed struggles to establish trust in relationships.

### **12.9. Implications of this analysis**

Ahmed's case illustrates that events in early childhood, during education and work may have a significant impact on later entrepreneurial development. These events create psycho-social needs that are fulfilled by entrepreneurial endeavour, as well as shaping motivation, self-efficacy and consequently, entrepreneurial behaviour. These early influences also provide the foundation for the resources that are later used in the initiation and development of the business.

The emotional intensity of the new venture-creation process is strongly evident, both in terms of the fears and anxieties aroused and in the thrill, excitement and passion the subject feels for the venture and experience of entrepreneurship. The partnership with Jorge plays a critical role in Ahmed's entrepreneurial development, in effect forming a significant portion of Ahmed's social capital and representing both his primary support system and resource-gathering mechanism.

In this case, the venture-creation process does not conform to existing models of new venture creation, in that there is no formal opportunity evaluation and start-up occurs in a staged fashion over a period of three to six months. In addition, strategy emerges as a pattern of decisions, rather than being embodied in a formal vision and business plan formulated in advance of start-up. Although macro-environmental conditions inspire the business idea, the competitive environment is largely ignored in favour of an obsessive focus on the customer.

Analysis of the metaphors Ahmed uses, a deliberate effort to consider the case at multiple levels of analysis and an assessment of the similarities and differences between respondents are all helpful in highlighting features of the case that might otherwise have remained hidden.

## CHAPTER 13. CASE ANALYSIS: ANDILE

Andile is a 24-year-old black male with a commerce degree, working as a marketing professional in a high-profile fast-food franchising business. Andile and his partner Thabo are months away from launching an innovative denim jeans brand aimed specifically at young black women.

Andile presents himself as confident and self-contained, while interview respondents described an individual who is focused, highly competitive and driven to succeed, which makes him a personal achiever type (Miner, 2000). His self-concept is achievement-driven, creative and different from others. Andile recognises that his youth puts him at something of a disadvantage as an entrepreneur, but he believes careful planning and the ability to leverage working relationships will make the business successful.

The respondents in this case were all relatively quiet and composed during the interviews. In contrast, Andile's passion and determination were remarkable, especially considering his relative youth. This case analysis is based on transcripts from the interviews contained in Appendix G and coded as per Appendix I, and summarised in Chapter 5 of this document.

### 13.1. Early influences

As illustrated in figure 5, the most significant influences on Andile's subsequent entrepreneurial experience were generally positive, reflecting his tendency to view events as potential learning experiences.

It is notable that the failure of his father's business is not mentioned by Andile throughout the interviews. The failure of this business directly impacted the course of his childhood, causing the family to move several times, which could have been seen as unsettling for the child. Instead, these events apparently contributed directly to Andile's interest in entrepreneurship. This reinforces the notion that children of entrepreneurs are more likely to become entrepreneurs themselves (Schindehutte *et al*, 2003), whether or not the parents were successful.

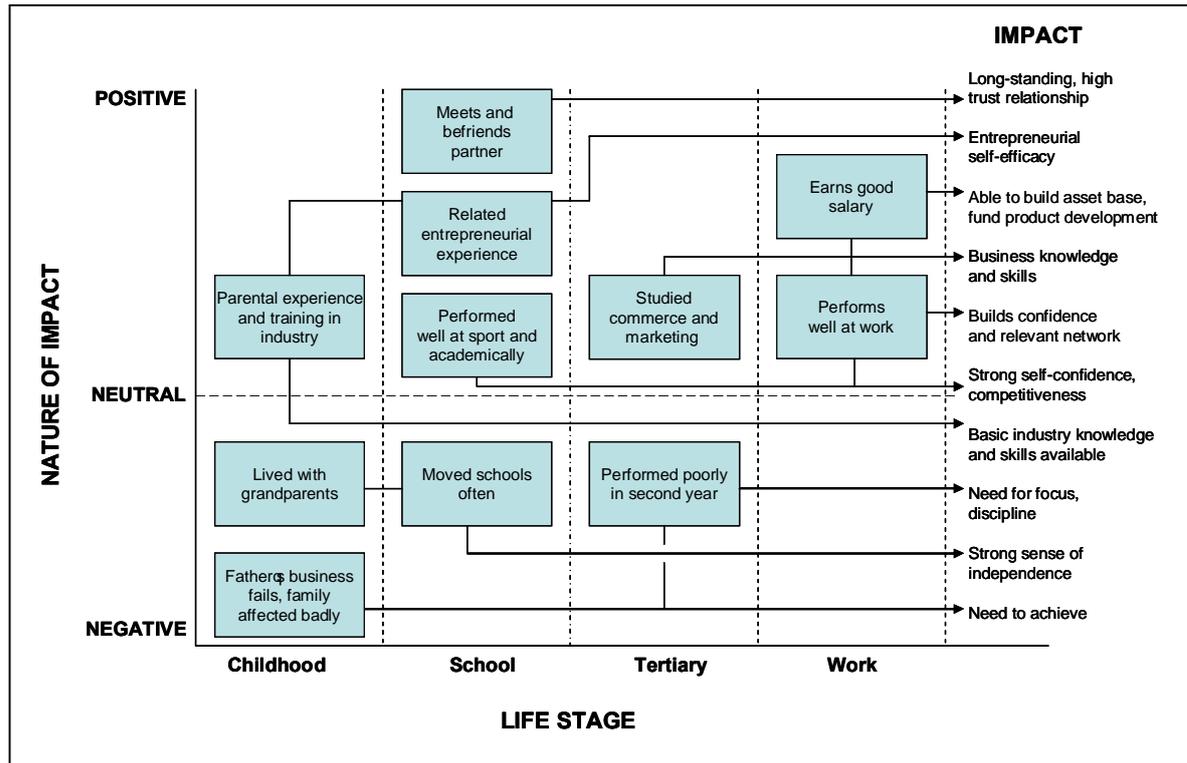


Figure 5. Early influences on the entrepreneur

Andile's school years appear to have been particularly important for him. Although he moved schools relatively frequently, he performed well in both the academic and sporting spheres. This reinforced his natural competitiveness and developed his self-confidence as well as contributing to his sense of independence and uniqueness. His tertiary education provided him with basic business knowledge and skill while developing his self-discipline and focus. This suggests that for the entrepreneur, education may play an important role in the development of self-efficacy, which could provide insight into the relationship between education and entrepreneurship (Maas and Herrington, 2006).

Andile regards employment as a means to an entrepreneurial end, a perspective in contrast to career theory literature which tends to view entrepreneurship as somewhat inferior to full employment (Harvey and Evans, 1995; Shapero and Sokol, 1982). Andile's work experience has given him the exposure to business practices he needs to embark on entrepreneurial activity, the self-confidence to do so at the same time as allowing him to develop a network he can use to develop the business concept and allowing him to fund product development from his own earnings (Shane, 2008).

### 13.2. Social capital

At this point in its development, the business is firmly embedded in the infrastructure of Andile's and Thabo's families (Aldrich and Cliff, 2003). Not only did the business idea come from a family member, but the family has been a strong source of motivation and affective support, as well as an important conduit of information and network access (Steier, 2003). Andile and Thabo's circle of friends have provided further support and useful feedback during the business's development.

Assisted by family members, the partners have deliberately constructed an extensive network of weak-tie business relationships to assist in the development and launch of the business (Boyd and Vozikis, 1994). The network acts as a substitute for their lack of experience in business generally and specifically in the industry in which they have chosen to operate. Their relative youth and inexperience probably contribute to the sympathetic response they have enjoyed from industry stakeholders, but they might not be able to rely solely on this goodwill once the business is up and running.

The important role of these relationships throws Andile's natural introversion into sharp relief. Although he reportedly prefers his own company to that of others, and tends to maintain relationships with a small core of family and friends, he does not find it difficult to build relationships with potentially useful business contacts.

The relationship between Andile and Thabo has also played an important role in the development of the business. Based on their youthful friendship, the partnership delivers skills and personalities that are seen as being complementary, as well as mutual encouragement and support. There is some evidence that their longer-term goals differ, but the partnership is generally sound at present.

### 13.3. New venture creation process

As illustrated in figure 6, the process of new venture creation followed by Andile and Thabo is, in many ways, a classical one. The venture has proceeded steadily from business idea to opportunity development and evaluation, to product development and business plan development, to gathering resources and attracting funding. There has been a heavy emphasis on detailed planning throughout the process (Gruber, 2007).

The following diagram illustrates the new venture-creation process:

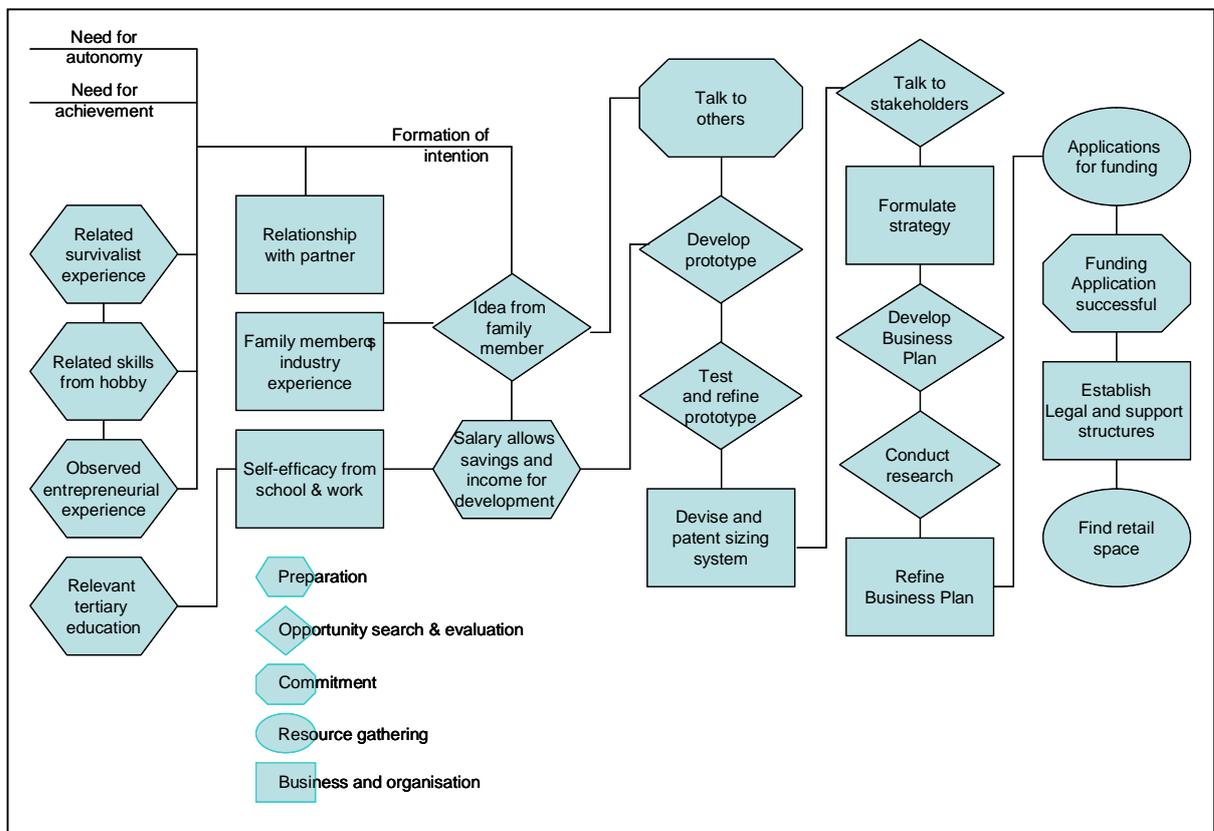


Figure 6. Andile's Venture Creation Process Map

However, the venture creation process in this case deviates from the norm in a number of significant ways. Firstly, the business has been in development for more than five years, which contrasts to the popular myth of the rapid three-month start-up event, and even exceeds the estimated 12 months an entrepreneur takes to initiate a business in North America (Shane, 2008). Secondly, although the subject has been working on the business for almost a

quarter of his life, he does not perceive start-up to have taken place until the business is launched and trading begins. Thirdly, the legal infrastructure for the business was established only after the funding application was successful, rather than in the earliest stages of the process (Gatewood *et al*, 1995).

Although the relatively lengthy venture creation process could be attributed to the entrepreneurs' limited ability to accumulate the right resources, it is also clear that the speed of the process was deliberately matched to the pace at which the partners could learn about business generally and the technical features of their industry specifically. Until relatively recently, Andile has not considered himself ready for entrepreneurship, which suggests that the process of developing the business might also be viewed as a process of personal preparation (Cope, 2005).

This case highlights that time is an important resource for the entrepreneur during new venture creation (Bluedorn and Martin, 2008). In addition to pacing development as described above, the partners worry that the opportunity time window will be closed before they have the chance to launch. Time also impacts on resources (Brush, 2001), in that Andile and Thabo may require further funding if they have failed to correctly estimate either time it will take to achieve break-even or the cost of properly communicating product benefits relative to much larger competitors.

#### **13.4. Business model and strategy evaluation**

Although the AfroBlue strategy may be regarded as having been formally planned and in the process of being implemented (Mintzberg, 1991), adjustments to the business model have been made as Andile and Thabo learned more about their market, product and competitor landscape. For example, the outsourced manufacturing model has evolved over time, as has the distribution model, shifting from being an arm's-length supplier for established retail outlets to establishing and running their own retail outlets. However, Andile strongly believes in the value of planning as a means of preparing for future occurrences and thus managing risk (Gruber, 2007).

The AfroBlue business model is described in table 12 in terms of the six components of Chesbrough and Rosenbloom's (2002) business model framework:

**Table 12. Business model and strategy**

<b>Value proposition</b>	Jeans that fit women with small waists and larger hip sizes so well they could be custom designed. A real African product for real African women.
<b>Market segment</b>	Young black females aged 16 to 34 in LSM 8-10.
<b>Structure of value chain</b>	<ul style="list-style-type: none"> <li>• Denim fabric is imported from China, manufactured locally to the design specifications of the marketer, both local and international.</li> <li>• Sold in retail department store chains, independent boutiques or own-brand retail outlets.</li> </ul>
<b>Position in value network</b>	Design, market and retail denim jeans . fabric sourcing and manufacturing is outsourced.
<b>Competitive strategy</b>	<ul style="list-style-type: none"> <li>• First to market with a patented sizing system that works like a bra-sizing system, ie for every waist size, five hip sizes are offered.</li> <li>• Use of non-traditional marketing media and low-cost promotional campaigns to access the target market. Will capitalise on below-the-line interest in South African innovation.</li> </ul>
<b>Costs and profit potential</b>	Margins are typically 50% to 100% on manufactured costs, but advertising and promotional spend is high, with price depending on brand positioning.

The AfroBlue strategy could be described as a global niche strategy (Park and Bae, 2004), as they are pioneers entering a global market which is in a growth phase of development.

The strategy is consonant with the needs of customers (Rumelt, 1991) because it fills the market need for clothes that fit the so-called African body. The product innovation represents a significant competitive advantage (Rumelt, 1991), but this is not likely to be a long-term advantage, as large global competitors are likely to find a way to copy the idea, even though AfroBlue's design is patented.

The goals are mutually consistent (Rumelt, 1991), but may be somewhat ambitious, especially in light of the competitive intensity of the jeans market and the relative lack of marketing resources available to AfroBlue. This suggests that while the strategy is feasible (Rumelt, 1991) within the context of available resources, the business is likely to rapidly outgrow these following its launch (Brush, 2001).

### 13.5. Support required

Andile has required extensive support while developing the business, and is likely to continue to require support as the business is launched and becomes sustainable (Audia and Rider, 2005). This is partly a result of his relative youth and lack of business expertise, but also his lack of knowledge and experience of the industry in which he intends to operate. Given that he was aware of the entrepreneurial direction he intended to pursue, he might have deliberately set out to seek employment in the fashion and/or retail industry (Shane, 2008). Instead, he has taken the view that AfroBlue is a marketing business, and that marketing skills are what he will require.

Andile and Thabo have sought institutional support for business development, but have been disappointed by the quality of the response received, complaining of consultants and bankers who did not understand their business (World Bank, 2007). Instead, the partners have funded much of the cost of new venture creation from their own earnings, and have, with the help of family members, sought to create an advice and information-based network to support the business (Aldrich and Cliff, 2003).

### 13.6. Meaning making

Andile makes sense of his entrepreneurial experience primarily by referring to the challenge it represents. The degree of challenge is what keeps him from boredom and fuels his commitment to the development of the business.

*I don't think that running your own business can ever get boring, until you get to be a very big company. And I think that has do with that whole entrepreneurial attitude. Basically people who start their own businesses ... you have that little bit of risk taker in you and that little bit of the need for the excitement of the challenge. (2D YBMS 8:270)*

*It's a personal thing, it's a personal challenge. It's a challenge to myself. I don't accept average. When I'm sitting at 70 or 80 on my deathbed, I want to know that I've done something kind of special. (1D YBMS 9:332)*

Andile's description of the challenge is reminiscent of one of Gameau's (2001) 14 forms of fun. This is termed intellectual problem-solving 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.

*I found it to be most of the time that it's like a game. For example when an entrepreneur really does succeed, a lot of them step out of their businesses, and that has to do purely with the fact that he started his business wanting success, but a lot of them weren't looking to build a corporation. (1D YBME 8:278)*

*I know business is serious but I think a lot of people take it too seriously, to their own detriment. I'm probably not wording it correctly but I think with business we see that we will be in it as long as it's fun. (1A YBME 17:546)*

The game metaphor highlights the competitive dimension of entrepreneurship, especially in the context of Andile's own need to achieve (Johnson, 1990). The use of this game 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 game metaphor suggests that while there are both winners and losers in entrepreneurship, and the outcomes are not easily predictable, the consequences of failure are not serious.

Through his use of the game metaphor, Andile therefore expresses his interest in and the pleasure he derives from the entrepreneurial experience while trivialising the consequence of failure. 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 chances of failure are small (Palich and Bagby, 1995), he also rationalises that the consequences of failure are minor.

### **13.7. Levels of analysis**

In this case, the relationships between different levels of analysis are loose, possibly because the influence of a partner dilutes the relationships or possibly because the business has yet to launch and therefore they have yet to be made manifest.

#### ***Personal – social***

Andile's acknowledged difficulty with relationships does not extend to the strong, long-standing relationship with his partner, Thabo. Both partners have also been remarkably successful at attracting support and assistance from a broader

network, whenever it has been useful (Anderson and Miller, 2003). It is possible that difficulties with arm's-length relationships will be highlighted once Andile faces the complexities of dealing with customers, suppliers, employees and other stakeholders.

### ***Personal – business***

Andile and Thabo have elected to pursue an opportunity aimed at a target market they understand intuitively . their own age group. This has been particularly useful in the process of product development because it has allowed easy access to a continuous stream of informal market research from potential customers. Over time, this intuitive understanding is likely to weaken and might need to be replaced by more formal research and analysis.

### ***Personal – environment***

The partners' high levels of confidence and personal financial security, together with their entrepreneurial naivety, make it difficult for them to imagine what could go wrong with the business in future (Janney and Dess, 2006). Despite the extensive planning that has taken place over the five years of development, and the partners' belief in the value of planning as a risk-management tool, little contingency planning has taken place, with the result that problems . like difficulty in accessing retail space . were not anticipated.

## **13.8. Respondent differences**

Respondents were consistent in their descriptions of the source of Andile's motivation, in acknowledging his intellectual strength, good communication skills and in describing his introverted nature. Andile's strong commitment to the business and his ability to persist over time is also broadly acknowledged.

During the interviews, some interesting differences and similarities between respondents emerged, as illustrated in Table 13.

**Table 13. Similarities and differences between respondents**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
Motivation	Desire to achieve, create			
Thinking	Intelligent	Analytical	Logical	
Emotion		Rational, not good with emotion		
Communication	Open, clear, at ease			
Relationships	Somewhat introverted	Have to work at relationships	Social poor Business good	Friendly but not a party person
Strength	Commitment to the business			Perseverance
Weakness		Impatient	Arrogant, stubborn	

Andile's difficulties with relationships were revealed through the complementary perspectives of self, family member and business colleague, highlighting that he is comfortable with those closest to him but must deliberately make an effort to establish good relationships with others, especially in the social sphere.

A contradictory note was the description by Thabo of Andile's arrogance and stubbornness, which arguably represent the dark side (Kets de Vries, 1985) of determination and commitment, but perhaps help to explain his unshakeable belief that the business will succeed.

### 13.9. Implications of this analysis

Andile's case illustrates how early exposure to entrepreneurial experience, however minor (as with the partner's teenage hobby business) and unsuccessful (as with Andile's father's business), has a powerful influence on later motivation to embark on new venture creation. His school experiences stimulated a need for autonomy and a high need for achievement, entrepreneurial characteristics that are well documented in the literature (Johnson, 1990; Carter *et al*, 2003).

Andile's approach to his career highlights the utility of work to the nascent entrepreneur, who views employment not as a substitute for entrepreneurship but as a means to the end goal of new venture creation. Employment experience provides knowledge, skills and relationships, as well as funding for the

development of the new business, but does not fully meet the entrepreneur's need for autonomy and achievement.

While new venture creation in this case generally conforms to models of the process presented in the literature, it suggests that a new venture may take many years to develop (Liao *et al*, 2005), especially where the product is particularly novel, resources are scarce and the entrepreneur lacks the necessary expertise, as is often the case in a developing country. The partners in the case readily acknowledge that their youth and relative inexperience may put them at a disadvantage in new venture creation, and have deliberately set out to minimise the impact of this weakness by constructing a relevant network of relationships and by careful analysis and planning.

Andile has been able to maintain commitment to the development of the business partly because he finds the opportunity so compelling, partly because he enjoys the continuous problem-solving inherent in new venture creation and partly because the perceived personal risk is relatively low. This is vividly illustrated by Andile's use of the game metaphor to describe the new venture creation experience.

## CHAPTER 14. CASE ANALYSIS: BYRON

Byron is a 37-year-old black male with both an undergraduate electrical engineering degree and a master's degree in industrial engineering. Byron and his wife Cynthia started CallServ three years ago to sell American paging technology to fast-food and restaurant businesses.

Byron is well-spoken and has an imposing physical presence. Respondents described him as intellectually sophisticated and able to strike a useful balance between analysis and intuition as a basis for decision-making. Byron could best be described as a *real manager* in terms of Miner's (2000) entrepreneurial personality types. Although at the time of the study CallServ was struggling to survive, Byron remains deeply committed to ensuring its long-term success.

Interviews with respondents in this case were somewhat emotionally charged and the two business partners sometimes found it difficult to discuss their experiences with equanimity.

This case analysis is based on transcripts from the interviews contained in Appendix G, coded as per Appendix I to this report and summarised in Chapter 6.

### 14.1. Early influences

Byron's childhood, school and university years were relatively carefree, but he believes they had an important influence on his entrepreneurial development, as illustrated in Figure 7.

Byron seems to have benefited from a childhood in which entrepreneurship was widely acknowledged to be a desirable and feasible occupation (Krueger *et al*, 2000). His father's success as an entrepreneur stimulated Byron's interest in new venture creation and provided the basis for early experiments with entrepreneurship and subsequent high levels of entrepreneurial self-efficacy (Chen *et al*, 1998).

The extent to which Byron's business is currently embedded in his nuclear family may also be rooted in his childhood experience of parents whose businesses were fully integrated into family life (Jennings and MacDougald, 2007).

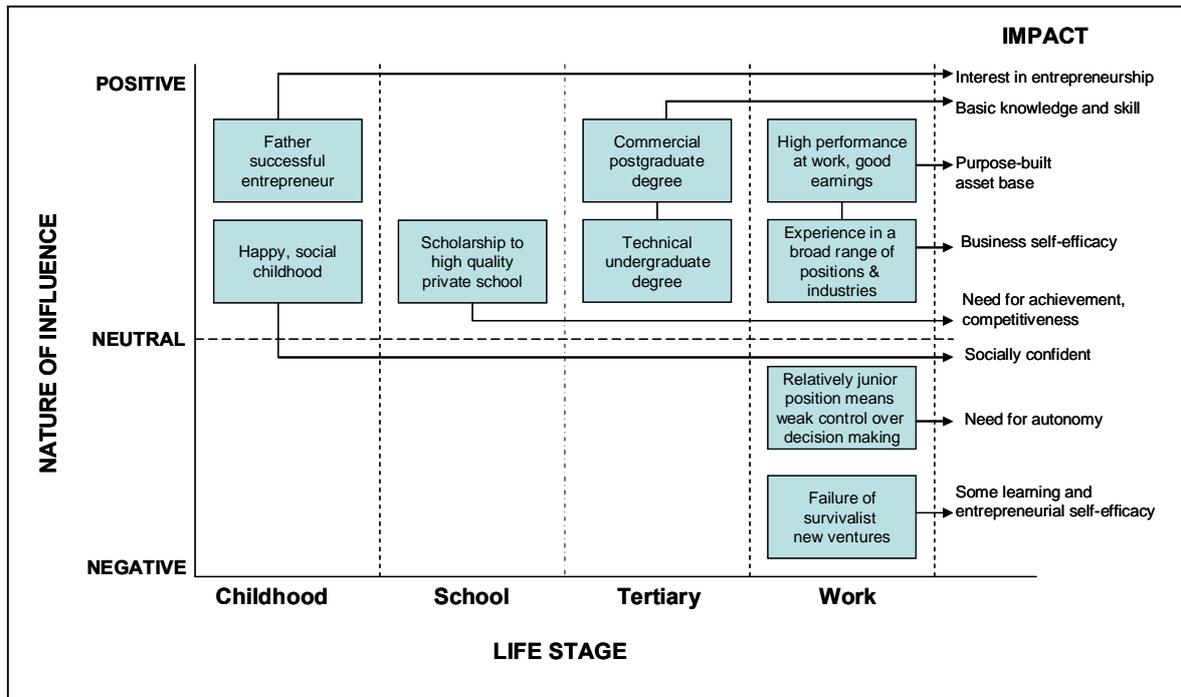


Figure 7. Early influences on the entrepreneur

Byron's early education provided the motivation to compete and succeed against the best, illustrating that education delivers more than just knowledge and skill to the aspiring entrepreneur (Acs *et al*, 2004). This need to achieve was combined with a need for autonomy, possibly inspired by his father's success. A useful set of university-based knowledge and skills gave him the means to embark on a high-paying career, which in turn enabled the development of an asset base that could be leveraged during new venture creation.

Byron's career has been as diverse as it has been successful, which further developed his self-confidence and a variety of business skills. Byron was clearly dissatisfied with the status of employee as his frequent and rather radical changes of career path attest (Harvey and Evans, 1995).

Throughout his time as a corporate employee, Byron maintained his interest in entrepreneurship by embarking on a number of small business initiatives, run in

parallel with his formal career. The relative lack of success of his previous forays seems to have left his enthusiasm for entrepreneurship undimmed.

#### **14.2. Social capital**

Byron's business is firmly embedded in his family infrastructure (Aldrich and Cliff, 2003). His wife Cynthia, as his partner in the business, is deeply involved in day-to-day operations, and there is some suggestion that extended family members also provide support. There is also evidence that Byron is an excellent team player and leader in the corporate context, being particularly good at offsetting his weaknesses with the strengths of other members of the team. This seems to indicate that Byron is well-versed in the management of strong-tie relationships (Anderson and Miller, 2003).

Byron's effectiveness in weak-tie relationships is less clear. While he claims to actively search out useful contacts, and has been successful at gaining access to some unfamiliar corporate client organisations, for example, he is apparently not disciplined at maintaining these relationships. Since weak-tie relationships are thought to be most valuable in the resource-gathering process, especially that relating to information gathering (Anderson and Miller, 2003), this may be one reason why Byron initially misread industry conditions.

#### **14.3. New venture-creation process**

After only a few years in employment, Byron was already beginning to prepare for new venture creation by accumulating financial resources and developing the skills he thought would be useful in the entrepreneurial context (Harvey and Evans, 1995).

He had experimented with several different opportunities, apparently without really achieving sustainability, establishing a pattern of opportunity identification akin to that termed externally stimulated (Bhave, 1994). Byron's somewhat impulsive approach to opportunity identification is predicated on his finding and falling for a particular product. Once this occurs, he tends to assume others will be similarly enamoured, and proceeds without much additional research or

evaluation, thus displaying a series of cognitive biases which are demonstrably characteristic of entrepreneurs (Gaglio, 2004).

Byron now claims to have learned his lesson and latterly undertakes much more research and analysis when considering new opportunities, although this would appear not to be a wholly rational and linear process (Krueger, 2000). Byron believes that, as a consequence of his entrepreneurial experience, he has learned to become more alert to sound opportunities, and expects this will serve him well in future venture-creation endeavours (Shepherd and DeTienne, 2005). The start-up process is illustrated in Figure 8.

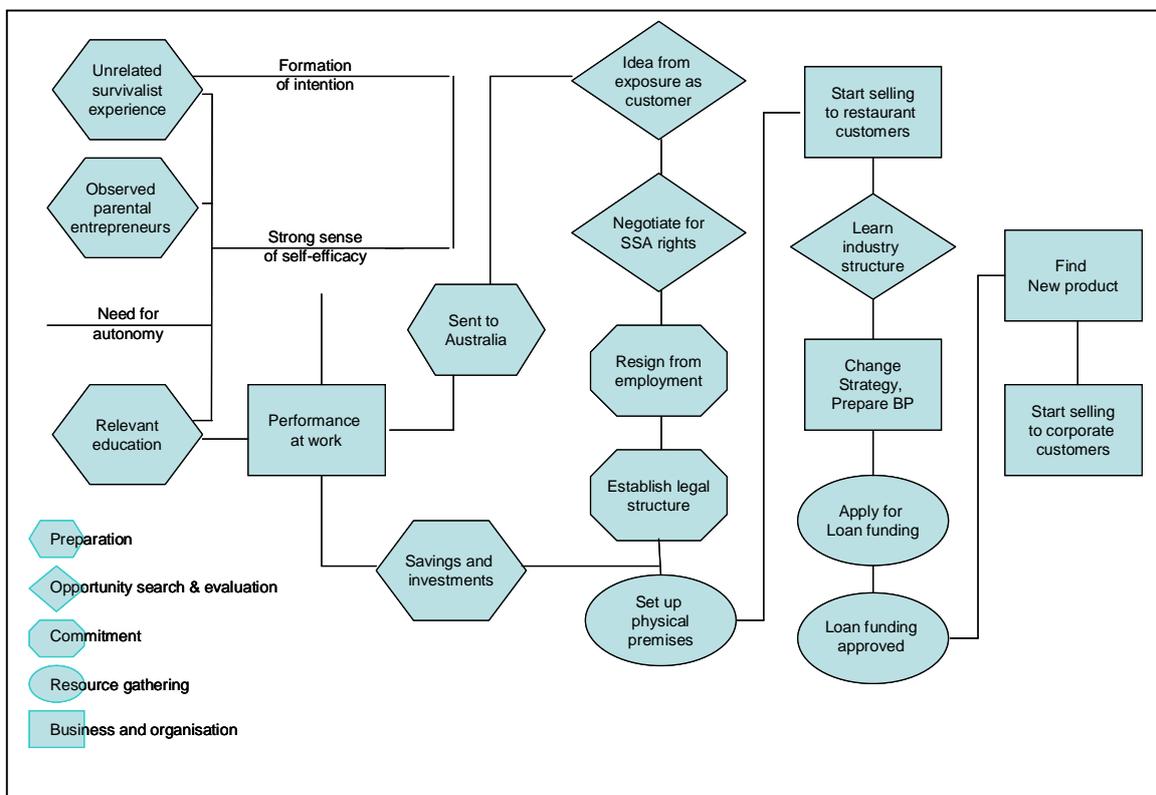


Figure 8. Byron's new venture creation map

In this case, start-up occurred rapidly; within three months of Byron first seeing the CallServ pager in Australia, he was attempting to sell product to customers in South Africa. This process diverges from orthodox models of new venture creation because there was initially little evaluation and planning involved in the set-up (Ardichvili *et al*, 2003), and commitment occurred relatively quickly. Byron's intention was to make and then replicate the first sale, and this activity was the main source of learning in the process (Bhave, 1994). Only after this approach had failed, did Byron rethink the strategy and devise a business plan to

access funding. As a result, resource gathering occurs relatively late in the new venture process (Brush, 2001).

In contrast, Byron has made careful attempts to manage risk in a more generic sense, highlighting that developing-country entrepreneurs are more personally risk tolerant (Morris and Zahra, 2000). At start-up, he believed that by partnering with Cynthia, he was reducing the risks posed by his own lack of experience and by a potential lack of commitment from an unsupportive spouse. Later, he used a change in strategy to manage the risk posed by an indifferent market and an underperforming product.

#### 14.4. Business model and strategy evaluation

The CallServ business model has changed since the business was established. Both the original and adapted model are described in Table 14 in terms of the six components of Chesbrough and Rosenbloom's (2002) business model framework:

**Table 14. CallServ business model and strategy**

<b>Value proposition</b>	<ul style="list-style-type: none"> <li>• For pagers, a discreet, immediate means of notifying personnel that a customer requires service.</li> <li>• For Askmonitor, a flexible, permanent means of capturing and analysing data about customer satisfaction.</li> </ul>
<b>Market segment</b>	<ul style="list-style-type: none"> <li>• Initially, restaurants and casinos for pagers. Now extended to hospitals and retail outlets.</li> <li>• For AskMonitor, any customer service point, including for example banks, retailers, hotels, hospitals and exhibitors at trade shows.</li> </ul>
<b>Structure of value chain</b>	<ul style="list-style-type: none"> <li>• Service providers can improve waiting times and perceived quality of service by improving the efficiency of communication between consumer and personnel. CallServ is a paging system which consumers can trigger to call attention to their requirements.</li> <li>• Service providers can improve their day-to-day effectiveness if they accurately and continually measure customer reactions to service using a terminal that collects and analyses data for virtual real-time feedback.</li> </ul>
<b>Position in value network</b>	<ul style="list-style-type: none"> <li>• Supply and maintenance of equipment, licensor providing software and support.</li> <li>• Initially, the model was to sell the equipment, now there is a rental/licensing arrangement.</li> </ul>
<b>Competitive strategy</b>	<ul style="list-style-type: none"> <li>• Competitors not visible</li> <li>• First-mover advantage in South Africa for pagers, superior technology for AskMonitor.</li> </ul>
<b>Costs and profit potential</b>	Margins high, in excess of 200%, especially under annuity model.

The business model and strategy evolved over time, initially emerging from the business activity and later being designed and implemented in advance. This highlights the adaptability of entrepreneurial strategy (Mintzberg, 1991). Although it is characteristic of entrepreneurial strategy-making (Gruber, 2007) and may ultimately mean more effective implementation, this trial-and-error approach is arguably more time-consuming and expensive, which may be inappropriate when resources are constrained.

The current strategy may be termed *creative imitation* (Park and Bae, 2004), as CallServ is a local pioneer in a local emerging market. The strategy is consistent as a more holistic solution is being offered to a clearly defined target market (Rumelt, 1991). It is consonant with external conditions (Rumelt, 1991), although it meets customer needs that are implicit rather than explicit and therefore requires a great deal of upfront marketing effort. The strategy is only partly feasible (Rumelt, 1991), because resources are constrained and decision cycles in corporates are long, and competitive edge depends on first-mover advantage (Rumelt, 1991).

At the time of the study, the new strategy had been fully implemented, but had yet to bear fruit in terms of sales. Nevertheless, Byron remains committed to the business and unwilling to concede that either the strategy or its execution might be at fault. This is a good illustration of *threshold theory* the phenomenon that causes firms to persist even where there is no growth (Gimeno *et al*, 1997).

#### **14.5. Support required**

Prior to embarking on entrepreneurship, Byron structured his business life to ensure that support for his entrepreneurial efforts would be maximised (Audia and Rider, 2005).

Firstly, Byron ensured that he owned several properties which could be used as collateral for business finance and a pool of savings that could be used to fund start-up (Sleuwagen and Goedhuys, 1998). This strategy functioned effectively for several years before he sought external funding. However, apart from the strategic miscalculations that resulted in lower revenues, it would appear that he did not foresee that the business would be unable to support his domestic

lifestyle. As a result, both business and family are suffering under severe financial constraints.

Secondly, by including his wife in the business, Byron has created a mechanism for ensuring that he receives continuous support and encouragement from his family (Audia and Rider, 2005). Despite this, Byron has found the lack of social support from friends and family rather alienating, thus demonstrating how social values influence the desirability and feasibility of venture creation (Krueger *et al*, 2000).

#### 14.6. Meaning making

At present, given the virtual failure of his hopes for CallServ, Byron appears to be finding it difficult to make meaning from his entrepreneurial experience (Hill, 1995). Byron and Cynthia make several references to his faith in this regard, virtually equating his religion and spiritual destiny with his belief in himself, the CallServ product and the eventual success of the business.

*I am a Christian, as a Christian on the other side, I believe in a thing called faith so ... which is more like, you know, if I look you in the eye and say this thing is going to work and I strongly believe that it is going to work and I have faith in that this thing will work, it will work and my gut has told me that it will work and I ... my faith, I am saying this thing works and it works. (3D MBMS 15:526)*

*As an entrepreneur you need that insanity, it is necessary to proceed, because no one actually believes in what you believe and 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, you know. (3D MBMS 15:543)*

Given that the entrepreneur in this case is struggling to survive as a result of unexpected environmental conditions over which he has little or no control, the references to faith and hope imply he feels helpless to influence the outcome of his entrepreneurial effort. This contrasts sharply with the accepted notion of an entrepreneur with a high need for achievement (Shane *et al*, 2003) as someone with a desire to take personal responsibility for finding solutions to problems, but is consistent with the notion that entrepreneurs tend to attribute negative outcomes to external causes (Baron, 1998).

Byron and the other respondents in the case also refer to the entrepreneurial experience as an instrument of personal change. This metaphor compares and contrasts the pre-entrepreneurial and post-entrepreneurial, highlighting the learning and development that takes place throughout new venture creation (Cope, 2005). The metaphor describes a transition process that is neither easy nor comfortable, but the end state is nevertheless desirable.

*I think it is very important because it guides you. I think to me it is important I mean I have read a number of great people in the Bible, I have read about Paul when he was Saul, and how he became Paul, the change that he went through and the adversities that he went through to become Paul. (3D MBMS 16:551)*

*He is really a corporate person, if you know what I am saying. That is how he has been brought up, schooled and that is how I think he is marketing himself, over a long time. That has had to change and I am sure it is not the only change that he has had to deal with. (3B MBMS 5:162)*

*I think when we started and what happened, I think it's not the same. When you start as an entrepreneur and what you hear about an entrepreneur you don't realise it until you are in it yourself, that it is emotionally draining, you are financially affected, physically it affects you. (3C MBMS 16:531)*

By using these references to personal change, respondents also highlight the uncertainty and risk of entrepreneurship and need for both personal and business flexibility (Gifford, 2005). Moreover, by conceptualising venture creation as personal transformation, the entrepreneur rationalises that the experience is significant, whether or not the business is successful.

#### **14.7. Levels of analysis**

The relationships between different levels of analysis are not consistent in this case. There is a strong relationship between Byron's personal characteristics and his social interactions and view of the environment. However, there is only a weak relationship between Byron's personal characteristics and the nature of the business.

##### ***Personal – social***

Byron appears to have a strong need for a partner/team who can complement his cognitive and emotional capabilities . a role that has been ably filled by Cynthia. However, there is some evidence that the benefits of the partnership are being eroded by their difficulty in separating the needs of business and family, from a

financial and an emotional point of view. This situation is made worse by the close personal relationship between Byron and Cynthia, as each is seeking to protect the other from the possible consequences of admitting defeat.

### ***Personal – business***

There is little evidence that Byron has projected his personal characteristics onto the business. This may be because the source of the business idea is external to the founder himself, and has only a weak relationship to his stock of knowledge and skill (Politis, 2005). It may also be that the business has yet to grow to a size where Byron's blueprints of organisation effectiveness can be operationalised (Baron and Hannon, 2002).

Of particular significance is the way in which Byron has dealt with the failure of CallServ to meet his objectives and expectations. Some theorists argue that such a failure represents a personal loss (Shepherd, 2003) with multidimensional consequences for the entrepreneur (Singh *et al*, 2007). If so, it would appear that Byron is still in denial, and has yet to begin grieving (Shepherd, 2003).

### ***Personal – environment***

Based on his previous entrepreneurial experiences, Byron exhibits a tendency towards ignoring characteristics of the industry and operating environment which are fundamental to effective new venture creation. This environmental blindness may be the result of inadequate research and opportunity evaluation or simply the consequence of his over-confidence or other cognitive bias (Simon and Houghton, 2000).

## **14.8. Respondent similarities and differences**

Respondents were consistent in their descriptions of Byron's motivation and strengths in communication and establishing relationships. Most notable is the universal appreciation of his commitment to the business and his determination to succeed in the face of a long series of significant challenges (Ma and Tan, 2006).

Complementary perspectives highlighted Byron's cognitive range, which incorporates both rational and intuitive dimensions (Mitchell *et al*, 2005). Respondents also provided insight into Byron's fondness for working in teams. Although he displays a tendency to withdraw emotionally and obsess over details

when he is under pressure, Byron is sufficiently self-aware to seek out work environments in which other members of a team can dilute these characteristics.

The similarities and differences between respondent descriptions of Byron are illustrated in Table 15.

**Table 15. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
<b>Motivation</b>	Build something of his own, create something			
<b>Thinking</b>		Flexible, intuitive	Rational, analytical, careful	Somewhat impulsive
<b>Emotion</b>		Uses other members of the team to manage	Does not display emotion	Withdraws under pressure
<b>Communication</b>	Clear, relaxed			
<b>Relationships</b>	Warm, friendly	Not good at maintaining	Good team player	Comfortable at every level
<b>Strength</b>	Commitment, determination	Good at identifying opportunities	Good at detail, hard-working	
<b>Weakness</b>		Administratively disorganised		

Respondents were generally reluctant to highlight any of Byron's weaknesses, apart from his own admission that he is administratively disorganised, which would be considered a key weakness by entrepreneurial scholars (Chrisman *et al*, 1998). This apparent contradiction can be explained by respondent beliefs that this characteristic is unimportant to the effective establishment of new ventures, or possibly by the implicit reluctance to criticise an individual who is clearly in the middle of a crisis.

#### **14.9. Implications of this analysis**

This case demonstrates the strong influence of parental entrepreneurship on an individual intention to create a new venture. Byron saw his career as a means to an entrepreneurial end, rather than the reverse, which is suggested by some scholars (Harvey and Evans, 1995). However, his decision to embark on new

venture creation at the time he did was remarkable in light of the relatively bright corporate future that lay immediately ahead of him.

This suggests the nascent entrepreneur may not be motivated to exit employment because of dissatisfaction with a particular employment position or organisation, but rather with employment generally (Shapiro and Sokol, 1982).

Byron's attempt to manage risk and create a support structure for himself through his business partnership with Cynthia highlights the extent to which, in the absence of adequate institutional support, the developing-country entrepreneur must create a favourable operating environment for himself. Establishing a partnership at start-up is one mechanism for achieving this. In Byron's case, potential conflicts in the work-family interface are perceived to be far outweighed by the benefits of the partnership (Jack and Anderson, 2002).

By examining an entrepreneur whose business is struggling, the case illustrates the emotional intensity of the new venture-creation experience, especially in times of difficulty. This influences the entrepreneur's thinking, his ability to learn from the experience and his willingness to persist in the face of weakening support from family and friends.

## CHAPTER 15. CASE ANALYSIS: HANS

Hans, a 37-year-old white male, is a self-taught agriculturalist who started Orgoli four years ago to grow, extract and market essential oils. Hans also sells the machine he designed and built to extract the oils. In addition, Hans and his partner, Sunny, have developed a range of toiletries that use the oils as a key ingredient and sell these through a network of independent sales agents to the township market.

Hans evidently has high energy, is enthusiastic and good-humoured. His high need for control is evident in all aspects of the business, as is his creativity, suggesting that he could be classified as an expert idea generator in terms of Minerç (2000) entrepreneurial personality types. In addition, respondents describe him as tough, determined and thoughtful, qualities he has sorely needed in each of the four times he has embarked on new venture creation. His enjoyment of the entrepreneurial process is centred on the creative satisfaction he gains from developing something new.

The interviews with this subject were long and rambling, given Hans's fondness for conversation, but were often enlightening as he frequently reflects on his own motivation, behaviour and experiences as an entrepreneur.

This case analysis is based on transcripts from the interviews contained in Appendix G and coded as per Appendix I and summarised in Chapter 7.

### 15.1. Influences on the entrepreneurial experience

As illustrated in figure 9, the events respondents describe as having influenced Hans were considered positive in nature and contributing to the development of his skills and self-confidence. Even the more negative events were apparently transformed into positive consequences for Hans's entrepreneurial capabilities, reflecting his own optimism and willingness to learn.

Key events prior to the creation of the current venture, and their impact on the entrepreneur are summarised in Figure 9.

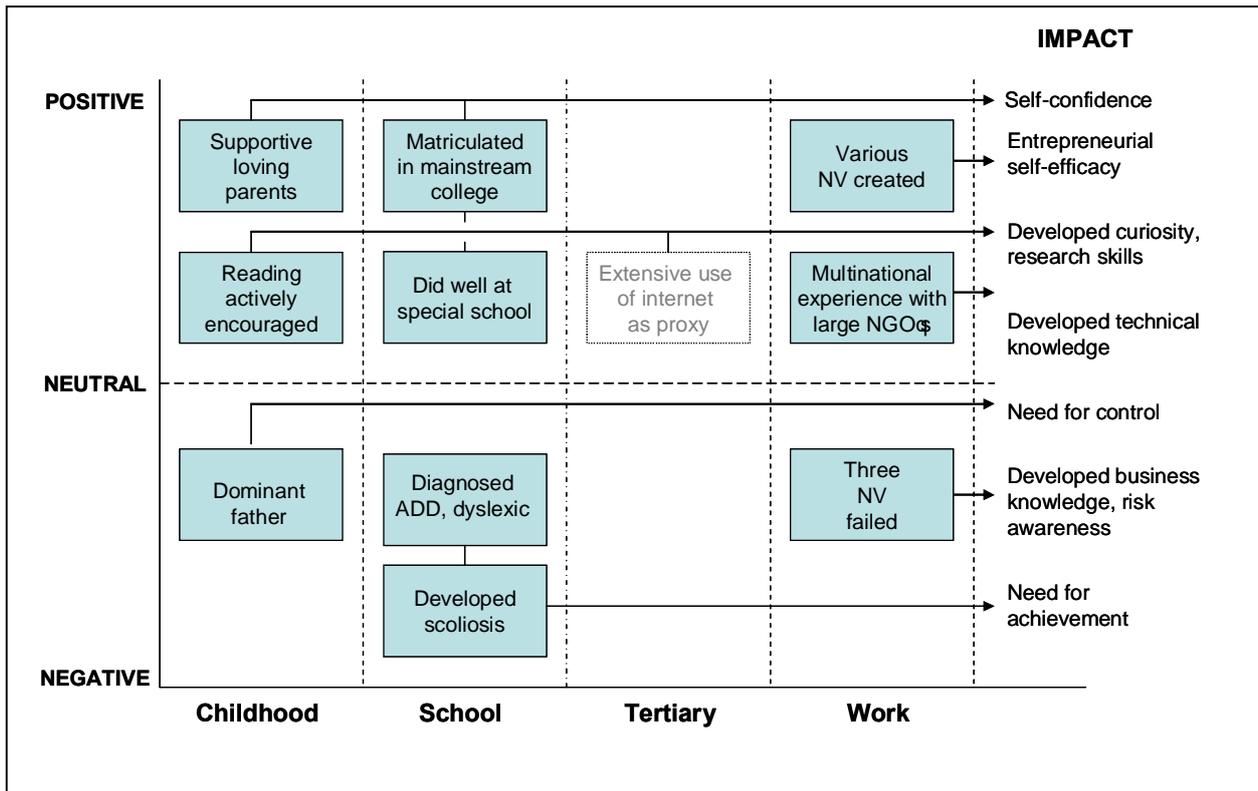


Figure 9. Early influences on the entrepreneur

Although his three previous ventures had failed, Hans considered this experience as more significant an influence on his current entrepreneurial behaviour than his childhood, education or other work experience. This case therefore highlights the importance of early exposure to any entrepreneurial experience, whether or not the entrepreneur is successful (Macmillan *et al*, 1985; Cope, 2005). This also reinforces the notion that the entrepreneur learns valuable lessons from failure (Shepherd, 2003).

Hansq childhood was relatively happy, although there is a suggestion that a dominant father and his own learning and health problems created a strong need for control (Kets de Vries, 1996), which Hans finds it difficult to acknowledge. This need for control is currently more than adequately fulfilled by the entrepreneurial experience, although it is questionable whether this will continue to be the case in a much larger business, which would require delegating a greater degree of personal responsibility.

A supportive family was careful to nurture Hansqself-confidence, and his ability to rise above early difficulties appears to have reinforced his self-esteem while

creating a strong need for achievement (Johnson, 1990). It is notable that the entrepreneurial process, rather than any output of the entrepreneurial process such as wealth or any other measure of success, is believed to fulfil this need (Crosa *et al*, 2003).

The family context seems to have encouraged Hans to develop useful reading and research skills which he frequently uses as a proxy for a lack of tertiary education. He claims his lack of formal education stands him in good stead in terms of being able to think laterally to solve everyday problems, which is in direct conflict with the available empirical evidence (Acs *et al*, 2004). There is no suggestion that entrepreneurship was considered a less favourable option than full employment (Honig, 1998).

Hans' limited work experience helped develop his technical skills and allowed him to build something of a resource base, although it appears he has relied fairly heavily on financial support from his parents (Shane, 2008). His prior entrepreneurial experience has helped develop his business and technical skills, as well as stimulating an acute awareness of the need to manage risk and contributing to his entrepreneurial self-efficacy (Boyd and Vozikis, 1994).

## **15.2. Social capital**

Hans displays many of the features of the extroverted personality, including enthusiasm, assertiveness and gregariousness (Swartz, de la Rey and Duncan, 2004). He is also strongly drawn to others and enjoys a wide circle of friends and acquaintances, although it is not clear to what extent, if any, these relationships are related to the business.

The structure of the Orgoli business model means Hans must maintain business relationships with farmers, who supply the raw material for essential oil production, and for whom the crop is of little significance. The relationships are therefore sensitive and difficult, and this has latterly been the motivation for Hans to embark on cultivation himself. This experience illustrates how the entrepreneur may suffer from the liability of newness in attracting the support of resource holders (Smith and Lohrke, 2008), but can use relationships to overcome the problem (Welter and Smallbone, 2006).

Orgoli is firmly embedded in Hansqfamily life. His business partner is also his domestic partner, his father works in the business, as did his mother until relatively recently. Hans tends to use segmentation of the work domain from the domestic domain as a mechanism for managing conflict in the business-family interface (Jennings and McDougald, 2007).

### 15.3. New venture creation process

Hansq original inspiration for entrepreneurship was apparently internally generated, although there is some evidence of attribution to heredity and to spiritual causes which is not entirely consistent with the literature on entrepreneurial motivation (Krueger and Brazeal, 1994).

The start-up event sequence is illustrated in Figure 10.

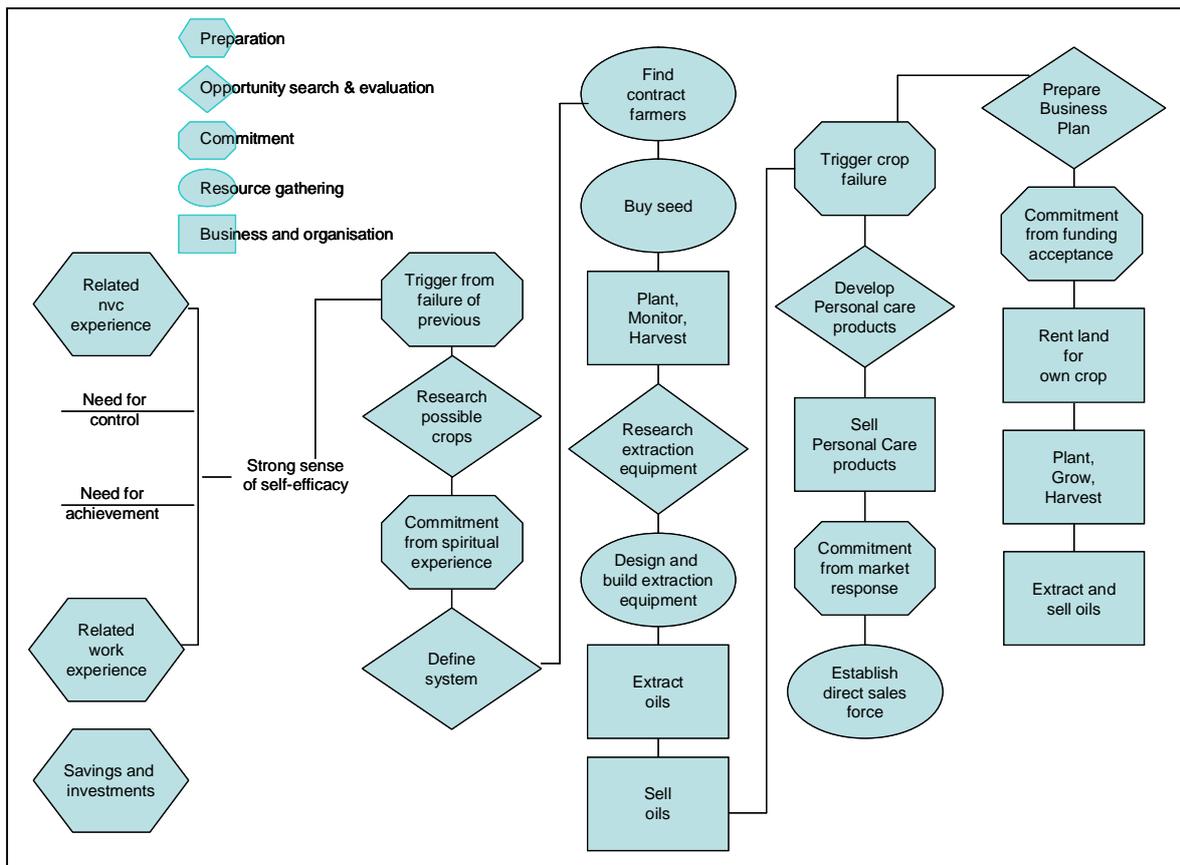


Figure 10. Hans' New Venture Creation Map

Hans has established a pattern of new venture creation both within the current business, Orgoli, and at least two of the three previous businesses. The trigger for new venture creation appears to have been rooted in either total failure or encountering significant problems with the previous business. Hans seems to have been able to learn effectively from these failures, without being unduly inhibited by regret (Shepherd, 2003).

It is clear that Hans's past experience, most of which was in agriculture, represents a knowledge corridor which makes him alert to particular kinds of opportunity (Cliff *et al*, 2006). A fairly extended period of primary and secondary research typically follows inspiration, with opportunity search and evaluation occurring simultaneously, rather than consecutively as implied in the literature (Shepherd and DeTienne, 2005).

A fierce sense of independence and some evidence of social alienation, together with earlier educational difficulties, contributed to a perception on Hans's part that few other viable opportunities were open to him other than self-employment. This is highlighted by the fact that the Hans only took up employment when he was in financial difficulty after the failure of the first business.

The job at the United Nations served as preparation for new venture creation because it provided the subject with exposure to technical agricultural expertise as well as allowing him to save enough, with the help of his parents, to purchase his own land on his return to South Africa (Crosa *et al*, 2003). However, the major preparation for creating the current venture was his experience with the previous three businesses. These ventures provided useful agricultural knowledge and skill, but also delivered entrepreneurial self-efficacy.

Hans tends to consider start-up as the point at which the new business is clearly defined, which is also when commitment rapidly emerges. Commitment to the new enterprise is attributed to various external sources, including spiritual experience in the selection of essential oils as a crop, market response in the case of the cosmetics business and access to funding in the case of the cultivation business. It is not always clear how long after commitment revenues began to be earned, but it would appear the start-up process has generally taken three to six months.

#### 15.4. Business model and strategy evaluation

The Orgoli strategy has evolved incrementally in response to problems encountered along the development path, rather than being designed at start-up and then implemented in a linear fashion (Mintzberg, 1991). Given that the business operates in a low dynamism environment, more in-depth planning might be useful (Gruber, 2007).

The Orgoli strategy could be described as an import substitution strategy in terms of Park and Bae's (2004) typology of new venture strategies in a developing country

The business model for Orgoli is described in table 16 in terms of the Chesbrough and Rosenbloom (2002) business model framework:

**Table 16. Business model and strategy**

<b>Value proposition</b>	High-quality, high-value organic essential oils grown in diverse locations at low cost, extracted using a proprietary process and sold to a global export market
<b>Market segment</b>	Farmers Sales agents serving global fragrance and flavouring market Food and pharmaceutical businesses Consumers
<b>Structure of value chain</b>	Plants containing essential oils are grown by farmers and harvested. Oils are extracted from the plant matter, blended and sold via agents to large food and pharmaceutical businesses for flavouring and fragrance ingredients
<b>Position in value network</b>	Orgoli has constructed a stand-alone value network that grows and extracts essential oils, builds and sells extraction equipment and develops and sells a range of personal care products that use essential oils as a key ingredient
<b>Competitive strategy</b>	Reduced risk and higher margins through: control over the value network; use of contract growers; construction of proprietary extraction methodology; market knowledge of and sales access to township consumers of personal care products
<b>Costs and profit potential</b>	Seed sales: buy R2000 a hectare, sell R8000 Oil sales: R12 000 a hectare . but quality dependent Equipment sales Product sales: to make R6, to sell R16

In many respects, the current strategy of the business could be ascribed to Hans's desire to avoid the risks typically associated with agribusinesses. To avoid cultivation risk, he established a contract farming system. To avoid capital expenditure risk, he began to make and sell his own extraction equipment and to avoid commodity market risk, the subject has established a cosmetics business

which uses essential oils as a key ingredient. In this respect, Hans vividly demonstrates the developing-country entrepreneur's portfolio approach to risk (Lingelbach *et al*, 2005).

In this sense, the goals of the strategy are mutually consistent (Rumelt, 1991), although the diverse nature of the businesses involved does risk overtaxing available resources (Rumelt, 1991), making the feasibility of the overall enterprise somewhat questionable. The extent to which the strategy is consonant with the external environment is unclear (Rumelt, 1991), although Hans envisages converting the business to organic status, which would be in line with global agricultural markets. Competitors are not generally a concern, although Orgoli may well represent a relative competitive advantage (Rumelt, 1991) because of its holistic nature.

#### **15.5. Support required**

Hans has constructed a network that fulfils a series of support needs. He has found continuous financial and emotional support for his entrepreneurial efforts from his parents. His partner delivers emotional support, a sounding board and a great deal of ego satisfaction (Audia and Rider, 2005).

Technical support is sought from experts or secondary data, but is mainly derived from the subject's own experimentation and improvisation, a preferred mode of operation which delivers significant creative satisfaction to the subject (Hmieleski and Corbett, 2007). Business support is again provided by the subject's parents, and there is some evidence to suggest that support for developing managerial skills will be required in the near future, possibly to be provided by Henry, Hans's mentor and advisor (Ozgen and Baron, 2007).

Hans is barely aware of available institutional support in South Africa and has only recently sought external funding for the business's development (World Bank, 2007), partly as a consequence of his own creativity and independence (Amabile, 1998).

## 15.6. Meaning making

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, as illustrated in the following examples:

*I think it's fun. I really enjoy what I – this is fun. Going out this morning and saying "look, how do we fix this up the best way. You say it's a week. How can we do it in under that". (4D MWME 2:66)*

*I'm still playing in the sandpit. (4D MWME 26:913)*

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).

*I'd rather live on almost nothing – the thrill of like today we've got no money, right. Zip, all the bank accounts are empty but I know someone is going to pay. So it's the thrill of saying "is he going to pay so I can pay the wages by four". Whoops, and the sms comes through. (4D MWME 3:79)*

Experimentation is also strongly associated with fun as is a denial of the possibility of failure or any negative consequences to less-than-successful endeavour. This reinforces the notion that the entrepreneur has a particularly optimistic mindset (Arabsheibani *et al*, 2000). For Hans, there are also some elements of fantasy and make-believe associated with the play metaphor.

*You see, I love so many different things, right. I love the mechanics of the tractor but I love the intricacy of planning out – what do you call it – on Microsoft Project. I sit down and I'll do the whole thing. This guy has got to do that on that time, knowing full well in reality it'll never happen because I know farming, everything screws up. But it's so fun to do that. (4D MWME 4:111)*

His enjoyment of the entrepreneurial experience is holistic as he takes pleasure in the content of the business and in the process of building it as well as in the outputs it generates. This gives insight into the empirical finding that the prospect of personal wealth seldom acts as a stimulus for new venture creation (Crosa *et al*, 2003).

*Well everything is a best thing. Isn't it wonderful that we're able to produce those products, and isn't it wonderful that we're a part of something beautiful,*

*that we're able to – through the sense and the smells we make – enrich other people's lives? And I'm doing something I love; I love farming. And it's so nice to be able to come to a field and see the plants do their thing. (4D MWME 4:30)*

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).

*It's the wonder of creating. And you know, the funny thing that I don't understand about myself, I'm happy if I have to clean the toilet, or I have to work on the spreadsheet for DBSA, or whether I have to design a new planter, or whether I have to drive to George. I'm happy doing all of those things. They're all a schlepp but I'm happy. (4D MWME 22:773)*

*I don't think it'll ever end. Isn't that part of it? We live in a one and many universe. Isn't that wonderful? It's just continuous creation. That's our duty in my opinion. It's this co-creation. We have to co-create, bring out new ideas the whole time. (4D MWME 22:757)*

The subject communicates his positive feelings about the entrepreneurial experience by extensive use of the metaphor, while apparently denying any feelings of fear and anxiety about uncertain outcomes. By connecting creativity to fun the subject finds a way to communicate that his pleasure has a purpose. He is productive, not merely self-indulgent. The use of the metaphor is also instructive in terms of the way in which the entrepreneur views himself (Dodd, 2002).

References to the notion of co-creation possibly unconsciously derived from his Lutheran upbringing, reinforce his defence against the unspoken accusation of self-indulgence and make reference to a socio-cultural convention in Calvinist South Africa. The rationale states that it is acceptable for Hans to have fun, because he is creating, and it is not merely acceptable for Hans to create, it is his God-given duty to do so.

The use of the fun metaphor highlights the pleasurable features of the entrepreneurial experience such as enjoyment, informality and stimulation, while hiding the less pleasant features of the entrepreneurial experience such as tedium, seriousness and difficulty.

## 15.7. Levels of analysis

There are strong links between levels of analysis in this case, to the extent that the subject may be seen as actively constructing his social, business and environmental contexts to suit his talents and temperament.

### ***Personal – social***

Although Hans is outgoing, people-oriented and friendly, little mention is made of his social network beyond the family context. In addition, while his business network is reportedly wide, there is some evidence of a weakness in his ability to consistently establish and maintain productive relationships with stakeholders.

### ***Personal – business***

This is also manifested in the way Hans manages human resources. Every process undertaken by an employee is minutely documented and progress against this programme is monitored closely and used as a basis for weekly and/or monthly remuneration. Hans' need for control is adequately fulfilled by this procedure, but it seems unlikely that this approach is sustainable in a much larger organisation.

### ***Personal – environment***

Hans' need for control, possibly rooted in childhood illness, could be exacerbated by the uncontrollable nature of the industry in which he operates. As a result, he continuously attempts to anticipate uncertainty and minimise risk, but nevertheless seems frequently surprised by the environment's relentless ability to overcome his defences.

## 15.8. Respondent differences

On the whole, respondents were consistent in their descriptions of the subject's communication style, suggesting that this represents a defining characteristic of this entrepreneur.

During the interviews, respondents added a number of different dimensions to the description of the entrepreneur, as illustrated in table 17:

**Table 17. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
Motivation	Make the business grow			Do something for others
Thinking	Creative Optimistic Consultative	Analytical Visualises solutions	Not always practical	Research-oriented, curious
Emotion	Caring, soft-hearted, open	Pretends to get angry	Gets angry with staff	Walks away from conflict
Communication	Talks too much Direct, honest			
Relationships	Good with people		Good with stakeholders	
Strength	Inventive, enthusiastic	Hands-on Process-driven		
Weakness		Ability to manage skilled staff		Administration

His mother's description of his philanthropic goals added a complementary dimension to an understanding of the subject's motivation for entrepreneurship as being creative rather than financial in nature. His partner's description of the subject's ease at managing relationships in the business context complemented the more generalised view of his warmth and friendliness with people in general.

Although it is widely acknowledged that the subject is innovative and creative, his own description of himself as *hands-on* and *process-driven* suggests that the subject has a high level of belief in himself as a practical problem-solver, not just an idea generator.

Contradictory descriptions of his cognitive and affective functioning suggest the subject may be inconsistent in this respect, possibly mirroring his earlier diagnosis of attention deficit disorder. In contrast to others' acknowledgement of the subject as having excellent relationship skills, the subject anticipates difficulty managing skilled people who are less amenable to direct methods of control, but may also highlight his own lack of education.

### **15.9. Implications of this analysis**

Hans sees himself as conforming to several popular notions of what constitutes an entrepreneur. He is daring, adventurous and creative, making profits by leveraging resources and bootstrapping new start-ups. In this respect, the case

highlights how the entrepreneur verifies his self-concept through entrepreneurial activity (Murnieks and Mosakowski, 2007), despite the fact that there were no early entrepreneurial role models available.

Perhaps of most significance in this case is the demonstration of how entrepreneurs can learn from failure (Shepherd, 2003). Although Hans was apparently quite deeply moved by the failure of the vegetable-growing business, he undertook a process of reflection and grieving, using the experience to positive effect in building the next venture. His store of knowledge about the industry in which he operates has also makes him alert to opportunities and enables simultaneous search and evaluation.

Hans acknowledges that he sometimes lacks concentration, and the business, with several different (albeit related) areas of activity, would appear to lack focus. This strategy demonstrates how the developing-country entrepreneur manages risk by using a portfolio approach (Lingelbach *et al*, 2005). The risk is that shared resources might be too stretched to be sustainable long term, even though Hans has accessed external funding as a result.

Hans struggles with his own need for control demonstrate how the entrepreneur is required to develop and learn throughout the life of the business (Cope, 2005). While the business was relatively small, Hans was able to personally supervise all activities in detail, but this situation cannot be sustained with a substantially larger workforce. In particular, as the organisation grows and evolves, the demands of leadership change, which may represent a personal crisis for the entrepreneur (Greiner, 1972).

The play metaphor, which Hans frequently uses to describe his experience of new venture creation, gives insight into entrepreneurial motivation and persistence, especially among established entrepreneurs, suggesting the passion they feel for their business stems at least partly from their wholehearted enjoyment of the venture creation process.

## CHAPTER 16. CASE ANALYSIS: MARGARET

Margaret is a 38-year-old black female with an honours degree in mathematics and an MBA. Margaret's business, Bluebird Consulting, provides consulting services in credit risk management to a broad spectrum of financial service and retail businesses.

Margaret is serious, dignified and well-spoken. Respondents described her as demanding of herself and others, with a high need for control and a tendency to analyse and plan her life to the finest detail. In terms of Miner's (2000) typology of entrepreneurial personality types, Margaret could best be described as a blend of the personal achiever and real manager personality types. Margaret has been a high achiever at work and at school, but seems somewhat psychologically vulnerable to the risk of entrepreneurial failure. Nevertheless she is committed to her nascent business, in part because of the autonomy and flexibility it offers.

The interviews with Margaret tended to be fairly lengthy and detailed, and often emotionally intense as she recounted how she had struggled to establish the business in the first few months following inception.

This case analysis is based on transcripts from the interviews contained in Appendix G, coded as per Appendix I, and summarised in Chapter 8 of this document.

### 16.1. Early influences

As illustrated in figure 11, Margaret's early life was generally positive, reflecting her stable, lower-middle class upbringing in Soweto. It is notable that at no time was Margaret exposed to an entrepreneurial role model (Steier, 2003) apart from her father's unfulfilled wish to be self-employed, which clearly contributed to the perceived desirability of new venture creation in her eyes (Krueger and Brazeal, 1994).

However, Margaret was singled out for her superior intellect at a relatively early age, and selected to participate in a series of development programmes for gifted

children. This appears to have had the effect of creating in Margaret a high need for achievement while creating a sense of alienation (Kets de Vries, 1985) from all except those closest to her. Figure 11 illustrates how the early events of Margaret's life influenced her development as an entrepreneur.

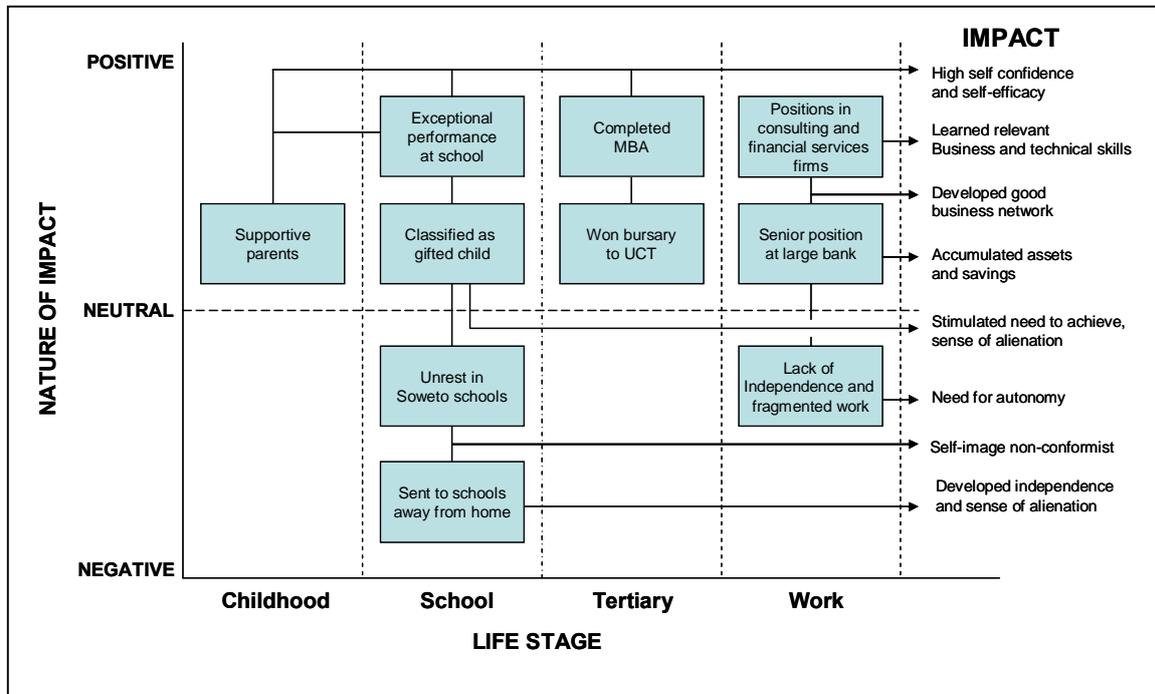


Figure 11. Early influences on the entrepreneur

One of the most eventful periods of Margaret's life was her high school years, when many Soweto scholars were deeply engaged in the struggle against apartheid. Although Margaret was apparently involved in various protest activities, she was removed from Soweto by the gifted children's programme to attend school in a remote provincial town. This experience has left her with a strong, assertive manner and a self-image as a non-conformist (Kets de Vries, 1985), but also contributed to her sense of self-esteem and independence.

In contrast, Margaret's tertiary education was relatively uneventful, although it contributed both to her self-confidence and the development of high-level technical and business skills. Her education is firmly at the foundation of her venture creation effort and highlights that returns on education are higher for self-employed people (Robinson and Sexton, 1994).

At work, Margaret again excelled, quickly demonstrating her value to her employers, particularly the large financial services institutions that reportedly valued her for her contribution, as well as for the relatively rare combination of her skills and demographic profile. Senior positions in large corporations produced substantial earnings, which allowed her to save sufficiently to support herself during the venture creation process. More importantly, her career was the source of her business idea (Crosa *et al*, 2003), and provided her with a network of relationships that she intends to use to good effect in developing the business.

## **16.2. Social capital**

Despite her admission of introversion, Margaret enjoys close relationships with her family and a few carefully chosen friends. These strong tie relationships provide important emotional sustenance, even though her need for external validation is apparently not significant. These close relationships do not seem to have any bearing on the business itself, but instead act as a supportive social context (Boyd and Vozikis, 1994).

At work, Margaret was skilled at managing relationships with superiors, peers and subordinates, able to get what she wanted without offending or upsetting others. At the same time, she has a reputation of honesty and openness in her dealings with others. It is likely that this skill will be particularly helpful in attracting and retaining highly skilled potential employees (Cardon, 2008).

However, while Margaret had anticipated that her relationships with key executives in several financial institutions would represent an open door for her consulting services, this was not the case, or at least not within the time frame she had envisaged. This suggests that Margaret could better leverage these weak tie relationships to access useful market information as well as simply regarding them as potential sales leads (Anderson and Miller, 2003).

## **16.3. New venture creation process**

The decision to embark on a new venture was made some three to five years prior to the inception of Bluebird Consulting, well before Margaret had identified a particular business opportunity. She was motivated to select entrepreneurship to

fulfil her need for autonomy and achievement, needs which were not being met by her corporate career (Harvey and Evans, 1995). Following the decision, Margaret began to prepare for entrepreneurship, financially and by building a network she believed might be useful during new venture creation.

The start-up process is illustrated in Figure 12:

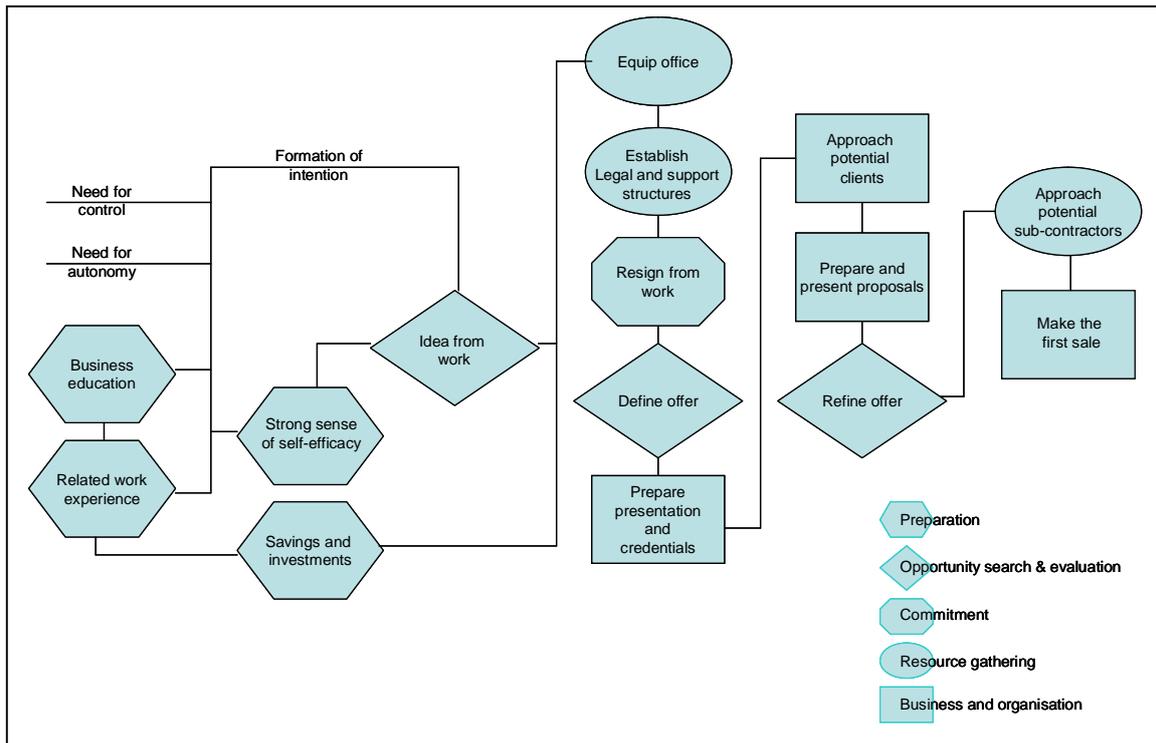


Figure 12. Margaret's New Venture Creation Process Map

At the same time, she became alert to entrepreneurial opportunities that might be appropriate for her (Shepherd and DeTienne, 2005), although it does not appear that a formal search took place. Instead, Margaret began to realise that a consultancy in credit management might represent a good fit between her own skills and market demand, thus demonstrating the notion that individuals with particular stocks of information identify particular opportunities (Cliff *et al*, 2006).

Once this opportunity had solidified in her mind, Margaret equipped an office and established the necessary legal framework (Gatewood *et al*, 1995) before committing herself to new venture creation by resigning from her corporate position.

Having further developed the opportunity (Ardichvili *et al*, 2003) by preparing credentials documents and an introductory presentation, Margaret began to approach potential clients with a view to being invited to submit consulting proposals. On the basis of market feedback, the offering was refined, indicating that opportunity evaluation was informal and client-centred, and dependent on Margaret's ability to learn about the market (Bhide, 1994).

On the whole, Margaret's venture creation process is a relatively simple and linear one, which deviates from orthodox models only with respect to the order of events. Figure 16.2 illustrates that commitment occurred after sufficient operating resources had been gathered (Brush, 2001) and Margaret considered her preparation to have been complete, but prior to opportunity evaluation. This may point to an over-reliance on planning as a mechanism for managing risk, and some degree of over-optimism, particularly in relation to market needs.

Margaret's perception was that start-up only occurred once the first sale had been made (Bhave, 1994), and this took approximately six months from the commitment event, a relatively short period compared to established empirical norms, particularly if the preparation period is excluded (Liao *et al*, 2005).

#### **16.4. Business model and strategy evaluation**

While Margaret has been careful to plan and organise for new venture creation, this activity has centred on her domestic affairs, leaving the business strategy to evolve in response to discernible market response (Gruber, 2007). This situation may have arisen as a result of Margaret's belief that she knew the market well, on the grounds that she had spent several years working in it, albeit in a corporate context (Shane, 2008).

Bluebird's strategy could be termed a 'reactive imitator' (Park and Bae, 2004), since it represents a local follower in a local existing market, although the market is arguably in a new growth phase as a consequence of new legislation.

The business model for Bluebird Consulting is described below in terms of the Chesbrough and Rosenbloom (2002) business model framework:

**Table 18. Business model and strategy**

<b>Value proposition</b>	Consulting in credit/risk management strategy
<b>Market segment</b>	Corporate retailers and financial institutions
<b>Structure of value chain</b>	Consumers apply for credit to providers, who use actuarial models to analyse risk profiles and thereby determine credit-worthiness, price and timing of credit contracts before establishing credit agreements. Management of customer during life of agreement and at termination. Process influences profitability and quality of customer relationships
<b>Position in value network</b>	Consultant to credit providers in design and implementation of credit risk/management strategies and models
<b>Competitive strategy</b>	Business network for prospects, delivery and client relationship for retention.  Personal skills, reputation and demographic profile of founder is implied competitive advantage
<b>Costs and profit potential</b>	Typical consulting rates based on cost of consultant time plus 15% to 30%

The strategy appears consonant (Rumelt, 1991) with the needs of the market for rare, expensive skills with the right BEE credentials, especially in the context of new credit-related legislation in South Africa. However, it seems likely that the offering will evolve further as Margaret learns more about running a consulting business and seeks to make different offerings more consistent (Rumelt, 1991) with one another.

The strategy is presently feasible (Rumelt, 1991), due to Margaret's thorough financial preparation, and her stated intention to grow incrementally to minimise impact on cash flow. There is little evidence of any sustainable competitive advantage (Rumelt, 1991) beyond that offered by sound client relationships.

### **16.5. Support required**

Margaret is self-reliant and organised, to the extent that her exit from full employment and the start of her new venture were minutely planned and prepared for, at least from a domestic perspective. However, it would appear that she did not anticipate the extent to which she would require emotional support in the earliest stages of business development, particularly when progress was slow, rejection frequent and failure seemed possible (Shepherd, 2003).

As a result, Margaret found herself in urgent need of support and empathy from others who might understand her experience and from whom she could better learn to manage her way through the start-up process (Audia and Rider, 2005).

Through an entrepreneurial development NGO, Margaret met and developed relationships with other start-up entrepreneurs, which have been an important source of support and learning for her. It is possible that this desire for social interaction with other entrepreneurs was for the purpose of undertaking social comparison (Shaver, 2005).

So far, Margaret has not needed much resource-based support since she has used her own savings to fund start-up (Shane, 2008), although she anticipates that her most significant future challenge will be overcoming the liability of newness (Smith and Lohrke, 2008) to access the scarce human resources she will need to grow the business substantially.

## 16.6. Meaning making

Possibly as a result of the relative novelty of the business or the emotional intensity of the experience (Anderson and Smith, 2007), Margaret struggles to find meaning in entrepreneurship or at least finds it difficult to communicate what this might represent for her (Branzei and Zietsma, 2002). Perhaps most notable in her descriptions of new venture creation is the notion of *turbulence* – the unexpected, irregular and uncertain nature of the process.

*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. (5A MBFS 12:386)*

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.

*Where the doors have been closed for me it felt like it was wide open and then suddenly closed ... it was, "yes, I think we are on the right track here" and then suddenly, "no no no". (5A MBFS 12:402)*

*What took me by surprise was because I felt very confident, with the product, with the technique ... what took me by surprise was how potential clients didn't respond right away. And when I say right, I just mean in terms of saying yes ... you need to help us here and not only here but here and let's do it as soon as possible. So they take a while to get there. (5A MBFS 8:252)*

Margaret finds surprises like these particularly discomfiting, as she has a high need for control and believes firmly in the value of planning as a management and risk-avoidance strategy in both her business and family life. Perhaps as a result of the market turbulence she experienced, Margaret has also found new venture creation to be emotionally turbulent, particularly in the range of emotions she felt and the relatively sudden nature of their onset.

*Although it was exciting, and then suddenly you see you are afraid of change, and then on the 2nd of Jan you get a little bit nervous, because you know what, you definitely have to wake up now. So that nervousness, and then there was a very sad moment in about March, April, when you think, ahh now I am not in control of my life, somebody is running my life, so that part was very very frightening. (5D MBFS 20:725)*

Margaret's description highlights that new entrepreneurs readily experience a tension between new-found freedom and unexpected constraints in the venture creation process (Wahlgren and Stewart, 2003). By referring to the notion of turbulence to describe the entrepreneurial experience, Margaret is metaphorically evoking the uncertainty and chaos the entrepreneur must face in establishing a new venture (Simon *et al*, 1999), and highlighting the extent of the risk involved. In so doing, Margaret communicates her fear, anxiety and stress at the lack of control she experiences.

*Sometimes when I am too stressed, I can be ... I am a very impatient person, when I do things, you know I am very fast and I choose them then sometimes when I work with people who are like slow, they are not moving, I get very stressed. (5D MBFS 4:136)*

The use of the metaphor draws attention away from more positive features of the entrepreneurial experience such as pleasure and excitement, and detracts from the social convention that sees development, innovation and progress inherent in the venture creation process (Reimer and Camp, 2005).

## **16.7. Levels of analysis**

In this case, the relationships between different levels of analysis are strong, possibly reflecting the fact that the product is Margaret herself. Her knowledge, skills and capabilities are what are for sale, at least in this stage of the venture's development (Kisfalvi, 2002).

### ***Personal – social***

For Margaret, relationships with others are optional, but she recognises that they perform several useful functions. As a result, even though she is an introvert, Margaret is careful to nurture relationships with people she considers important to her. Strong tie relationships with family and friends offer company and emotional support when she needs it (Steier, 2003).

Weak tie relationships with business colleagues and peers deliver helpful advice and information but, more importantly, represent potential client contacts (Anderson and Miller, 2003). It could be argued that Margaret sees these relationships as a way of managing risk, for example by nurturing the relationship with her previous employer, she has effectively given herself a safety net of returning to employment in the event of her business failing.

### ***Personal – business***

Given that Bluebird Consulting is new and presently a one-man business, it is not clear to what extent Margaret's characteristics and experience will be projected onto the nascent organisation (Baron and Hannan, 2002). However, emergent strategy (Mintzberg, 1991) suggests that the business will continue to focus on Margaret as its primary consulting product to the extent that she intends her personal attention to projects to be the keystone of her relationships with clients.

### ***Personal – environment***

When considered in light of the operating environment, Margaret's self-confidence and optimism manifest as naivety. Her expectations about the quality and speed of the market's response to her offer proved both under-researched and unrealistic (Bhide, 1994). This is also true of competitors, who are viewed as genial rivals rather than representing any long-term threat to the sustainability of the business.

## **16.8. Respondent differences**

Descriptions of Margaret generally displayed high levels of consistency, with respondents agreeing on her motivation, cognitive style, communication abilities and strong relationship with her family. Respondents also readily articulated Margaret's high need for autonomy and control (Shane, 2008).

Respondents offered a complementary perspective of Margaret's motivation to embark on a new venture when they added her desire to achieve something more challenging to her desire for independence. Respondents also expanded on her relationship capability, suggesting that, although fairly introverted, Margaret was a competent relationship manager, capable of building useful social capital (De Carolis and Saporito, 2006).

During the interviews, some interesting differences and similarities between respondents emerged, as illustrated in Table 19.

**Table 19. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
<b>Motivation</b>	Doesn't want to work for others		Wants more of a challenge	Wants more of a challenge
<b>Thinking</b>	Careful planning, analytical decision-making			
<b>Emotion</b>		Very sensitive	Controlled	Strong
<b>Communication</b>	Open, honest, enthusiastic		Assertive	Outspoken Encouraging
<b>Relationships</b>	Strongly connected to family	Likes own company but relationships important	Prefers to keep business and personal separate	Good, but chooses friends carefully
<b>Strength</b>	Independent, ambitious.	Organised, impatient	Good with people	Risk-taker
<b>Weakness</b>		Too analytical Demanding		

Contradictory accounts were limited to descriptions of Margaret's affective functioning, with respondents variously describing her as 'strong' and 'controlled' while Margaret sees herself as emotionally sensitive and stress-prone, albeit able to hide her emotions from others (Askande, 1994). This seems to have been particularly helpful when dealing with interpersonal conflict in the workplace.

### 16.9. Implications of this analysis

This analysis demonstrates that early influences on the entrepreneur, while seemingly unrelated to the venture creation process, may create needs the entrepreneur believes can only be met through new venture creation. In this case, the need for autonomy and control stimulated by childhood dislocation

made the prospect of permanent employment appear unsatisfactory, even though Margaret seemed destined for success in the corporate environment.

This case illustrates how the entrepreneur might use her own knowledge, skills and characteristics as the major instrument of new venture creation. Not only do her personal characteristics define the nature of the opportunity, they also represent the major product the entrepreneur is offering to the market.

The venture creation process demonstrates how the entrepreneur uses the market to help define the services she will deliver, rather than attempting to conceptualise these prior to implementation. Although this meant her expectations of an early and positive reception were not met, and Margaret found this difficult to deal with, ultimately the start-up process was relatively effective as a consequence of this emergent approach. It is likely that the business model will continue to evolve as the entrepreneur learns more about client needs.

The emotional intensity of the start-up process is well illustrated by this case, as the entrepreneur experienced both the euphoria commonly associated with start-up (Cooper *et al*, 1988) and the fear and anxiety that even the possibility of less-than-expected performance generates (Singh *et al*, 2007). The use of turbulence-related metaphors to describe the entrepreneurial experience gives insight into the nature and impact of the uncertainty and ambiguity that the entrepreneur ordinarily deals with and highlights the requirement for high levels of personal and organisational resilience.

## CHAPTER 17. CASE ANALYSIS: JOHAN

Johan is a 44-year-old white male with an engineering degree and an MBA. Johan's first venture, Netstrat, an internet-based consultancy, is still operating. However, most of his time and energy is spent developing Datacred and Printcheck, his second and third businesses respectively.

Johan speaks quietly and clearly and comes across as calm, serious and competent. Respondents admiringly described his creativity and intellectual prowess, making him a typical expert idea generator (Miner, 2000) and also referred to his determination to persevere even in the face of significant obstacles to business success. Johan enjoys the independence entrepreneurship offers, but is also frustrated by the lack of resources and constraints this imposes on the new venture.

The interviews for this case tended to be thoughtful and in-depth, reflecting Johan's reserved, albeit self-aware, personality. The importance of his religious life was evident throughout all the interviews.

This case analysis is based on transcripts from the interviews contained in Appendix G, coded as per Appendix I, and summarised in Chapter 9 of this document.

### 17.1. Early influences

Several features of his early life were considered by Johan to have been negative experiences, but they have had a significant impact on his entrepreneurial motivation and characteristics, as illustrated in figure 13.

A strict, religious upbringing left Johan with a need for autonomy, and a strong ethical value system (Morrison, 2001), which directly influences his entrepreneurial goals and decision-making. His childhood experiences of watching his father do household maintenance instilled the habit of thrift and a practical creativity (Amabile, 1998) which later manifested in a fascination for technology.

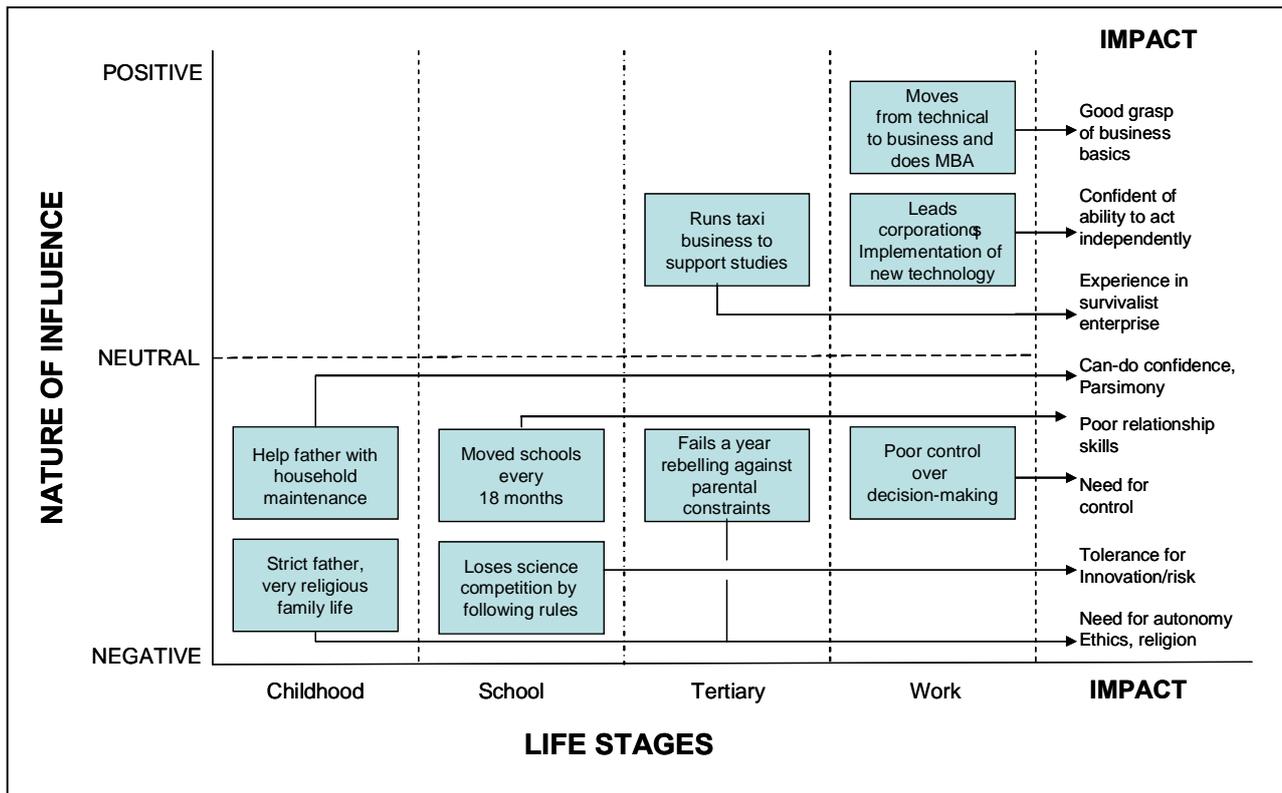


Figure 13. Early influences on the entrepreneur

Multiple school relocations made Johan aware of the difficulties of creating and maintaining relationships with peers, a weakness that continues to affect his ability to build social capital (Greve and Salaff, 2003). Johan's risk-taking and innovation behaviour is unusual in his family context (Gifford, 2005), and he attributes this to his loss of a high school economics competition, which taught him that conformity and caution are not always the best strategy.

Johan's tertiary education as an engineer delivered strong analytical skills, which he continues to apply in business analysis and planning. During this period, he began to experiment successfully with a survivalist taxi business, which funded his university education in the absence of parental financial support and helped him to develop a strong sense of entrepreneurial self-efficacy (Boyd and Vozikis, 1994).

At work, Johan moved rapidly from the technical into the business sphere, developing generalist business knowledge in a technology-oriented environment (Harvey and Evans, 1995). Although operating in a bureaucratic organisational context, Johan was given an unusual amount of autonomy to lead the

corporation's entry into a new technological sphere, enabling him to act out his self-image as innovator and non-conformist (Murnieks and Mosakowski, 2007).

The experience gave Johan a taste for new venture creation, without exposing him to any personal risk. At the same time, his experience with buying and selling houses further reinforced his entrepreneurial self-confidence (Cope, 2005).

## **17.2. Social capital**

Johan is very much a family man, having strong connections to his extended family, and communicating with his wife in-depth about the business. However, his family appears to be kept somewhat at arm's length from his business affairs, possibly as a deliberate mechanism for managing the work-family interface (Jack and Anderson, 2002).

Johan repeatedly pursues partnerships as a strategy for ensuring entrepreneurial success, on the grounds that he needs the partners' expertise and resources. At least initially, he clearly inspires confidence in shareholders and potential customers even though he does not consider himself naturally gregarious (Cardon, 2008).

However, Johan's ability to maintain these relationships has been less than optimal. He attributes this to a perceived weakness in maintaining social relationships, a consequence of his introversion and mobile childhood. However, it would appear that Johan is also very demanding of himself and others, and this characteristic may contribute to relationship difficulties, as manifested in his problems with employees (Baron and Hannan, 2002).

## **17.3. New venture creation process**

The source of Johan's intention to create a new venture can be traced to particular features of his childhood, education and work experience. It is not clear whether he consciously prepared for start-up, but the knowledge and experience gained from his formal education and work experience, together with the social networks he built and financial resources he accumulated, meant he was well positioned to embark on new venture creation.

All five businesses had as their starting point Johan's own capabilities (Cliff *et al*, 2006): the taxi business capitalised on his ability to repair engines; the property business took advantage of his passion for DIY; and the three formal businesses were based on his broad-based knowledge of new technologies. It is not known whether opportunity search occurred in the two earlier businesses, but in the case of Netstrat, the opportunity seems to have been relatively poorly defined until some time after start-up, suggesting Johan had a mental model of how the business would work, rather than a formal business plan (Sull, 2004). The source of the opportunity for Datacred was a customer's need and, for Printcheck, a new application of an existing product.

Figure 14 illustrates the chronology of the new venture creation process for Johan's businesses.

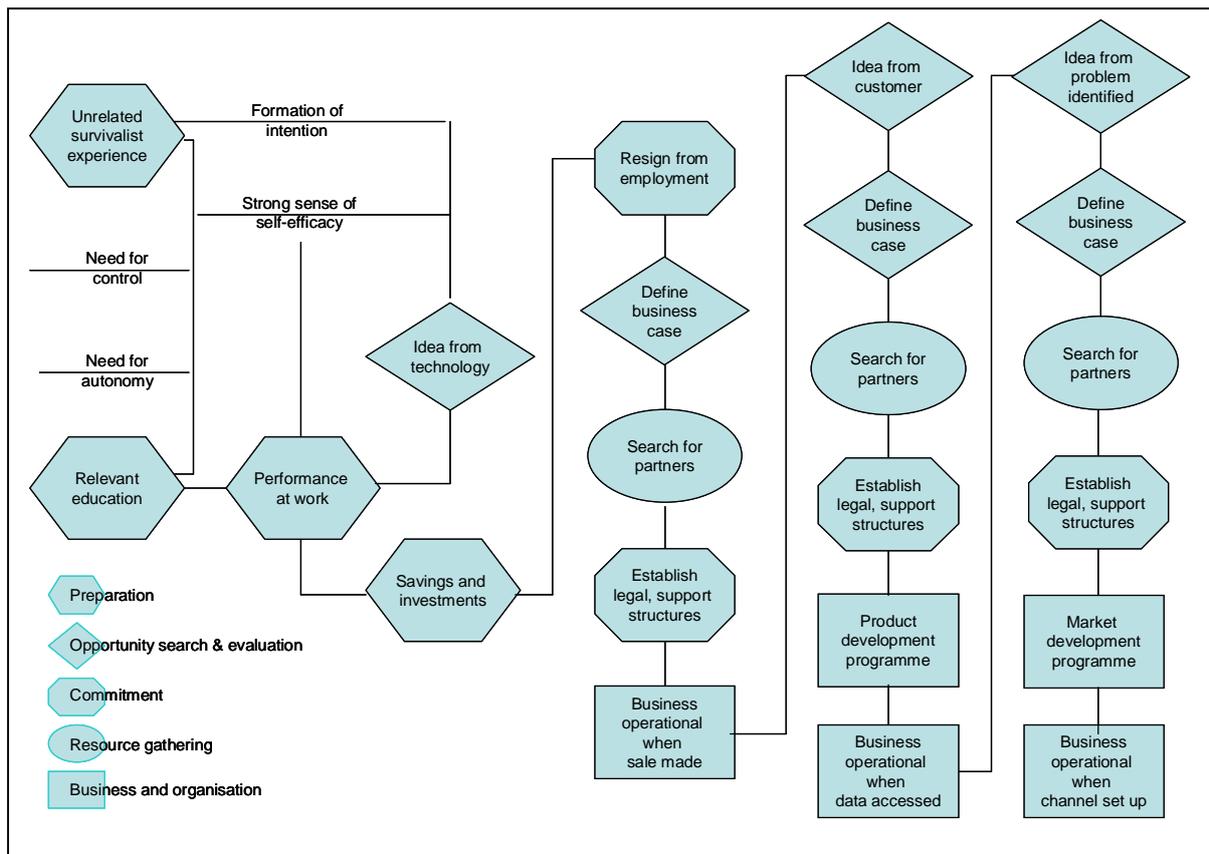


Figure 14. Johan's new venture creation process map

In each case, Johan's opportunity evaluation seems to have been limited to upside potential, since significant market and competitive threats were discounted at the outset (Krueger, 2000).

This corporate-style sequence of start-up events was repeated for each of the three formal businesses. Despite the similarities in start-up sequences, the point of formal commencement was different in each business. For Netstrat, the business was considered operational once the first sale had been made; for Datacred, the business will not be fully operational until the source of supply has been secured; while with Printcheck, the business is considered operational now that the distribution channel has been established.

For Johan, resourcing the business occurred early in the new venture creation process, simultaneous with the establishment of legal structures and signalling the start-up decision point. In some instances, he has barely conceived of the idea prior to setting out to find the partners and the funding to make it happen. This differs somewhat from more orthodox models of venture creation (Bolton and Thompson, 2000; Timmons, 1999). It would appear that in each case, start-up occurred with three to six months of idea definition, which is relatively rapid compared to the timing of start-up in the developing world (Liao *et al*, 2005).

#### **17.4. Business model and strategy evaluation**

Although Johan has established three separate businesses, they are linked by associated technologies, and it could be argued that the businesses represent developments to a single business model, based on an evolution in the entrepreneur's thinking and experience. Even within the context of the Datacred venture, the business model has changed substantially as Johan has learned more about the market and discovered new applications for the technology he has developed (Morris and Zahra, 2000).

The original business model for Datacred, and the changes that have been made are described below in terms of the six components of Chesbrough and Rosenbloom's (2002) business model framework:

**Table 20. Datedred business model and strategy**

<b>Value proposition</b>	<ul style="list-style-type: none"> <li>Initially, an easy transparent way that consumers could access and manage their own profiles, empowering them to control their own financial destiny, rather than being judged by an anonymous and secretive credit-rating system.</li> <li>Now also incorporating a flexible centralised database providing full consumer profiles used in credit evaluations, employee recruitment decisions, access control and for other risk-management applications.</li> </ul>
<b>Market segment</b>	<ul style="list-style-type: none"> <li>Initially, all economically active consumers in South Africa.</li> <li>Now including all organisations and individuals who can use the database.</li> </ul>
<b>Structure of value chain</b>	<ul style="list-style-type: none"> <li>Data is collected from a variety of sources (suppliers) and assembled in the database, which is accessed via the internet by customers.</li> <li>Given the consumer target, ease of use of the database is a critical success factor.</li> </ul>
<b>Position in value network</b>	The consumer service would be marketed directly to consumers. Support from employers, bankers and NCR will be required. Resellers will be used to access business and institutional markets.
<b>Competitive strategy</b>	<p>Competitors are also critically important suppliers of financial transaction data.</p> <ul style="list-style-type: none"> <li>Initially, a cooperative strategy was envisaged on the grounds that Datedred would not be competing directly with incumbents.</li> <li>Now a combative strategy is being pursued to force incumbents to supply the information.</li> </ul>
<b>Costs and revenues</b>	<ul style="list-style-type: none"> <li>The cost of development has been approximately R5m so far. Much data is in the public domain, but there are costs associated with capturing it in the database. The major ongoing cost will be continued access to financial transaction history.</li> <li>Revenues will be derived from subscriptions to the service or a pay-per-transaction cost. Volume of users is a key success factor for achieving profitability.</li> </ul>

The Datedred business model is an example of strategy as position (Mintzberg, 1991), as the opportunity was conceived in relation to incumbents in the credit information industry. The Datedred strategy could be termed proactive localisation as the firm is a follower in a local emerging market (Park and Bae, 2004), while the Printcheck strategy is better described as a global niche since the product is a pioneering one in an emerging market (Park and Bae, 2004).

The strategy is internally consistent, but only partly consonant with the environment (Rumelt, 1991), because although it meets important market needs, it failed to take account of the structure of the existing industry and to anticipate competitor resistance. As a result, the feasibility (Rumelt, 1991) of the business is questionable because Datedred's access to a critical resource has been blocked, even though the product is fully developed and apparently functioning effectively. It is anticipated that competitive advantage (Rumelt, 1991) will be derived from

the way in which the Datacred service is marketed to consumers. The details of the marketing strategy are not yet clear.

### **17.5. Support required**

Since the inception of his first formal business, Johan has been acutely aware of his need for support during the venture creation process (Audia and Rider, 2005), and has expended much energy on attempting to establish the corporate-style infrastructure to which he had become accustomed while employed.

The major instrument of this support has been the shareholder partnerships Johan has established for each business. Johan has been able to communicate his vision and persuade others to support nascent businesses on three separate occasions (Baron, 2008). In each case, the business in question had no product and no customers and yet he was able to establish partnerships that delivered funding and enabled start-up to take place. This would appear to represent a remarkable, if unacknowledged, strength on the part of this entrepreneur (Alvarez, 2005).

His expectation was that these partnerships would not only provide funding to develop the business, but also relevant skills and networks to support new venture creation. In two of the three businesses, the partnerships have failed to fully meet these expectations, but this has not caused Johan to question the wisdom of this approach.

### **17.6. Meaning making**

Johan exhibits a veneer of analytical rationalism in keeping with his engineering training but constructs meaning about his entrepreneurial experience primarily with reference his religious belief and moral value system (Anderson and Smith, 2007). For example, his motivation for starting Datacred is not to create wealth or independence for himself but to liberate consumers from the tyranny of credit-rating systems. His continuous invention and repeated new venture creation is described not as a lack of focus, but as a responsibility to honour his creator

*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. Whether you accept it or not, or appreciate it or not, or whatever, the fact of the matter is that ... thinking of the entrepreneurial product is a God-given in my opinion. (6D OWME 21:742)*

Johan even suggests that the entrepreneur performs a spiritual function in the course of new venture creation (Dodd and Seaman, 1998), and that by embarking on entrepreneurship he is fulfilling his spiritual purpose in life.

*The fact of the matter is that – and I actually wanted to say – why was man created? To have dominion on earth on behalf of God, right. Now the combination of creativity and having dominion, isn't that what the entrepreneur is striving at? (6D OWME 22:786)*

*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)*

Johan's second 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. These metaphors suggest an extreme form of competition in which the competitor becomes a villainous enemy that must be beaten by the heroic entrepreneur for the moral balance to be restored (Lakoff, 1991).

*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)*

*You've got a very idyllic mindset, "I'm going to do this, I'm going to change the world," etcetera, etcetera. But as soon as you start – when you start happening in the world for that matter, then you realise but the real world out there is ruthless. (6A OWME 14:474)*

*The herd is standing there and the crocodile will not hesitate to take his prey, drown him and eat him for that matter; and I think the same thing applies in business. They will – and if I say they, obviously the competitors – they will basically sit together and say "all right, what are we going to do to make sure that this guy stays out of the process. (6A OWME 14:479)*

*We said that if we're going to go this route, we're going to fight full-on and play hard and dirty. (6A OWME 12:416)*

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.

The use of the war metaphor highlights the complex and competitive nature of business generally, especially for the new entrant, who may not be adequately resourced to compete with more established rivals. The metaphor also makes reference to the danger or risk involved and implies that ordinary rules of social engagement do not apply to entrepreneurship (Lakoff, 1991). The use of the war metaphor simultaneously hides aspects of business life, such as co-operation, productivity and progress that social convention ordinarily associates with entrepreneurship.

#### **17.7. Relationship between different levels of analysis**

Strong linkages between the personal, social and business levels of analysis are evident in this case. The entrepreneur's early experiences, personal traits and values influence his social interactions, his business strategy and structure and his perceptions of the business environment.

##### ***Personal – social***

Less easily acknowledged is the impact of Johan's need for autonomy, intellectual self-efficacy and perfectionism on relationships with those around him. It appears these traits make him simultaneously difficult to understand, lacking in empathy, critical of the performance of others and resistant to the input of peers (Kets de Vries, 1985).

These factors fed his desire for autonomy and reinforced his self-efficacy to the extent that faced with a somewhat less-than-tolerant and exciting work environment, Johan exited to embark on his entrepreneurial journey (Harvey and Evans, 1995).

### ***Personal – business***

Johan's work experience acted as a trial run for entrepreneurship. Firstly, it offered exposure to the newest technologies, and to a variety of general business principles (Kirsten and Rogerson, 2002). Secondly, because he led the organisation's thrust in a new strategic and technological direction, Johan operated in a context that was both particularly challenging personally and unusually unconstrained bureaucratically, making it a relatively safe place to be entrepreneurial.

It would appear Johan suffers from a planning fallacy, overestimating how much he can accomplish (Baron, 1998) and finding it difficult to delegate to others.

### ***Personal – environment***

Johan's idealistic frame of reference may have resulted in a somewhat naive view of the competitive environment (Baron, 2003). In formulating strategy for the business, he appears to have assumed customer interest when Netstrat was set up, but was met with an indifferent market response, while with Datacred, he assumed a neutral, if not benign, response on the part of competitors.

## **17.8. Respondent perspectives**

Some interesting similarities and differences between respondent descriptions of Johan emerged during the interviews. These are illustrated in Table 21:

Respondents were consistent in their description of the source of Johan's motivation and commitment to the business as rooted in his religious values and beliefs. His simultaneous creativity and rationality were also clearly observable from all perspectives, as were the difficulties he experiences in managing relationships with the other shareholders in Datacred. There was also broad agreement on the nature of Johan's signature strengths and weaknesses.

**Table 21. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S OWN DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY MEMBER'S DESCRIPTION
<b>Motivation</b>	Values and beliefs, religion		Independence	Family
<b>Thinking</b>	Inventive, creative Rational, logical	Strategic Analytical	Easily bored	Careful, slow Parsimonious
<b>Emotion</b>		Passionate		Controlled
<b>Communication</b>		Others don't understand me	Articulate	Responsive
<b>Relationships</b>	Partnerships difficult	Demanding Lacks empathy	Too trusting Not interested in managing people	Good at assessing people
<b>Strength</b>	Practical, ethical, determined	Perseverance	Commercially astute, intelligent	Patient
<b>Weakness</b>	Has to do things himself	Not good at relationships		Perfectionist Stubborn

Anna's descriptions of Johan's inventiveness and parsimony at home highlighted these characteristics and complemented his self-assessment, and partly explain how the businesses, and Johan and his family, have survived for so long without substantial revenue streams. She also added to an understanding of Johan's problems in managing partners and employees by exposing his perfectionism and careful decision-making.

Johan's colleague, Roger, described some apparently contradictory elements of the entrepreneurial persona. In particular, Johan's alleged low boredom threshold appears to conflict with his patience and commitment to succeed. However, it explains the continuous stream of start-ups and the inventions at home and at work which possibly serve as Johan's antidote to the tedium of persistence.

### **17.9. Implications of this analysis**

This case demonstrates the importance of work experience to the developing entrepreneur. Johan's time at Corptel not only allowed him to accumulate skills, networks and resources, it also gave him the flexibility to behave entrepreneurially and, in so doing, gain valuable venture creation experience. This suggests large organisations can act as incubators for nascent

entrepreneurs, especially in developing countries, where they can offer the support and resources the institutional environment does not.

Although Johan's social capital is at less-than-optimum levels, he has embedded himself and his businesses in a network of shareholder partnerships, designed to provide multiple levels of sustainable support. These partnerships effectively counter his weaknesses at managing relationships.

The venture creation process in this case demonstrates that the entrepreneur may establish a pattern or template of start-up, and repeat the pattern even when it is not necessarily effective (Politis, 2005). The process followed by Johan differs from the orthodox models of entrepreneurship as resource gathering occurs very early, almost before the opportunity has been fully developed. This may be a function of the developing-country environment, where resources are scarce and institutional environment is weak. The strategy Johan pursues illustrates the developing-country entrepreneur's approach to managing risk by establishing a portfolio of businesses that balance each other's characteristics, in terms of stage of development as well as cash flow (Lingelbach *et al*, 2005).

Johan's use of war-related metaphors to describe the entrepreneurial experience gives insight into the relentless nature of the venture creation process and demonstrates that the individual may feel fear, anger and frustration as a result.

## CHAPTER 18. CASE ANALYSIS: ANDRE

Andre is a 44-year-old coloured male who left high school at 16 and obtained a diploma in graphic art while working to support himself and his family. He has started four diverse businesses over the past ten years, one of which he still runs profitably in parallel with GoMate, the venture he is currently developing.

Andre presents himself as elegant and composed, but respondents describe a passionate, demanding and highly competitive individual. His high need to achieve and for social status is fulfilled by new venture creation, although his ambition remains undimmed, as demonstrated by the ever-increasing scale and scope of each start-up he has embarked on. Andre appears to extract most satisfaction from the creative and ego-enhancing features of the entrepreneurial experience. This description of Andre conforms relatively closely to Miner's (2000) 'real manager' personality type.

The interviews with the subject in this case were long and intense, as respondents expressed their emotions openly and were comfortable revealing fairly personal information.

This case analysis is based on transcripts from the interviews contained in Appendix G, coded as per Appendix I, and summarised in Chapter 10.

### 18.1. Earlier influences on the entrepreneur

Several early events described by the entrepreneur as being negative have influenced his subsequent thinking and behaviour. However, positive events have proven equally influential in the formation of motivation, self-efficacy and cognitive and affective style.

Earlier influences on the thinking and behaviour of the entrepreneur, as they impact on new venture creation, are illustrated in Figure 15.

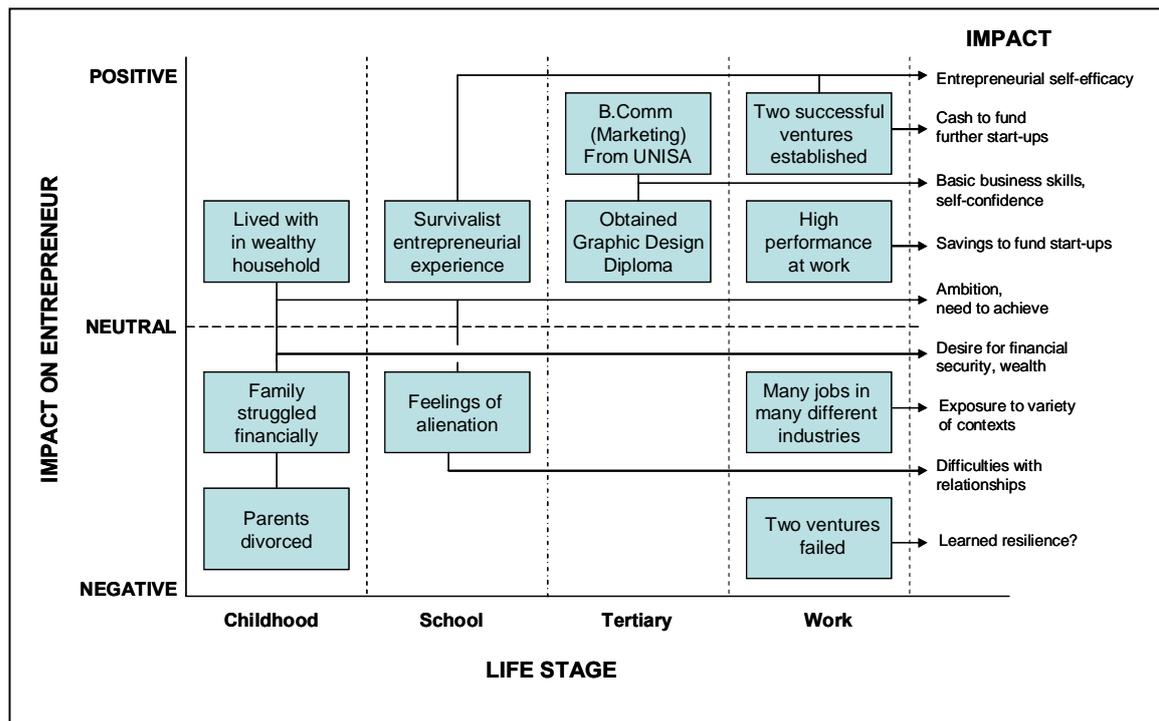


Figure 15. Earlier influences on the entrepreneur

The most significant of the subject's early experiences was his exposure to wealth and plenty, in a household where he was a pampered only child. This experience was immediately followed by immersion in quite severe poverty, where he was at least partly responsible for the family's day-to-day survival. The consequent feelings of alienation (Kets de Vries, 1985) appear to have influenced the subject's self-esteem and ability to form productive relationships (Goss, 2005). However, the entrepreneur's early experience has also fuelled a powerful need to achieve and a strong desire to create significant wealth of his own.

Educational success at tertiary level and high levels of performance at work subsequently provided the basic business skills and financial resources he would require as an entrepreneur and helped build his confidence (Chen *et al*, 1998). Two successful entrepreneurial ventures reinforced the early self-efficacy gained from survivalist entrepreneurship and helped build a store of assets which could be later used to fund other ventures (Boyd and Vozikis, 1994).

The failure to launch of his media business and the collapse of the restaurant business with which he had been intimately involved do not appear to have had any negative impact on the subject, instead teaching him important lessons

(Cope, 2005) about his own behaviour and providing him with a sense of emotional resilience.

## 18.2. Social capital

Andre and his wife are both entrepreneurs, and their businesses are inextricably intertwined (Jennings and McDougald, 2007), with little boundary between the work and family interface (Jack and Anderson, 2002). The two provide mutual emotional and financial support, as well as ideas and practical assistance to each other.

Andre struggles to establish sustainable business relationships, with ~~weak~~ tie relationships tending to produce disappointing results, which in turn has consequences for his ability to attract resources to the business. His difficulties with business relationships can best be explained by social deference theory (Goss, 2005). Andre is reportedly sensitive to the extent of explicit or implicit deference being extended by him to others. This deference or its lack engenders intense feelings of pride or shame (Goss, 2005), which in turn trigger reactions in Andre that are perceived as anger or arrogance by others.

Andre's relationships with partners have also been largely unsuccessful, possibly because of a lack of trust on his part (DeCarolis and Saporito, 2006). It appears Andre is unwilling or unable to take the risk that trust implies (Welter and Smallbone, 2006).

## 18.3. New venture creation process

The subject's original inspiration for entrepreneurship appears to have come almost entirely from his need to achieve substantial financial success (Zafirovski, 1999), which seems to conflict with an equally powerful need for financial *security*, making him somewhat risk averse. This conflict is made manifest in his frequent movement between employment and new venture creation, either doing both in parallel or moving from the one to the other sequentially, in contrast with the notion that individuals tend to choose employment *or* entrepreneurship (Harvey and Evans, 1995).

The start-up event sequence for this case is illustrated in figure 16.

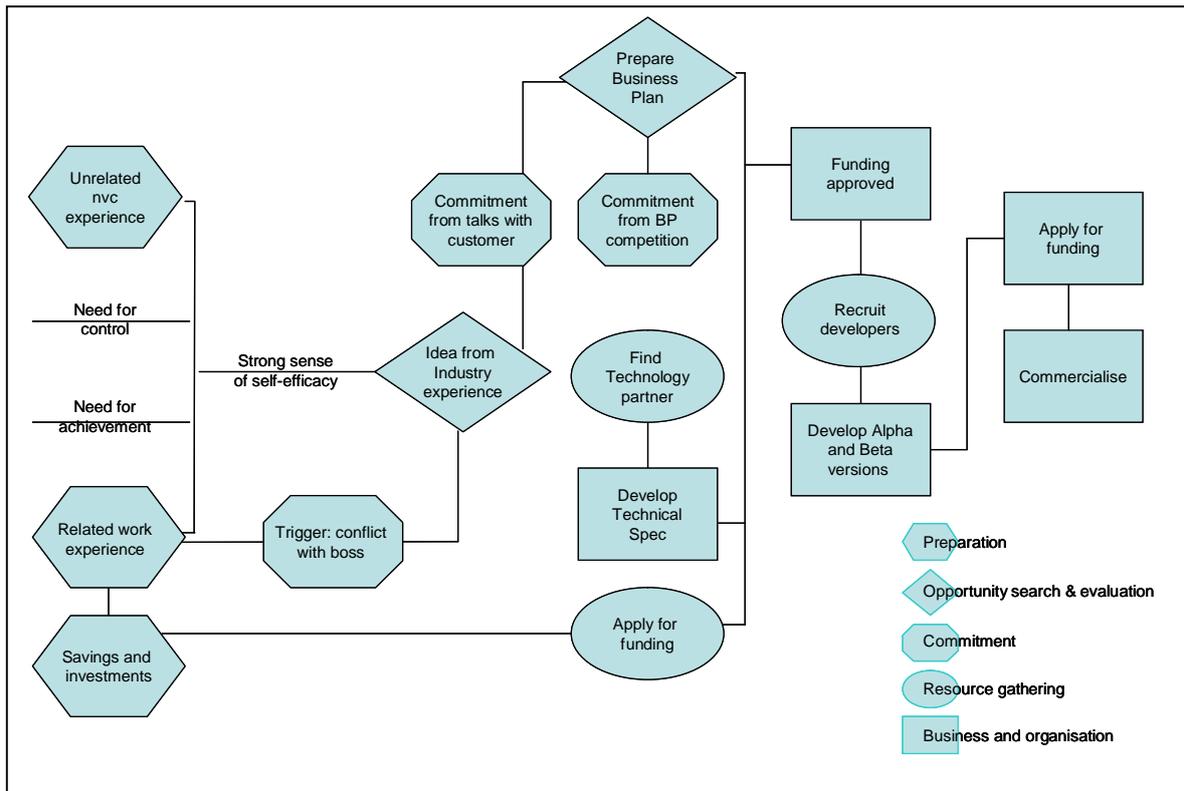


Figure 16. Andre's venture creation process map

Preparation for new venture creation seems to have been limited to the accumulation of savings which could be used to fund new ventures, although there is evidence of continued educational preparation throughout Andre's career. Much has been learned by the entrepreneur during the creation of each subsequent business, even though each has been entirely unrelated to the other (Cope, 2005).

As illustrated in figure 16, start-up in this case to some extent proceeds according to the classic model of new venture creation, that is the identification of opportunity is followed by some research to evaluate feasibility, the preparation of a business plan to demonstrate viability (Bolton and Thompson, 2004). However, resource gathering occurs throughout the process, possibly reflecting that the business is still in the early stages of development, or illustrating how developing-country entrepreneurs are continually constrained by resources (Sleuwagen and Goedhuys, 1998).

This classic pattern of start-up was not followed in the three other businesses created by the entrepreneur, perhaps indicating that learning has taken place (Cope, 2005). Little formal planning appears to have been involved in either the agency or the video businesses, while in the case of the media business, resources were put in place prior to the proper completion of the opportunity evaluation process, which more closely reflects the notion that entrepreneurs integrate planning and action (Bhide, 1994).

Commitment seems to be the product of opportunity evaluation and the establishment of viability for this entrepreneur, and start-up is deemed to have occurred once product development takes place, rather than when revenues begin to flow. For the GoMate business, the start-up process has taken 18 months to reach the point of commercialisation, but is currently stalled, and it is unclear how much longer it will be before the launch takes place. This is not particularly lengthy compared to empirical norms of temporal patterns of start-up (Liao *et al*, 2005).

#### **18.4. Strategy evaluation**

For this entrepreneur, in the GoMate start-up, the process of strategy development has been fairly linear. He decides what he wants to do and how, and then rolls out the plan with relatively little deviation from what was originally envisaged, in keeping with orthodox models of business planning (Mintzberg, 1991). Implementation is viewed as digital, in the sense that it is either successful because it is on-plan or unsuccessful because it is off-plan. Given his difficulties sourcing funding for the commercialisation of GoMate, it would appear that Andre was beginning to question the lack of flexibility that this approach represents (Gruber, 2007).

The GoMate business model is described below in terms of the six components of Chesbrough and Rosenbloom's (2002) framework:

**Table 22. Business model and strategy**

<b>Value proposition</b>	An automated freight and transportation, and estimation and costing system
<b>Market segment</b>	Shipping companies, freight forwarders, major shippers
<b>Structure of value chain</b>	Shippers hire freight forwarders to arrange movement of goods from origin to destination. Freight forwarders request quotations from shipping companies to ship volume from A to B at a particular time. Quotation approved by shipper, transportation expedited
<b>Position in value network</b>	Potential to be integrated in organisation of every member of the value chain
<b>Competitive strategy</b>	Speed to market is the main competitive strategy. GoMate intends to launch first and achieve rapid market penetration using a low-cost value-added solution
<b>Costs and profit potential</b>	Cost of development: ±R3 million Cost of commercialisation: ±R2 million Price: R250 per month per user

Andre's strategy could be termed a global niche strategy (Park and Bae, 2004), since GoMate is a global pioneer in a global emerging market, which implies that substantial resources are required to fully develop the business.

The strategy's goals are not entirely mutually consistent (Rumelt, 1991), as the significant upfront costs associated with development are arguably out of balance with the low-price, rapid-penetration entry strategy. Although consonant (Rumelt, 1991) with changes to industry practices relating to the requirement that rates be fixed and visibly published, this approach does not appear to take into account the time and risk problems associated with the diffusion of innovation.

Competitive advantage (Rumelt, 1991) in this strategy depends almost entirely on speed to market and this is systematically being eroded by the lack of resources required to launch. There appears to be some advantage associated with the technology, but presumably this can be matched by other approaches to achieving the same goal. Given that the business does not currently have the required resources to launch, it could therefore be concluded that the strategy has proven not feasible (Rumelt, 1991).

### **18.5. Support required**

Andre appears to have required both financial and emotional support during the new venture creation process (Audia and Rider, 2005), but has had difficulty articulating these needs and has therefore only recently succeeded in having these needs met. In all his new ventures, Andre himself has been the source of

financial support, funding business development from his earnings as an employee or from other businesses (Lingelbach *et al*, 2005; Sleuwagen and Goedhuys, 1998).

Only recently has he been able to access emotional support from his new wife . efforts to obtain this or even technical support from previous personal or business partnerships appear to have been unsuccessful.

However, Andre has been successful at attracting institutional support, both from an entrepreneurial development NGO and from a government-backed funding programme, in contrast to the experiences of other entrepreneurs in this study (Schlemmer and Hudson, 2004). For Andre, access to these resources has had the additional benefit of validating his business idea (Carter *et al*, 2003).

#### **18.6. Meaning making**

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.

*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)*

*But emotionally and intellectually, you know, I have grown way beyond what money can buy. (7A OCMS 26:948)*

The implication is that this growth is uniquely associated with the entrepreneurship and is not achievable through other educational or occupational experiences. Without the kind of growth experienced during entrepreneurship, the subject believes that individuals are in entropy, and will eventually die

*I mean for me that's stagnation. You know I mean what have you done in five years? If you've moved in your job, if you have been promoted, great. If you haven't done anything, you know, then you have died. (7D OCMS 12:438)*

The growth that is stimulated by the experience of entrepreneurship occurs at both the business and personal level, improving knowledge and skills as well as enhancing self-awareness.

*For a long time when people would ask me where you from, you know I would say I'm from a different area to where I was originally from because I was ashamed. And then you know many years ago somebody interviewed me and they wanted to know a little about me and you know even through this process with you I am comfortable in saying I sewed you know rubber to my shoes because I didn't have any shoes. I am comfortable with that. (7D OCMS 22:790)*

*You know, I look at how I've changed in terms of my thinking. You know as compared to ten years ago, and I feel I have grown way beyond if I had stayed in the company. A lot of my friends are CEOs of companies and they have a lot of comfort. They don't have any risk. You know they get paid their salary and they are comfortable with that. (7A OCMS 26:944)*

Moreover, the entrepreneur as job creator is seen as having the responsibility of stimulating and supporting the growth of others . a responsibility which the subject admits is not an easy one for him to bear.

*You know, when you employ somebody and they look at you and you know that you're feeding a family, you're making a difference in somebody's life. You're helping that person grow. That for me, it's rewarding, but it is a burden at the same time. (7D OCMS 18:659)*

The use of the organic growth metaphor highlights the positive features of the entrepreneurial experience, such as learning, adaptation and continuous development, while making simultaneous reference to the subject's belief in the survival of the fittest. The metaphor hides the more negative features of an organism such as its vulnerability to the environment (Reimer and Camp, 2006).

By using this metaphor, the subject communicates his positive feelings about the entrepreneurial experience while simultaneously justifying his less-than-perfect success record to a critical audience by suggesting that the process is as important as the outcome (Reimer and Camp, 2006). In this, the subject makes reference to a socio-cultural convention that entrepreneurial endeavour is measured only by the accumulation of wealth on the part of the entrepreneur.

### **18.7. Levels of analysis**

There are strong links between personal, social and business levels of analysis in this case, although the subject seems largely unaware of the impact of his own personality on his social and business context.

### ***Personal – social***

The subject in this case is acknowledged to have difficulties with both personal and business relationships, although this appears to be because he approaches relationships defensively. Of particular significance are his feelings of alienation from others (Kets de Vries, 1985), which add stimulus to his motivation and help him to justify his entrepreneurial preferences, while inhibiting his ability to construct a useful support system.

### ***Personal – business***

Andre's businesses have tended to be inspired by opportunities he identified during employment (Crosa *et al*, 2003) and he has therefore directly applied his personal experience to the new venture creation process.

However, his personal relationship flaws have made it difficult to establish longer-term partnerships and it appears that he prefers not to manage a team of people directly. He has tended to be successful either where he operates alone, as in the FiveTwo Agency, or in a rapid turnaround situation such as Movies2u. His ability to grow a business like GoMate, which requires managing relationships with a wide variety of resources and stakeholders, may therefore be questionable.

## **18.8. Respondent differences**

During the interviews, respondents contributed several different perspectives of the entrepreneur and his experience in the new venture creation process, as illustrated in Table 23.

Apart from the observation that the subject finds relationships difficult, often combative, and prefers to conduct them at arm's length, respondents were relatively inconsistent in their descriptions of the subject.

**Table 23. Similarities and differences between respondents**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
<b>Motivation</b>		Wealth creation	Desire to create	Desire to achieve
<b>Thinking</b>		Rapid decision making Focus on long term	Slow decision making	Unpredictable
<b>Emotion</b>		Intense, competitive	Calm	Afraid of success
<b>Communication</b>				
<b>Relationships</b>	Difficult, arms length		Shy, retiring	Conflict with work colleagues
<b>Strength</b>		Creative, able to spot opportunities	Works hard, focused	
<b>Weakness</b>		Gets bored before project completed		Procrastinates

Complementary perspectives of the subject's motivation suggest that Andre is not merely motivated by wealth but also uses the venture creation process to achieve creative satisfaction and fulfil his need to achieve. The comments about the subject's tendency to procrastinate and weaknesses in implementation are also complemented by comments about his hard work and focus, reinforcing Andre's claim that he is easily bored but highly motivated when he is interested in something.

Contradictory descriptions of the subject's decision-making style perhaps point to his risk aversion and may reveal some uncertainty about the best course of action for a particular business. Similarly, respondent descriptions of the subject's emotional range highlight this ambivalence, particularly his intense desire for and fear of success.

### **18.9. Implications of this analysis**

In contrast to what is implied by much of the career theory literature (Douglas and Shepherd, 2002; Feldman and Bolino, 2000; Harvey and Evans, 1995; Gibb Dyer, 1994; Bowen and Hisrich, 1986), the entrepreneur in this case has tended not to see entrepreneurship and employment as alternatives to each other, but has moved from one to another relatively seamlessly in response to particular needs and opportunities.

Despite several failures, and their associated emotional distress, Andre was able to learn from his experiences. This illustrates how prior entrepreneurial

experience acts to increase the probability of future success (MacMillan *et al*, 1985), whether or not the ventures were successful.

The case suggests there may be a relationship between the entrepreneur's ability to manage relationships effectively and his ability to attract and retain the resources necessary for development, especially in a developing country where institutional support may be weak. This is not to suggest that the entrepreneur requires particular personality characteristics such as extroversion or personal charm, but rather that managing relationships is a skill that can and must be taught to the developing-country entrepreneur.

The case also demonstrates that the entrepreneur may be motivated to embark on venture creation for one reason, and find once he has experienced entrepreneurship that the satisfaction that can be derived from the process is from another source entirely. This highlights that the stimulus for new venture creation is likely to be different from that which determines persistence. While Andre initially sought personal wealth and status from entrepreneurship, he persists because of the personal growth satisfaction it delivers, as demonstrated by the metaphors he chooses to describe the experience.

## CHAPTER 19. CASE ANALYSIS: KENNETH

Kenneth is a 27-year-old black male educated to matric level, which he followed with a series of ad hoc courses in information technology. Filmfast, Kenneth's corporate event photography business, was established five years ago as part of a multinational IT corporation's social responsibility programme.

Kenneth is an empathic super salesman (Miner, 2000), an individual who is warm, attractive and engaging. Respondents described a determined entrepreneur, a strong leader, and a competent businessman willing to learn from his own experience as well as from the counsel of those he admires and trusts. Kenneth enjoys the independence and affluence successful entrepreneurship offers but also acknowledges the risks and hard work required.

The interviews with Kenneth were pleasant and interesting, although they gave the impression of being somewhat shallow, as if respondents were less than eager to be entirely open about their thinking.

This case analysis is based on transcripts from the interviews contained in Appendix G, coded as per Appendix I, and summarised in Chapter 11 of this document.

### 19.1. Early influences

As illustrated in figure 17, the negative features of Kenneth's early life were generally balanced by positive features, which gave him the knowledge and self-efficacy that in turn made him alert (Shane and Venkataraman, 2000) to possible new venture opportunities.

Kenneth's impoverished childhood in a large family and his father's inability to fund his tertiary education left him with a strong need to achieve (Johnson, 1990), especially in terms of financial security (Jack and Anderson, 2002). His brother's success as a lawyer gave him a role model and mentor who continues to influence his business and personal decisions. His religious faith and value

system were also passed on by his parents, and continue to influence both his personal and business decision-making (Morrison, 2001).

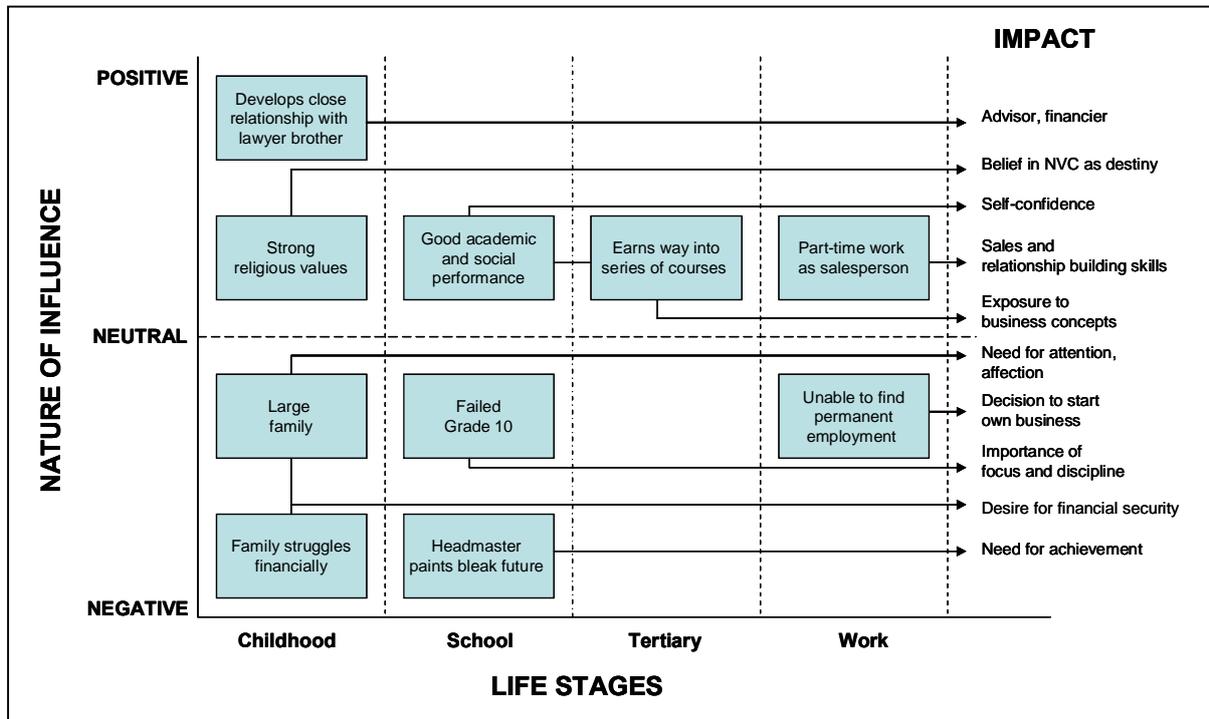


Figure 17. Early influences on the entrepreneur

Despite what he perceived to be a relatively inferior education, Kenneth did well enough at school, both socially and academically, for it to have had a positive effect on his self-esteem and propensity to act (Shane *et al*, 2003). The negative experience of an over-critical headmaster and his Grade 10 failure appear to have had positive long-term motivational effects, creating a high need to achieve (Johnson, 1990) and reinforcing the value of focus and discipline to success.

His tertiary education constrained by lack of funding, Kenneth pursued every opportunity to educate himself, both formally and vicariously by observing his brother, mentor and partner respectively (Cope, 2005).

Kenneth's work experience was extremely limited, but his exposure to technology and the sales training he received at IM have stood him in good stead (Kirsten and Rogerson, 2002), giving him the skills to build relationships with customers and providing him with a business mentor in the former CEO, as well as access to the opportunity itself and the resource required to exploit it.

## 19.2. Social capital

Although Kenneth appears to keep his wife at arm's length from the business, his brother has at various times been involved in a financial and advisory capacity (Steier, 2003). Moreover, it would appear that the business not only supports Kenneth and his immediate family but helps support the extended family as well. This extends the notion of family embeddedness to incorporate the particularly South African concept of *ubuntu* which acknowledges the interdependence of all social interaction (Mangaliso, 2001).

Kenneth's social capital is exceptionally high, partly as a result of his natural charm and partly because he deliberately and systematically sets out to establish personal and business relationships with clients, suppliers and other influential stakeholders. In addition, Kenneth goes to great lengths to maintain these relationships at an interpersonal rather than contractual level (Smith and Lohrke, 2008) through high levels of communication frequency (Hite, 2005), business performance and information exchange.

The relationships are therefore characterised by reciprocal goodwill and high levels of trust (Fuller and Lewis, 2002), ensuring repeat business and acting as a referral network for new business.

## 19.3. New venture creation process

Kenneth's motivation to embark on new venture creation appears to have been derived from his belief that no other options were available to him, together with a powerful need to create a financially secure environment for his family (Anderson and Miller, 2003).

The start-up of Filmfast may be considered serendipitous. Kenneth happened to be in the right place at the right time and therefore benefited from IM's largesse. However, the initial loan of the camera equipment was preceded by extensive lobbying on Kenneth's part for access to resources to start a business which, given his impoverished background, he could not hope to fund himself (Wynne and Lyne, 2003). Kenneth had also been actively searching for a business

opportunity, and was therefore alert to the potential a resource might represent (Shepherd and DeTienne, 2005).

Figure 18 illustrates the venture creation process Kenneth embarked on to establish Filmfast.

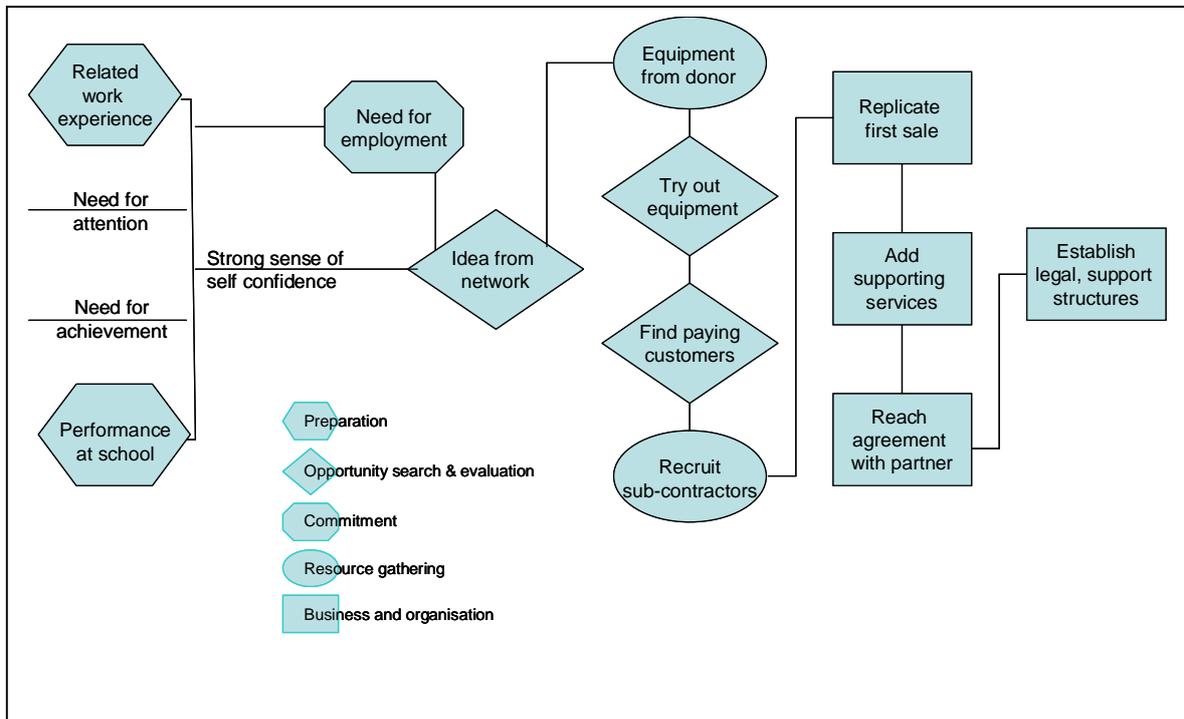


Figure 18. Kenneth's new venture creation process map

A clear start-up decision point is not identifiable in this case. Kenneth experimented with the equipment for some time before a steady stream of revenue made the enterprise seemed feasible. Filmfast operated informally for two years prior to actual registration.

Although IM gave Kenneth the means to start the business, the opportunity was fully defined and evaluated by Kenneth in a trial-and-error process (Bhave, 1994). At first, he was unsure whether the opportunity was viable but because he believed there were no other options available to him, he persisted, and early successes fuelled this gradual commitment (Bhide, 1994). Kenneth created the business around the resource to which he had access, namely the camera equipment.

Only after he had made and replicated the first sale (Bhave, 1994), did Kenneth begin to search for other resources and to add services that could help make the business sustainable. All of this occurred relatively rapidly, within six months of first gaining access to the resource (Liao *et al*, 2005).

The agreement with his business partner, Steve, could also be seen as a strategy for adding resources to the business, predominantly Steve's skills and PR services. The partners had anticipated cross-selling between the two businesses, but this had yet to occur on the hoped-for scale at the time of the study.

#### 19.4. Business model and strategy evaluation

The Filmfast strategy was truly emergent (Mintzberg, 1991) in that it evolved as a pattern of actions and decisions over time. Kenneth's actions were executed without planning and preparation and are therefore reminiscent of entrepreneurial improvisation (Hmieleski and Corbett, 2007), which is usually associated with more experienced entrepreneurs.

**Table 24. Business model and strategy**

<b>Value proposition</b>	Capturing photographic images that are immediately available on-site for gifts, promotional purposes or record-keeping
<b>Market segment</b>	<ul style="list-style-type: none"> <li>• Corporate clients holding events for clients and staff</li> <li>• Event organisers</li> <li>• Event venues</li> </ul>
<b>Structure of value chain</b>	Guests attend functions staged by event organisers or venue owners and paid for by corporate clients. Guests are photographed at events and photographer supplies media on-site to guests and/or the corporate client directly or through the event organiser or venue owner
<b>Position in value network</b>	The business has some direct corporate clients, but also works through intermediaries
<b>Competitive strategy</b>	<ul style="list-style-type: none"> <li>• Proactive relationship management with corporate clients and intermediaries is currently the key competitive weapon.</li> <li>• Attempting to add services to provide a one-stop-shop</li> </ul>
<b>Costs and profit potential</b>	Overheads are kept low because the business model is still currently quasi-social. Equipment has been supplied at very favourable terms, office rental is subsidised, most employees are on contract and the largest client views the business as part of its social responsibility programme. Profit margins per event average around 50%

The strategy may be termed 'proactive localisation' (Park and Bae, 2004), since Filmfast is a follower in a local emerging market, although there has been a certain amount of innovation in strategy implementation. The Filmfast business

model is described in table 23 in terms of the six components of Chesbrough and Rosenbloom's (2002) business model framework:

The strategy is not internally consistent (Rumelt, 1991) because the photography and PR sides of the business are not producing the hoped-for cross-selling opportunities. However, it is consonant (Rumelt, 1991) with the needs of the market for instant records of corporate events, but it is not clear to what extent the market is seeking a one-stop photography and PR service.

The strategy is feasible because overhead costs have been kept low and cash flow funds growth (Rumelt, 1991). Although Kenneth worries about competitors, it is not clear whether the intended strategy represents a sustainable competitive advantage (Rumelt, 1991).

#### **19.5. Support requirements**

Kenneth's most significant support requirement is for the worldly skills and experience he lacks (Ladzani and van Vuuren, 2002). He has constructed a triumvirate of business partner, mentor and brother to provide these skills. From his partner, Kenneth has learned formal marketing and relationship-building skills, as well as general administrative support, while his mentor and brother provide sage business advice (Ozgen and Baron, 2007).

Financial support has not often been required since the initial loan from his brother, as Kenneth has been able to fund the business from earnings almost since inception, as well as providing a reasonably good living for himself and his family (Shane, 2008). IM has provided technical support and an initial network of contacts to help Kenneth build his client base. To develop the business further, Kenneth will have to move out of his comfort zone and may well require much more in the way of support, particularly if the relationship with his partner becomes problematic.

Although he hides it fairly well, Kenneth needs emotional support and encouragement (Audia and Rider, 2005), which he receives from family members and from positive feedback from the social network he has constructed. Kenneth

also attributes his positive state of mind to his religious beliefs and practices (Dodd and Seaman, 1998).

## 19.6. Meaning making

Kenneth describes entrepreneurship as a phenomenon involving personal choice, hard work and commitment. His passion in this regard may be a function of his awareness of the role luck has played in the creation of his new venture, as he argues forcefully that the individual can create a business simply by being determined to do so.

*And you ask him, "why aren't you working? what are you waiting for?" "Aah there's no work, my bru, somebody will give me a job". "Why don't you go and look? Nobody will come to you and give you a job, you have to go out there and go and knock. Stand on a corner. Go pin somebody's ear back, or whatever". But they have this sense of entitlement; they want things to fall in their laps. It doesn't work like that, you have to work hard and maintain whatever you do, just maintain and keep doing it. (10D YBMS 21:737)*

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.

*I've always wanted to open something myself, since a very young age. And this has opened my eyes to a lot of other things, 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 YBMS 16:587)*

*Ja, obviously I am looking at other opportunities and avenues, because I don't want to see myself, in ten years from now, still being the one taking the photos, absolutely not. (10A YBMS 21:762)*

*How do I make decisions? I really ... look at events and I really take time before I decide upon anything. I try and look at all the angles. (10D YBMS 13:480)*

*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 YBMS 20:699)*

*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 ... basically ... that is what has made this business work. (10D YBMS 15:548)*

As Vervoorn (2006) demonstrates, vision universally serves as a metaphor of knowledge acquisition. By referring to his experience using the vision metaphor, Kenneth is describing entrepreneurship as learning and progress. Given his youth and lack of business knowledge or education, his own learning must have played a central role in his entrepreneurial experience (Cope, 2005). Indeed it is this aspect of new venture creation that gives Kenneth most pleasure and satisfaction.

In the western business world, vision has also come to refer to the future (Vervoorn, 2006), and by extension to imply uncertainty. The use of the metaphor therefore hides the uncertainty and ambiguity entrepreneurship ordinarily involves, as the ability to see implies a degree of control of future events. Kenneth's use of the metaphor also reveals an ambivalence about where the business is heading, as evidenced by the lack of consensus between the partners on how future growth can and will occur.

### **19.7. Levels of analysis**

In this case, the linkages between the different levels of analysis are strong. Possibly because the business is so new, it appears to be a manifestation of Kenneth's personality.

#### ***Personal – social***

As noted several times in the text, Kenneth uses his charm to great effect in building a network of relationships with clients that will directly benefit Filmfast. In addition, Kenneth uses his relationships, especially those with his mentors, as a proxy for his own lack of knowledge and experience.

### ***Personal – business***

Kenneth had few business-related skills at the time Filmfast was initiated, so the business could be seen as an instrument of his personal growth and development. Not only has it helped him learn how to run a business, but he has also learned new technical and entrepreneurial skills, and important lessons about the market in which he is operating.

Kenneth's fear-driven determination to succeed made him persist in building relationships with existing and potential clients until they were ready and willing to do business with him.

### ***Personal – environment***

Technological change has indirectly played a major role in the development of Filmfast as the business has been able to capitalise on the substitution of digital photographic for traditional analogue equipment. However, the burden of keeping pace with technological change has largely been delegated to IM, which acts as Kenneth's technological custodian by keeping him supplied with the latest equipment, albeit at a price approaching market value.

## **19.8. Respondent differences**

Respondents were largely consistent in their descriptions of Kenneth, suggesting that his relationship skills, his delight in the financial success of the business, and his calm and consultative approach to problem-solving are all clearly observable.

A complementary perspective was provided by Steve, who highlighted Kenneth's weaknesses and offered a different view of the partnership and the future direction of the business. This suggests the relationship between the partners may not be as healthy as Kenneth would like to believe, and that the partnership may well experience difficulties in future.

Table 25 highlights the differences and similarities between respondent descriptions of the entrepreneur in this case.

**Table 25. Similarities and differences between respondent descriptions**

DIMENSION	AGREEMENT ALL RESPONDENTS	SUBJECT'S DESCRIPTION	COLLEAGUE'S DESCRIPTION	FAMILY DESCRIPTION
Motivation	Financial success, provide for family	Fear of failure		Wants to emulate brother
Thinking	Consultative decision making			
Emotion	Calm, not easily stressed	Anxious		
Communication	Articulate, empathetic, good listener			
Relationships	Nurtures and maintains actively		Family important Partnership not healthy	Knows important people
Strength	Good with people	Focus Discipline Patience	Tough on employees and suppliers	Determination
Weakness		Not assertive enough	Administration	

However, Kenneth is haunted by a fear of failure, which in turn drives an almost obsessive focus on what he considers important. This appears to contradict the image of the confident, easy-going image he seeks to portray. Similarly, while his partner describes Kenneth as being tough on employees and suppliers, Kenneth considers himself lacking in assertiveness.

### 19.9. Implications of this analysis

Kenneth's educational background was weak and his business experience virtually non-existent, but he had a strong need to achieve and a powerful role model in his brother, which seems to have acted to enhance the perceived feasibility of entrepreneurship.

Kenneth is a typical bootstrap start-up, in that the entrepreneur initiated the business with few resources, and developed it organically through hard work and personal willpower. This demonstrates that, against all odds, new venture creation can succeed given an individual's persistence and determination. More significantly, the case provides an example of how an informal, survivalist-style venture can make the transition to formal, opportunity-seeking, job-creating

business with the encouragement and support of a large corporation's social responsibility programme and a set of interested mentors.

The case also demonstrates the important role of social and business networks for the developing-country entrepreneur. Kenneth's business depends entirely on relationships, in that relationships with clients act as a competitive advantage, even over more established competitors. Relationships with his mentors act as a proxy for his own lack of experience, and relationships with employees and other stakeholders act as a substitute for more formal planning and management processes. It seems likely that this dependence on relationships is a particular feature of the developing-country environment, since it acts as the conduit to resources in the absence of a more formal support infrastructure.

The metaphors Kenneth uses to describe the entrepreneurial experience highlight that learning occurs throughout the new venture creation process, and may in itself represent a source of personal satisfaction and persistence for the entrepreneur.



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## **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 Hans's case, health problems, in Johan's case serial domestic relocations and in Margaret's and Andile's 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.

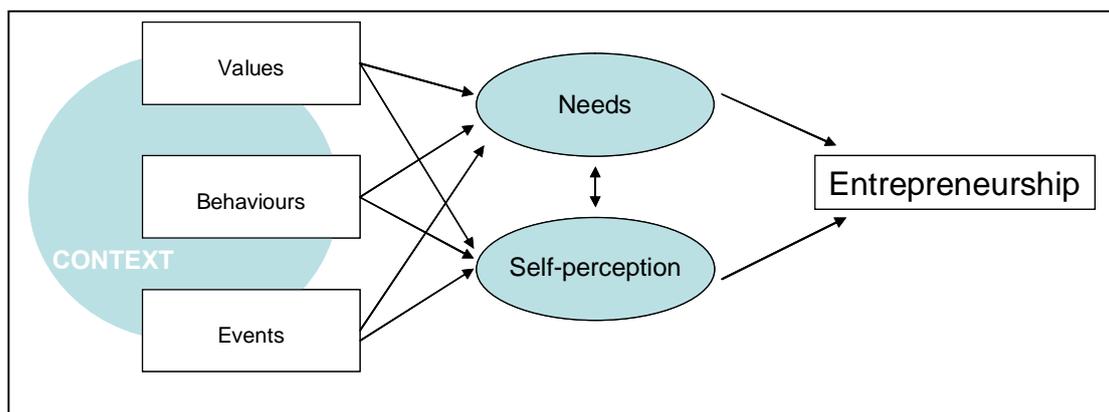
Those without a tertiary education implied they felt the lack of further education and seemed to feel the need to compensate in some way; Hans by over-researching solutions to problems, Kenneth by being unduly ingratiating in his relationships with others and Ahmed by over-analysing each decision.

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).*

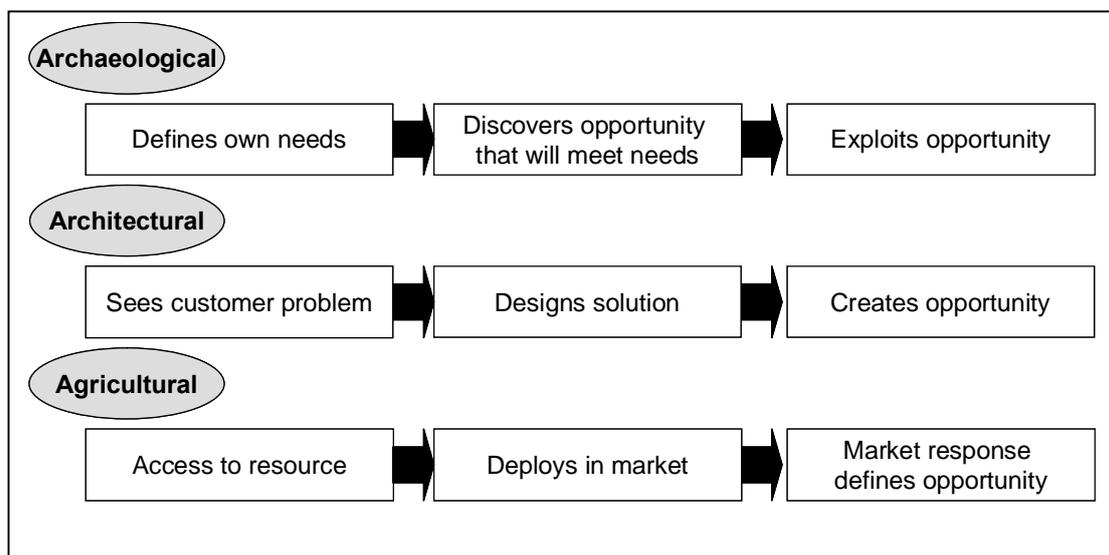
Andile and Ahmed also adopted the architectural approach, in both cases defining a customer problem and then designing a solution for the problem, which became the product or service offered by the business.

*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)*

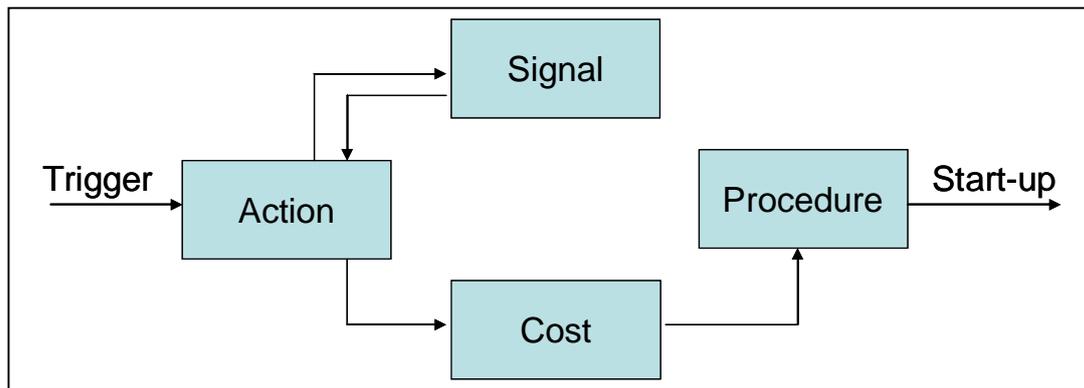
The preceding analysis provides a deeper understanding of the opportunity development sub-process of new venture creation, by adding resource-driven opportunities to Bhave's original conception of externally and internally driven opportunities. A caveat is that the resource-driven opportunity may be 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.

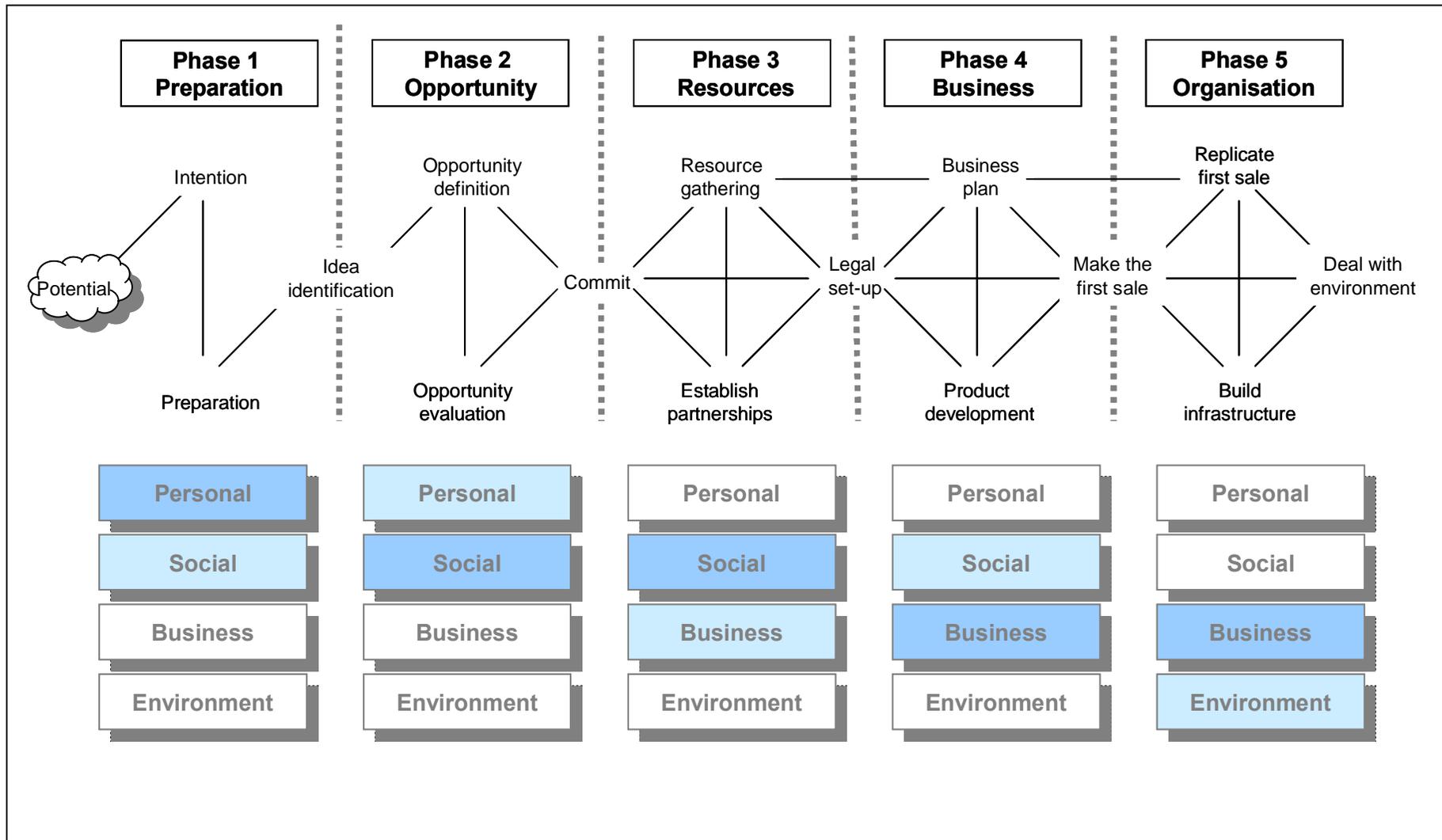
This lack of consensus makes it difficult to describe new venture creation in a way that is sufficiently reflective of reality (especially South African reality) at the same time as being representative of best practice. As a result, there is no way to identify the impact of an idiosyncratic approach 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)*

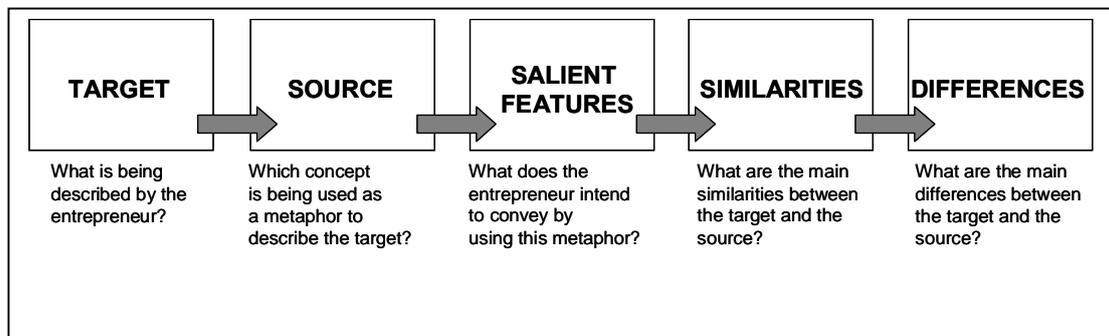
The use of metaphor may be unconscious, reflecting what users see as truth, but a truth that is not easy to articulate (Schmitt, 2005). Andre describes how his entrepreneurial history has contributed to the development of his unique opportunity identification capabilities, for example.

*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.

Margaretq 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. Margaretq 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 Johanq 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 an environmental naivetéq a phenomenon frequently in evidence in the entrepreneurial discourse. Johanq 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 Andreq 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. Andreq narrative demonstrates the role of the spousal partner in supporting new venture development psychologically, socially and financially.

Kennethq 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. Kennethq 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.

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University of Pretoria

## **APPENDICES**

### **Venture creation: building theory from South African case studies**

**Kerrin Myres**

Student number 24510442

28 October 2008

A thesis submitted to the  
Gordon Institute of Business Science, University of Pretoria,  
in partial fulfilment of the requirements for the degree of  
Doctor of Business Administration.

#### **SUPERVISOR**

Professor Johann Mouton

Extraordinary Professor

Gordon Institute of Business Science, University of Pretoria



## Contents

A. Interview details	3
B. Letter to respondents	4
C. Confidentiality agreement	5
D. Respondent fact sheet	14
E. Discussion guides	15
F. Instruction to transcribers	19
G. Interview transcripts (on CD)	CD
H. Respondent sign-off of transcript (available from candidate)	
I. Codes and quotations (on CD)	CD
J. Code list	23
K. Code families	33
L. Super family clusters	42
M. Framework for narrative summaries	47
N. Framework for within-case analysis	48
O. Venture creation maps	49



## A. Interview details

No.	Subject	Respondent	Pseudonym	Date
1A	Ahmed	Subject 1	Ahmed	05/02/2007
1B		Work colleague	Jorge	14/06/2007
1C		Family member	Ahmed's daughter	28/09/2007
1D		Subject 2	Ahmed	16/10/2007
2A	Andile	Subject 1	Andile	17/05/2007
2B		Work colleague	Thabo	03/07/2007
2C		Family member	Andile's father	20/09/2007
2D		Subject 2	Andile	28/09/2007
3A	Byron	Subject 1	Byron	26/07/2007
3B		Work colleague	Julius	11/10/2007
3C		Family member	Cynthia	06/08/2007
3D		Subject 2	Byron	01/10/2007
4A	Hans	Subject 1	Hans	14/09/2007
4B		Work colleague	Sunny	14/09/2007
4C		Family member	Hans' mom	02/11/2007
4D		Subject 2	Hans	02/11/2007
5A	Margaret	Subject 1	Margaret	24/09/2007
5B		Work colleague	Colette	05/10/2007
5C		Family member	Sarah	13/12/2007
5D		Subject 2	Margaret	03/10/2007
6A	Johan	Subject 1	Johan	19/09/2007
6B		Work colleague	Roger	04/10/2007
6C		Family member	Anna	08/10/2007
6D		Subject 2	Johan	15/10/2007
7A	Andre	Subject 1	Andre	18/09/2007
7B		Work colleague	Franco	26/10/2007
7C		Family member	Juliane	31/10/2007
7D		Subject 2	Andre	26/10/2007
10A	Kenneth	Subject 1	Kenneth	27/09/2007
10B		Work colleague	Steve	11/10/2007
10C		Family member	David	09/10/2007
10D		Subject 2	Kenneth	10/10/2007

## B. Introductory letter to Respondents

19 Grace Road  
Mountainview  
2192

Date

Dear .....

### **Gordon Institute of Business Science: Doctoral Research**

I am currently studying towards a Doctorate in Business Administration at the Gordon Institute of Business Science (GIBS), University of Pretoria. I am required to undertake a substantive, independent, original empirical research study. My research proposal has been accepted by GIBS, and is entitled “New Venture Creation: building theory from South African case studies”.

This email formally requests your participation in this study. Compared to other developing countries, South Africa suffers from a relatively low proportion of opportunity-seeking enterprises. Moreover, we suffer from relatively high start-up failure rates compared to other developing countries. This situation exists despite a multitude of private and public sector efforts to identify, educate, finance and support entrepreneurial enterprises at every level of South African society – particularly in the past decade.

My research is intended to improve our understanding of the South African entrepreneurial experience with a view to informing policy making and entrepreneurial support programme development and implementation.

I can assure you that the confidentiality of all participating individuals will be maintained; they will not be referred to by name, or any other obvious means of identification. This confidentiality is assured by a formal agreement between each participant, myself and GIBS.

I hope that you will agree to participate in this ground-breaking study in South Africa. Although the focus of the study is on the individuals I have selected, the benefits of the study potentially have wider application to any business or individual embarking on the venture creation process.

Yours sincerely

Kerrin Myres  
083 263 4175



**C. Confidentiality agreement**

**RESEARCH CONFIDENTIALITY AGREEMENT**

between

**Kerrin Myres**

and

**PARTICIPANT**

and

**THE GORDON INSTITUTE OF BUSINESS SCIENCE**



## **DEFINITIONS**

“**Confidential Information**” means any strategic plans, business plans, budgets, financial data, customer lists, pricing information, customer information, suppliers lists, trade secrets, marketing or merchandising systems and plans, work methods, technical information, intellectual property, methods, processes, formulae, compositions, inventions, machines, systems, computer programs, research projects, designs, specifications for the Participant’s trademarks (whether registered or unregistered), logos and corporate images and any other information pertaining to the Participant that is by its nature confidential;

“**Executive Summary**” means a document that provides a synopsis of the Research and interprets the findings in business terms;

“**GIBS**” shall mean the Gordon Institute of Business Science, a business school of the University of Pretoria, South Africa;

“**Manipulated Data**” means Raw Data which has been manipulated in some way, for example in the form of a scatter plot or descriptive statistics such as an average or a mean;

“**Participant**” means an Individual that participated in the provision of raw data;

“**Publication**” means a public document, such as an article, book, technical report, or manual, that is registered in the public domain and recorded with an ISBN number in a document series; and to which restrictions such as copyright and library access may apply;

“**Raw Data**” means data points that have not been manipulated in any way and may include, but shall not be limited to, Confidential Information, interview transcripts and numerical data (financial or otherwise)

“**Research**” means a substantive, independent, original research investigation;

“**Research Leader**” means the principal investigator on the Research who may sub-contract one or more co-researchers and / or research assistants;

“**Research Team**” means the Research Leader and any co-researchers and / or research assistants;

“**Thesis**” means an academic Publication that provides full academic and technical detail of the Research in order for the reader to make an intelligent appraisal of the contribution to knowledge, as well as the research design and methods carried out;

## **PARTIES INVOLVED IN THIS AGREEMENT**

This agreement is between \_\_Kerrin Myres\_\_ (hereinafter referred to as the Research Leader), \_\_\_\_\_ (hereinafter referred to as the Participant) and the **Gordon Institute of Business Science** (hereinafter referred to as GIBS).

### **Addresses**

The parties choose the following addresses to which notices may be given, and at which documents in legal proceedings may be served (i.e. their *domicilia citandi et executandi*), in connection with this agreement:

In the case of \_\_Kerrin Myres\_\_ (**Research Leader**)



- **Physical address**  
*19 Grace Road  
Mountainview  
Observatory*
- **Postal address**  
Suite 179  
Postnet X5  
Norwood  
2117
- Telephone +2783 263 4175
- E-mail [resonate@icon.co.za](mailto:resonate@icon.co.za)

In the case of \_\_\_\_\_ (Participant)

- Physical address
- Postal address
- Telephone
- Telefax
- E-mail

In the case of **GIBS**

• Physical address	26 Melville Road Illovo
• Postal address	P.O. Box 787602 Sandton 2146
• Telephone	(011) 771 4000
• Telefax	(011) 771 4123
• E-mail	<a href="mailto:binedelln@gibs.co.sa">binedelln@gibs.co.sa</a>

## **BACKGROUND**

The purpose of this agreement is to describe the conditions and obligations between the Research Leader, the Participant and GIBS. Research will be undertaken to further academic knowledge for business purposes at an advanced postgraduate level. The nature of academic research is that it contributes to the body of knowledge; it may be published in peer-reviewed publications; and it is the intellectual property of the university under which it is conducted. GIBS will approve the research proposal in principle, including the specified title and aim of the Research. The title and or aims of the Research may be modified or restated as the research progresses.

## **COMMENCEMENT AND DURATION OF AGREEMENT**

The Research shall be deemed to have commenced on 1 January 2007 and shall be deemed to be completed on approval of the Thesis and the associated discharge of all obligations of the Parties, notwithstanding the date of signature of this agreement. The Research Thesis shall be submitted for approval on or before 1 September 2008. The period of this agreement shall be from 1 January and in perpetuity.

## **DATA COLLECTION**

- The Research Leader shall notify the Participant of the Raw Data requirements of the Research which shall be agreed between them;
- The Research Leader shall provide reasonable written notice to the Participant of a data collection time frame and schedule which shall be agreed between them and the Participant shall ensure that accurate and timely Raw Data is made available to the Research Leader in accordance with the agreed Raw Data requirements and data collection time frame and schedule;
- The Research Leader shall collect Raw Data from the Participant in accordance with the agreed Raw Data requirements and data collection time frame and schedule;
- Any subsequent change to the Raw Data requirements and / or data collection time frame and schedule shall be agreed to in writing by the Research Leader and Participant.

## **THE OBLIGATIONS OF THE RESEARCH LEADER**

The Research Leader shall:

- Provide assurance to the Participant that any Raw Data of a sensitive nature shall not be publicly disclosed;
- Endeavor to ensure that the Raw Data collected for the Research shall only be disclosed to members of the Research Team directly involved in the Research, and at no time, now or in the future, shall be disclosed to any other interested parties, whomever they may be;

- Endeavor to ensure that the Participant shall not be identifiable in any Manipulated Data disclosed in any draft or Publication of the Research;
- Prepare an Executive Report and submit the same to the Participant within one month after the research end date, and, should there be material changes arising from the Research approval process, subsequently within one month after the deemed completion of the Research, once the respective reports have been vetted by GIBS;
- Present the Executive Report to the Participant upon request;
- Undertake to inform the Participant of any substantial change in the title or the aim of the Research during the period of this agreement;
- Undertake to inform the Participant of any extension in the specified research end date.

### **THE OBLIGATIONS OF GIBS**

GIBS shall:

- Provide assurance to the Participant that any Raw Data of a sensitive nature shall not be publicly disclosed;
- Supervise the Research ;
- Quality assure and vet the Research by providing sign-off and approval of the Research deliverables;
- In particular, ensure that quality standards are applied in terms of treatment of the Raw Data and Manipulated Data;
- Control the intellectual property rights to the Research on behalf of the University of Pretoria;
- Endeavor to ensure the completion of the Research on or before the specified research end date;
- Endeavor to ensure the Publication of the Research;
- Undertake to acknowledge the Participant by name in any Publications emanating from the Research, should the Participant so desire.

### **PARTICIPANT BENEFITS**

- The Participant shall be entitled to an Executive Report within one month after the research end date, and, should there be material changes arising from the Research approval process, subsequently within one month after the deemed completion of the Research;
- The Participant shall be entitled to a presentation of the Executive Report, and any subsequent such reports, by the Research Leader.



### **PROPRIETY RIGHTS**

The Participant shall not own the Research nor have any proprietary rights or exclusivity over the Research.

### **INDEMNITY**

Each party hereby indemnifies and holds the other party harmless from and against any loss, claim, action, damage or expense suffered or sustained by the other party, whether jointly or individually, or by a third party, pursuant to or arising out of the breach by any party of such party's obligations, representations or warranties contained in this agreement.

### **BREACH**

If either party breaches any provision or term of this agreement and fails to remedy such breach with 7 (seven) days of receiving notice requiring it to do so, then the other party (the aggrieved party) shall be entitled, in addition to any other remedy available to it in law, to terminate this agreement, or hold the other party to the terms of this agreement and to claim specific performance, in either event without prejudice to the aggrieved party's rights to claim damages.

### **TERMINATION**

In the event of termination of the Research prior to the specified completion date, no Party shall have a claim on any other Party in terms of this agreement.

### **DISPUTE RESOLUTION**

If any dispute arises between the Parties in connection with the interpretation or application of the provisions of this agreement, its breach or termination, or the validity of any documents furnished by the Parties pursuant to the provisions of this agreement or any other matter arising out of or in connection with this agreement, that dispute shall, unless resolved amongst the Parties, be referred to and be determined by arbitration under this clause.

Any Party may, by written notice to the other party, demand that a dispute be determined under this clause.

This clause shall not preclude any Party from obtaining interim relief on an urgent basis from a court of competent jurisdiction pending the decision of the arbitrator.

The arbitration shall be held:

in Johannesburg; with only the arbitrator and the legal and other representatives of the parties to the dispute present;

in accordance with the formalities and procedures settled by the arbitrator, and may be held in an informal and summary manner and otherwise in accordance with the Rules of the Arbitration Foundation of South Africa (“the AFSA Rules”), or its successor in title, on the basis that it shall not be necessary to observe or carry out the usual formalities or procedures, pleadings and discovery or the strict rules of evidence, it being the intention that the arbitration shall be held and completed with 21 (twenty one) working days after it has been demanded; and

on the basis that the arbitrator shall be entitled to decide the dispute in accordance with what he considers to be just and equitable in the circumstances.

The arbitrator shall be agreed to by the Parties and shall be a practicing senior counsel or attorney or not less than 10 (ten) years’ experience, provided that if the dispute in question is of an accounting nature, the arbitrator shall be a chartered accountant in public practice of not less than 10 (ten) years’ experience.

If the Parties to the dispute fail to agree within 7 (seven) days after the arbitration has been demanded of a particular arbitrator, the arbitrator shall be appointed by the President of the Law Society of the Gauteng Province or its successor in title, within 7 (seven) days after the Parties have so failed to agree or as soon thereafter as is convenient to such President.

The arbitrator may, in any dispute in which a matter of a technical nature is relevant, appoint an assessor having the requisite experience to assist the arbitrator in the arbitration. The assessor shall not have a vote in the award made by the arbitrator, but shall act as an advisor only.

The decision of the arbitrator shall be subject to a right of appeal in terms of the AFSA Rules.

The decision of the arbitrator, if no notice of appeal is lodged in terms of the AFSA Rules, or, if notice of appeal is so lodged, then the decision of the appeal arbitrator or arbitrators, shall be final and binding on the Parties to the dispute and may be made an order of any court to whose jurisdiction the parties are subject at the instance of either Party.

The arbitrator shall be entitled to make such awards, including an interdict or damages as he in his sole discretion may deem fit and appropriate, and to deal as he deems fit with the question of costs, including, if applicable, costs of an attorney and client scale, and his own fees and the fees of any assessor.



The provisions of this clause: constitute an irrevocable consent by the parties to any proceedings in terms hereof and neither Party shall be entitled to withdraw therefrom or claim at any such proceeding that it is not bound by those provisions; and

are severable from the rest of this agreement and shall remain in effect despite the termination of or invalidity for any reason of this Agreement.

**GENERAL**

This document constitutes the sole record of the agreement between the parties in regard to the subject matter thereof.

No party shall be bound by any express or implied term, representation, warranty, promise or the like, not recorded herein.

No addition to, variation or consensual cancellation of this agreement shall be of any force or effect unless in writing and signed by or on behalf of all the parties.

No indulgence which either of the parties ("the grantor") may grant to the other ("the grantee") shall constitute a waiver of any of the rights of the grantor, who shall not thereby be precluded from exercising any rights against the grantee which might have arisen in the past or which might arise in the future.

The parties undertake at all times to do all such things, to perform all such acts and to take all such steps and to procure the doing of all such things, the performance of all such actions and the taking of all such steps as may be open to them and necessary for or incidental to the putting into effect or maintenance of the terms, conditions and import of this agreement.

Neither party shall be entitled to cede, assign or otherwise transfer all or any of its rights, interest or obligations under and in terms of this agreement except with the prior written consent of the other party.

This agreement shall be governed by and interpreted in accordance with the laws of the Republic of South Africa and all disputes arising under it shall be subject to the courts of its jurisdiction.

**Signed at .....on this the.....day of.....200.....**



AS WITNESSES:

1. \_\_\_\_\_

2. \_\_\_\_\_

For and on behalf of : **Research Leader** who warrants that s/ he is duly authorised hereto.

**Signed at .....on this the.....day of.....200.....**

AS WITNESSES:

1. \_\_\_\_\_

2. \_\_\_\_\_

For and on behalf of the **Participant** who warrants that s/ he is duly authorised hereto.

**Signed at .....on this the.....day of.....200.....**

AS WITNESSES:

1. \_\_\_\_\_

2. \_\_\_\_\_

For and on behalf of : **GIBS** who warrants that s/ he is duly authorised hereto.



## D. Respondent Fact Sheet

### Respondent Fact Sheet *The Venture Creation Process* DBA Research 2006

First Name \_\_\_\_\_ Surname \_\_\_\_\_

Home Address \_\_\_\_\_  
\_\_\_\_\_

Telephone \_\_\_\_\_ Email \_\_\_\_\_

Gender \_\_\_\_\_ Age \_\_\_\_\_

Date of Birth \_\_\_\_\_ Place of Birth \_\_\_\_\_

Ethnicity \_\_\_\_\_ Home language \_\_\_\_\_

Marital status \_\_\_\_\_ Children \_\_\_\_\_

Highest education \_\_\_\_\_ Education focus \_\_\_\_\_

Career history 1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

Business name \_\_\_\_\_ Age \_\_\_\_\_

Business address \_\_\_\_\_  
\_\_\_\_\_

Industry \_\_\_\_\_ Definition \_\_\_\_\_

Degree Innovation \_\_\_\_\_ Entrep. stage \_\_\_\_\_

Monthly turnover \_\_\_\_\_ No. employees \_\_\_\_\_

Comp. advantage \_\_\_\_\_

Main customers \_\_\_\_\_

Main competitors \_\_\_\_\_

## E. Discussion Guides

### Discussion Guide V3: Business Factors

October 2007

#### 1. Introduction

- Introduce self, job, DBA
- Review purpose of study, explain method of data capture and analysis
- Confidentiality and anonymity, contract
- Estimated completion time
- Benefits to respondent

#### 2. How the business developed

- Inspiration and initiation
- Preparation, research, planning
- Process of development, step by step
- Source and definition of opportunity. Who was involved?
- Creativity, innovation, difference made
- Gathering the required resources – money, equipment, people
- Extent of commitment required, risk management processes
- Earliest successes, earliest failures
- Networks and relationships
- Most important people/organizations – detractors? supporters? role models?
- Most important lessons learned

#### 3. Your business as it is now

- Environment, PEST, 5 forces
- Strategy – values, positioning, resources
- Marketing and sales
- Structure, operations
- HR – people you have, how you chose them, motivate, manage them
- Financing arrangements, cash flow management, administration
- Customers and non-customers – attract and retain
- Suppliers and non-suppliers
- Competitors

#### 4. Your perceptions of the future

- Description of vision and mission, where to next?
  - Competitors? Customers?
  - Products/services?
- 1. Biggest potential threat? Biggest potential opportunity? What single thing would make you succeed or fail?
- 2. Major challenges and opportunities in the next 6 – 12 months
- 3. Five years from now? Exit strategy?

#### 5. The experience of creating a new venture

- What has starting this new venture been like for you? Like best/least?
- What/when did you need the most help?
- What advice would you give to someone starting a new venture?

**Any other comments? Anything not asked?**

## Discussion Guide V2: Business colleague

June 2007

### 1. Introduction

- Introduce self, job, DBA
- Review purpose of study, explain method of data capture and analysis
- Confidentiality and anonymity
- Estimated completion time
- Benefits to respondent
- Any questions?

### 2. Subject's business

- How it all started
- Your description of the business as it is now
- Environment, PEST, 5 forces
- Strategy and operations
- Future direction of the business
- Most memorable successes and failures
- Subject's role in the business. Your role in the business
- How would others describe subject? Staff? Customers? Competitors? Suppliers?

### 3. Subject's relationships with others

- With you
- Other business relationships, staff, customers, suppliers
- Family relationships
- Friendships
- Ability to network, understand, motivate, control others
- Methods for managing relationships

### 4. Who subject is right now?

- Description of subject, strengths and weaknesses
  - Physically, intellectually, emotionally, spiritually
  - In what way is subject most/least creative?
- Self-awareness, ability to manage emotions, stress
- Describe the last time subject made an important decision.
- How does subject deal with success/failure?
- Main motivations and inspiration
- Self-confidence, efficacy, locus of control, courage
- Core values, beliefs, cause, service

### 5. The entrepreneurial experience

- What has the experience been like for subject? Different from? Similar to? Best thing? Worst thing?
- Are entrepreneurs born or made? Who are the best entrepreneurs that you know? Worst? What do you think makes subject a good entrepreneur?

**Any other comments? Anything not asked?**

## **Discussion Guide: Family member**

September 2006

### **1. Introduction**

- Introduce self, job, DBA
- Review purpose of study, explain method of data capture and analysis
- Confidentiality and anonymity
- Estimated completion time
- Benefits to respondent
- Any questions?

### **2. Subject's business**

- How it all started
- Your description of the business as it is now
- Environment, PEST, 5 forces
- Future direction of the business
- Subject's role in the business. Your role
- How would others describe subject? Staff? Customers? Competitors? Suppliers?

### **3. Subject's relationships with others**

- With you
- Other business relationships, staff, customers, suppliers
- Family relationships
- Friendships
- Ability to understand, motivate, control others
- Methods for managing relationships

### **4. Who subject is right now?**

- Description of yourself, strengths and weaknesses
  - Physically, intellectually, emotionally, spiritually
  - In what way are you most/least creative?
- Self-awareness, ability to manage emotions, stress
- Describe the last time you made an important decision.
- How do you deal with success/failure?
- Main motivations and inspiration
- Self-confidence, efficacy, locus of control, courage
- Core values, beliefs, cause, service

### **5. The entrepreneurial experience**

- What has the experience been like for subject? Different from? Similar to? Best thing? Worst thing?
- Are entrepreneurs born or made? Who are the best entrepreneurs that you know? Worst? What do you think makes subject a good entrepreneur?

**Any other comments? Anything not asked?**

## Discussion Guide V2: Personal Factors

September 2006

### 1. Introduction

- Introduce self, job, DBA
- Review purpose of study, explain method of data capture and analysis
- Confidentiality and anonymity
- Estimated completion time
- Benefits to respondent
- Any questions?

### 2. Some personal history

- Basic demographics – gender, age, family structure, residence, health, lifestyle
- Childhood
- Parental influences
- Educational development and major influences
- Career development and major influences
- Most important experiences

### 3. Who are you now?

- Description of yourself, strengths and weaknesses
  - Physically, intellectually, emotionally, spiritually
  - In what way are you most/least creative?
- Self-awareness, ability to manage emotions, stress
- Describe the last time you made an important decision.
- How do you deal with success/failure?
- Main motivations and inspiration
- Self-confidence, efficacy, locus of control, courage
- Core values, beliefs, cause, service
- How spouse, family members would describe you
- How work colleagues describe you? Customers? Suppliers?

### 4. Your relationships with others

- Role models
- Business relationships, management style
- Friendships
- Nuclear Family, extended Family
- Ability to network, understand, motivate, control others
- Methods for managing relationships

### 5. The entrepreneurial experience

- What has the experience been like for you? Different from? Similar to? Best thing? Worst thing?
- Are entrepreneurs born or made? Who are the best entrepreneurs that you know? Worst? What do you think makes a good entrepreneur?

**Any other comments? Anything not asked?**

## F. Instruction to transcribers

Research project: entrepreneurs and new venture creation

This recording is of an interview for a research project which aims to understand the entrepreneur's experience of new venture creation. The .wav file on the CD contains a copy of the original digital recording, so sound quality should be good. Should you have any questions, please contact the researcher as detailed below

- It's helpful to listen to the recording in its entirety in order to familiarize yourself with the voices and questions in the interview before beginning the transcription.
- At the beginning of the transcript, type all pertinent information relating to the interview: project name, case number and code, subject name, name of respondent, date, location,
- The body text should have 2.5cm and be double spaced. Please type in Arial 11pt and save your document as a Microsoft Word document.
- Use bold font to indicate the researcher's voice and regular font to indicate the respondent's voice
- Try to represent each speaker's words, conversational quality and speech patterns.
- Interruptions in the interview (phone ringing, someone walking into the room, etc.) should be indicated by brackets containing an explanation of the interruption: [phone ringing] or [laughing] or [Subject asked to pause interview. Recorder turned off and then back on].
- Obvious pauses in conversation should be noted in brackets: [short pause].
- When a speaker does not finish a sentence, indicate this by using two dashes after the last word spoken and follow the appropriate end punctuation: "We thought we would be going but--."
- If a word or phrase is inaudible, try listening to it again. If, after three reviews, you still cannot decipher what is being said, make the indication in brackets: [unintelligible phrase].
- Indicate the beginning of a new side of a tape or new disc by placing the appropriate information in brackets where the change happens in the transcript: [End of Tape 1, Side B].
- Indicate the end of the interview by stating so in brackets: [END]

Thanks and regards

Kerrin Myres

083-263-4175

## G. Interview transcripts

Transcripts of the interviews conducted may be found on the CD accompanying this document, in the folder titled 'Interview transcripts'. Interviews include:

<b>Transcript</b>	<b>Subject</b>	<b>Description</b>	<b>Respondent</b>
1A	Ahmed	Middle Indian Male Growth	Subject 1
1B			Work colleague
1C			Family member
1D			Subject 2
2A	Andile	Young Black Male Startup	Subject 1
2B			Work colleague
2C			Family member
2D			Subject 2
3A	Byron	Middle Black Male Struggling	Subject 1
3B			Work colleague
3C			Family member
3D			Subject 2
4A	Hans	Middle White Male Emerging	Subject 1
4B			Work colleague
4C			Family member
4D			Subject 2
5A	Margaret	Middle Black Female Startup	Subject 1
5B			Work colleague
5C			Family member
5D			Subject 2
6A	Johan	Older White Male Emerging	Subject 1
6B			Work colleague
6C			Family member
6D			Subject 2
7A	Andre	Older Coloured Male Startup	Subject 1
7B			Work colleague
7C			Family member
7D			Subject 2
10A	Kenneth	Young Black Male Emerging	Subject 1
10B			Work colleague
10C			Family member
10D			Subject 2

## H. Signed respondent confidentiality agreements

Copies of the confidentiality agreements signed by respondents are available from the candidate on request, to protect the anonymity of those participating in the interviews. These include the following:

No.	Subject	Description	Respondent	Pseudonym
1A	Ahmed	Middle Indian Male Growth	Subject 1	Ahmed
1B			Work colleague	Jorge
1C			Family member	Ahmed's daughter
1D			Subject 2	Ahmed
2A	Andile	Young Black Male Startup	Subject 1	Andile
2B			Work colleague	Thabo
2C			Family member	Andile's father
2D			Subject 2	Andile
3A	Byron	Middle Black Male Struggling	Subject 1	Byron
3B			Work colleague	Julius
3C			Family member	Cynthia
3D			Subject 2	Byron
4A	Hans	Middle White Male Emerging	Subject 1	Hans
4B			Work colleague	Sunny
4C			Family member	Hans' mom
4D			Subject 2	Hans
5A	Margaret	Middle Black Female Startup	Subject 1	Margaret
5B			Work colleague	Colette
5C			Family member	Sarah
5D			Subject 2	Margaret
6A	Johan	Older White Male Emerging	Subject 1	Johan
6B			Work colleague	Roger
6C			Family member	Anna
6D			Subject 2	Johan
7A	Andre	Older Coloured Male Startup	Subject 1	Andre
7B			Work colleague	Franco
7C			Family member	Juliane
7D			Subject 2	Andre
10A	Kenneth	Young Black Male Emerging	Subject 1	Kenneth
10B			Work colleague	Steve
10C			Family member	David
10D			Subject 2	Kenneth

## **I. Codes and quotations**

All full listing of codes and the associated quotations derived from the coding process may be found on the CD accompanying this document in the folder titled 'Codes and quotations'. This output of the coding process was produced using ATLAS/ti, qualitative data analysis software.



## J. Code List

The following is an alphabetical list of codes derived from the coding process as described in Chapter 3.5.1 of the thesis document.

HU: DBA Transcripts 3  
File: [C:\Documents and Settings\Administrator\My Documents\Scientific Software\ATLAS...\DBA Transcripts 3.hpr5]  
Edited by: Super  
Date/Time: 08/08/22 13:04:54  
517

barrier access to customers  
barrier access to information resources  
barrier competition for good people  
barrier environment impacts on business  
barrier expense of starting a business  
barrier experience in business lacking  
barrier inadequate resources  
barrier new entrant credibility  
barrier no resources for startup  
barrier perceived uncertainty  
barrier personal belief system  
barrier racism as obstacle  
barrier youth as obstacle to startup  
barriers cynical about available opportunities

behaviour action orientation  
behaviour attention to detail  
behaviour conflict avoiding/confronting  
behaviour considering several nv simultaneously  
behaviour delay gratification  
behaviour goal focus  
behaviour good at teamwork  
behaviour high energy  
behaviour over-delegating  
behaviour preference wheel and deal  
behaviour priority is business development  
behaviour procrastinating  
behaviour professionalism  
behaviour task focus

business definition concise/vague  
business model change/stable  
business model strength/weakness  
business strategy brand bigger than person  
business strategy case study  
business strategy differentiation  
business strategy options  
business strategy relationship quality  
business strategy risk  
business strategy sales  
business strategy scalability  
business strategy slow to show success

characteristic ambitious



characteristic analytical  
characteristic arrogant  
characteristic assertive  
characteristic caring for others  
characteristic competitive  
characteristic conservative  
characteristic curiosity  
characteristic daring/cautious  
characteristic easily bored  
characteristic encouraging, enthusiastic  
characteristic flexible/inflexible  
characteristic generosity  
characteristic honest, direct  
characteristic organised/disorganised  
characteristic patience/impatience  
characteristic perfectionist  
characteristic personality extravert  
characteristic personality introvert  
characteristic presence has impact  
characteristic resilient  
characteristic responsible  
characteristic sense of humour  
characteristic serious minded  
characteristic tolerant of criticism  
characteristic uncompromising  
characteristic warm and friendly

childhood carefree/priveleged  
childhood family believes education  
childhood family conflict strong personalities  
childhood family difficulties growing up  
childhood family large  
childhood family poverty  
childhood family relationships close  
childhood feelings of inadequacy  
childhood influence  
childhood parental sacrifice  
childhood personal challenges  
childhood work

commitment and determination  
commitment determined to succeed  
commitment fluctuates  
commitment hard working  
commitment persist through failure

compete on price because of lower costs  
compete on service quality  
compete with limited budget  
competition doesnt really exist  
competition fierce  
competition incumbents won't let you in  
competition knowledge important  
competition require multiple bases

customer getting them to pay  
customer personal contacts  
customer publicity and communication important  
customer research idea testing  
customer response to innovation



customer retention important  
customer trust from delivery  
customer ways to get access

decision making discuss with partner  
decision making fast/slow  
decision making intuitive  
decision making participative  
decision making problem-solving process  
decision making process complex  
decision making systematic  
decision making with incomplete information

education and training ongoing  
education as important life experience  
education cost  
education incomplete perception  
education relevance  
educaton versus experience

emotion anger as loss of control  
emotion anxiety stress  
emotion calm and controlled  
emotion comfortable expressing  
emotion excitement thrill  
emotion fear of failure  
emotion fear of the unknown  
emotion love and passion required  
emotion managing own  
emotional turbulence

employee good relationships  
employee retention difficult  
employees as entrepreneur's responsibility  
employees avoid hiring  
employees entrepreneurs not  
employees hiring staff difficult  
employees management and motivation  
employees upliftment key feature

employment a poor substitute for nvc  
employment as easier alternative  
employment as more lucrative  
employment as place to develop expertise  
employment as recourse of last resort  
employment delivers experience of business  
employment experience as model for NV organisation  
employment lets you experiment/inhibits  
employment opportunities limited/abundant

entrepreneur as serendipity  
entrepreneur born/made  
entrepreneur definitions  
entrepreneur reasons why not  
entrepreneur types  
entrepreneurship difficult/easy  
entrepreneurship pervasive/rare

exit as final indicator of success  
exit doing something else after



exit never happens  
exit reluctance to be tied down  
exit still involved

failure as learning opportunity  
failure's impact on personal/business  
failure and expectations  
failure because commitment to nvc lacking  
failure denied  
failure due to lack of understanding

family cant really help  
family communication important  
family dependent on entrepreneur  
family encouragement and enthusiasm  
family involvement in business  
family participates in risk  
family role in conflict with business role  
family spouse fully informed  
family support important

funding access important  
funding for business expenses  
funding for personal expenses  
funding from arbitrage  
funding from bank/institution  
funding from bond/property investments  
funding from family member  
funding from own earnings  
funding from savings  
funding from shareholders  
funding from spouse earnings  
funding process knowledge important

growth challenge adequate funding  
growth challenge dealing with stakeholders  
growth challenge find more customers  
growth challenge funding no loss of control  
growth challenge maintaining same rate  
growth challenge offer more products/services  
growth not a garage business

idea as opportunity to test skills  
idea as problem solving  
idea from access to resources  
idea from business model weakness  
idea from change in environment  
idea from change/development in technology  
idea from customer relationship  
idea from different place  
idea from hobby  
idea from luck  
idea from network  
idea from personal experience  
idea from research

innovation as desperation  
innovation continuously getting new  
innovation diffusion time  
innovation discussing business idea with others



innovation KSF  
innovation new application existing technology  
innovation reinforcing effect of feed-back  
innovation repeated experimentation  
innovation risk  
innovative behaviour inventive

intention before idea  
intention from environment  
intention from exposure in childhood  
intention incidence gap nvc  
intention to nvc inherent  
intention to nvc starts young

knowledge from experience in industry  
knowledge from business education  
knowledge from business subjects at school  
Knowledge from close observation of nvc  
knowledge from experience in business relevant  
knowledge from experience with corporates  
knowledge from experience with high level decision makers  
knowledge from experience with serial entrepreneurship  
knowledge from experience with survivalist entrepreneurship  
knowledge from exposure to technology  
knowledge from family entrepreneurial expertise  
knowledge from life experience  
knowledge from technical education  
knowledge skills transferable

KSF distribution channel access  
KSF financial discipline  
KSF finding the right partners  
KSF finding the right suppliers  
KSF focus on core business  
KSF knowledge of industry  
KSF manage cash flow  
KSF marketing and sales  
KSF research and analysis  
KSF strategy implementation  
KSF understand sales cycle  
KSF understand the target market

leadership in the community  
leadership style collegiate  
leadership style directive  
leadership style pragmatic  
leadershp style humanist

learning about business in general  
learning about business processes  
learning about self during nvc  
learning about the product  
learning continuous  
learning from experience necessary  
learning from family industry expertise

mentor as advisor  
mentor as enthusiast  
mentor as resource provider  
mentor as role model



mentoring help  
mentors as risk reduction tool

metaphor nvc as battle  
metaphor nvc as child parent  
metaphor nvc as complexity  
metaphor nvc as disease  
metaphor nvc as farming  
metaphor nvc as freedom  
metaphor nvc as gamble  
metaphor nvc as game  
metaphor nvc as journey  
metaphor nvc as learning opportunity  
metaphor nvc as puzzle to be solved  
metaphor nvc as romance  
metaphor nvc as school  
metaphor nvc as sport  
metaphor nvc as succubus  
metaphors for fierce competition

motivation achieve for family  
motivation day by day  
motivation from challenge  
motivation from fear of failure  
motivation from financial gain  
motivation from partner  
motivation from religious belief  
motivation from sunk cost  
motivation from survival  
motivation joy and fun  
motivation status and position  
motivation to achieve social change  
motivation to leave a legacy

need for autonomy  
need for control  
need for excitement  
need for security stability  
need to achieve  
need to be valued  
need to conquer  
need to enjoy work  
need to influence others

network by attracting good will  
networking as risk management  
networking as substitute for knowledge and experience  
networking important  
networking motivate others from personal drive  
networking referrals from satisfied customers  
networking skill

opportunity ability to exploit  
opportunity ability to identify  
opportunity attractiveness  
opportunity evaluation detailed/cursory

organisation challenge formalising  
organisation challenge operations v strategy



organisation challenges delegation  
organisation culture relaxed  
organisation process in place  
organisation structure corporate  
organisation support/resources  
organisation trust in work environment

partnership and ownership  
partnership as friendship  
partnership as risk reduction  
partnership conflict/resolution  
partnership division of responsibilities  
partnership equal commitment  
partnership expands available resources  
partnership formalises the relationship  
partnership helps in nvc  
partnership personality fit  
partnership process  
partnership requires skills complement  
partnership shared values  
partnership trust

planning contingency  
planning demand from competitive behaviour  
planning demand interest assumed  
planning detailed financials  
planning entrepreneur expectations  
planning estimating demand by segmenting  
planning estimating demand difficult  
planning evaluations unreliable  
planning for startup  
planning get it right before launch  
planning optimistic/realistic  
planning predicting the future  
planning research important  
planning what and how

preparation by ensuring financial reserves  
preparation by establishing relationships  
preparation by gaining appropriate experience  
preparation from appropriate education  
preparation increases chances of success  
preparation requires long-term plan  
preparation startup arbitrage  
product confident of superiority  
product development effort continuous  
product development trial and error  
product prototype developed  
product quality KSF

relationships as a resource  
relationships as a source of pleasure/stress  
relationships as by-product of work experience  
relationships consciously managed  
relationships deliberately created  
relationships long term  
relationships multilevel  
relationships necessary but not easy  
relationships personal and business  
relationships proactive requests for help and information



relationships provide motivating feedback  
relationships to help create other relationships

resource constrained communication  
resource gathering process  
resource importance of research and information  
resource outsourcing

risk as defining feature of nvc  
risk as nothing to lose  
risk as part of the pleasure  
risk as significant even when confident  
risk aversion  
risk discounting  
risk from entrepreneur lack of focus  
risk is financial/non financial  
risk reduction by advice from network  
risk reduction from employment  
risk reduction from experience  
risk reduction from focus  
risk reduction from information and research  
risk reduction from planning  
risk reduction through calculated decision  
risk reduction through customer diversify  
risk reduction through outsourcing  
risk reduction through product diversify  
risk reduction use own resources

role model christian hero  
role models other entrepreneurs  
role models successful family members

satisfaction creative  
satisfaction ego  
satisfaction financial  
self as aggressor  
self as driven  
self as easily bored  
self as equal or better  
self as high achiever  
self as idealist  
self as loner outsider different  
self as rebel rule breaker  
self as salesman  
self awareness and understanding

self efficacy confident of own abilities  
self efficacy confident of success  
self efficacy confident that it can be done  
self efficacy confident that it is something important  
self efficacy confident that there is a need  
self efficacy from education  
self efficacy from family  
self efficacy from nvc  
self efficacy from performance at school  
self efficacy from performance at work  
self efficacy from pt work  
self efficacy from religious belief  
self efficacy important  
self efficacy lacking



social community lacks understanding  
social community support limited  
social culture as influencing factor  
social perception alternative to crime  
social perception luck  
social response to entrepreneurship positive  
social support environment  
socio cultural differences

spiritual nvc as inevitable destiny  
spirituality as justification for entrepreneurship  
spirituality contributes to commitment  
spirituality gives support  
spirituality makes ethical business  
spirituality motivates  
spirituality religious adherence from childhood  
spirituality religious conviction strong

startup as cautious experiment  
startup as fun  
startup as great leap  
startup as major personal transition  
startup as serendipity  
startup burden of performing many roles  
startup customer commitment as first step  
startup financial uncertainty  
startup from nothing  
startup ignorance and inexperience  
startup importance of revenue stream  
startup in parallel with employment  
startup lack of resources  
startup need for secrecy  
startup risk of surrendering salary  
startup stages of development  
startup survivalist in style

strategy idea developed over time

stress denial  
stress from business financial difficulties  
stress from domestic financial difficulties  
stress management by exercise  
stress management by internalising  
stress relief from family  
stress relief from partner  
stress tolerance high

support aimed at low end businesses  
support from financial institutions lacking  
support from shareholders  
support people inexperienced in nvc  
support systems frustrating  
talent affinity for business  
talent artistic creative  
talent intelligence  
talent pragmatic creative

thinking alternates between future and immediate  
thinking big picture strategic



thinking different ways to achieve end  
thinking entrepreneurial naivete  
thinking external attribution  
thinking fast and flexible  
thinking intuition  
thinking logical systematic  
thinking optimistic  
thinking realistic pragmatic  
thinking task discounting  
thinking through the details in advance  
thinking unconstrained by convention  
thinking visualisation

time dedication required  
time speed as risk reduction, KSF  
time to develop business  
time to develop customer relationships  
time to develop idea

trap from desire for control  
trap giving away equity to the wrong partner  
trap hiring the wrong employees  
trap unrealistic expectations market demand

trap unrealistic expectations time to develop  
trust from friendship  
trust from longevity  
trust from openness and honesty  
trust from respect for differences  
trust from shared risk  
trust from shared vision

vision balance in life  
vision dream develops and evolves  
vision goals clearly defined  
vision growth desire  
vision making it happen/work  
vision money as a means to an end, not end itself  
vision need to communicate  
vision of independence  
vision of personal growth  
vision serial entrepreneurship  
vision significant  
vision socially responsible  
vision success as hiring others, replace self  
vision wealth as consequence of nvc

## K. Code families

The following is a list of code families derived from the coding process as described in Chapter 3.5.1 of the thesis.

HU: DBA Transcripts 3  
File: [C:\Documents and Settings\Administrator\My Documents\Scientific Software\ATLAS...\DBA Transcripts 3.hpr5]  
Edited by: Super  
Date/Time: 08/08/22 17:56:37

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### **Code Family: 01 Early influences**

Created: 07/11/14 16:14:10 (Super)

Comment:

The role of the family on the subject's development as an entrepreneur both prior to and during nvc

Codes (30): [childhood carefree/priveleged] [childhood family believes education] [childhood family conflict strong personalities] [childhood family difficulties growing up] [childhood family large] [childhood family poverty] [childhood family relationships close] [childhood feelings of inadequacy] [childhood influence] [childhood parental sacrifice] [childhood personal challenges] [childhood work] [education and training ongoing] [education as important life experience] [education cost] [education incomplete perception] [education relevance] [educaton versus experience] [family cant really help] [family communication important] [family dependent on entrepreneur] [family involvement in business] [family participates in risk] [family role in conflict with business role] [family spouse fully informed] [family support important] [knowledge from family entrepreneurial expertise] [learning from family industry expertise] [role models successful family members] [stress relief from family]  
Quotation(s): 139

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### **Code Family: 02 Motivation to start new venture**

Created: 07/10/23 05:59:12 (Super)

Comment:

What motivates the entrepreneur to beging the nvc process and what keeps them going when times are tough

Codes (30): [characteristic ambitious] [characteristic competitive] [motivation achieve for family] [motivation day by day] [motivation from challenge] [motivation from fear of failure] [motivation from financial gain] [motivation from partner] [motivation from religious belief] [motivation from sunk cost] [motivation from survival] [motivation joy and fun] [motivation status and position] [motivation to achieve social change] [motivation to leave a legacy] [need for autonomy] [need for control] [need for excitement] [need for security stability] [need to achieve] [need to be valued] [need to conquer] [need to enjoy work] [need to influence others] [relationships provide motivating feedback] [self as high achiever] [self as loner outsider different] [self as salesman] [spiritual nvc as inevitable destiny] [spirituality motivates]  
Quotation(s): 224

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### **Code Family: 03 Developing expertise**

Created: 07/11/25 13:17:36 (Super)

Comment:

How entrepreneurs develop the expertise they need to create and sustain a new venture

Codes (34): [education and training ongoing] [education as important life experience] [education incomplete perception] [education relevance] [educaton versus experience]

[employment a poor substitute for nvc] [employment as easier alternative] [employment as more lucrative] [employment as place to develop expertise] [employment as recourse of last resort] [employment delivers experience of business] [employment experience as model for NV organisation] [employment lets you experiment/inhibits] [employment opportunities limited/abundant] [failure as learning opportunity] [failure due to lack of understanding] [knowledge from experience in industry] [knowledge from business education] [knowledge from business subjects at school] [knowledge from experience in business relevant] [knowledge from experience with corporates] [knowledge from experience with high level decision makers] [knowledge from experience with serial entrepreneurship] [knowledge from experience with survivalist entrepreneurship] [knowledge from exposure to technology] [knowledge from technical education] [knowledge skills transferable] [KSF knowledge of industry] [learning about business in general] [learning about business processes] [learning about the product] [learning continuous] [learning from experience necessary] [preparation from appropriate education]

Quotation(s): 176

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#### **Code Family: 04 Preparation and intention**

Created: 07/11/14 16:22:31 (Super)

Comment:

How entrepreneurs prepare for nvc, often long before they have identified a particular opportunity

Codes (29): [childhood work] [education as important life experience] [employment as place to develop expertise] [employment delivers experience of business] [employment lets you experiment/inhibits] [family involvement in business] [funding from bond/property investments] [funding from family member] [funding from savings] [intention from environment] [intention from exposure in childhood] [intention incidence gap nvc] [intention to nvc inherent] [intention to nvc starts young] [knowledge from business subjects at school] [knowledge from experience with survivalist entrepreneurship] [preparation by ensuring financial reserves] [preparation by establishing relationships] [preparation by gaining appropriate experience] [preparation from appropriate education] [preparation increases chances of success] [preparation requires long-term plan] [preparation startup arbitrage] [relationships as a resource] [role models successful family members] [self efficacy from education] [self efficacy from performance at work] [self efficacy important] [vision dream develops and evolves]

Quotation(s): 166

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#### **Code Family: 05 Source of business idea**

Created: 07/11/11 16:30:01 (Super)

Comment:

How new business ideas emerge

Codes (20): [employment lets you experiment/inhibits] [idea as opportunity to test skills] [idea as problem solving] [idea developed over time] [idea from access to resources] [idea from business model weakness] [idea from change in environment] [idea from change/development in technology] [idea from customer relationship] [idea from different place] [idea from hobby] [idea from luck] [idea from network] [idea from personal experience] [idea from research] [innovation new application existing technology] [innovation repeated experimentation] [opportunity ability to identify] [talent artistic creative] [talent pragmatic creative]

Quotation(s): 85

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#### **Code Family: 06 Opportunity evaluation**

Created: 07/10/23 06:09:16 (Super)

Comment:

How the entrepreneur evaluates the opportunity prior to committing resources to exploiting it



Codes (20): [barriers cynical about available opportunities] [idea developed over time] [innovation discussing business idea with others] [innovation KSF] [innovation reinforcing effect of feed-back] [KSF understand the target market] [learning about the product] [learning continuous] [opportunity ability to exploit] [opportunity attractiveness] [opportunity evaluation detailed/cursory] [planning demand from competitive behaviour] [planning demand interest assumed] [planning estimating demand by segmenting] [planning research important] [product prototype developed] [startup need for secrecy] [thinking through the details in advance] [time to develop idea] [vision dream develops and evolves]  
Quotation(s): 110

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### **Code Family: 07 Vision Goals**

Created: 07/11/14 16:42:33 (Super)

Comment:

What the entrepreneur wants to achieve by setting up the new venture, and how he will know he has achieved it

Codes (27): [exit as final indicator of success] [exit doing something else after] [exit never happens] [exit reluctance to be tied down] [exit still involved] [motivation achieve for family] [motivation from financial gain] [motivation status and position] [motivation to achieve social change] [motivation to leave a legacy] [satisfaction creative] [satisfaction ego] [satisfaction financial] [vision balance in life] [vision dream develops and evolves] [vision goals clearly defined] [vision growth desire] [vision making it happen/work] [vision money as a means to an end, not end itself] [vision need to communicate] [vision of independence] [vision of personal growth] [vision serial entrepreneurship] [vision significant] [vision socially responsible] [vision success as hiring others, replace self] [vision wealth as consequence of nvc]  
Quotation(s): 141

### **Code Family: 08 The commitment event**

Created: 08/08/22 13:29:53 (Super)

Codes (9): [commitment and determination] [commitment determined to succeed] [commitment fluctuates] [commitment hard working] [commitment persist through failure] [decision making discuss with partner] [partnership equal commitment] [spirituality contributes to commitment] [spirituality gives support]  
Quotation(s): 93

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### **Code Family: 09 How partnerships work**

Created: 07/10/23 06:20:35 (Super)

Comment:

Partnerships are an important dynamic in the nvc process - this explores how partnerships are established and operate and how the relationship between partners is managed by the entrepreneur

Codes (22): [motivation from partner] [partnership and ownership] [partnership as friendship] [partnership as risk reduction] [partnership conflict/resolution] [partnership division of responsibilities] [partnership equal commitment] [partnership expands available resources] [partnership formalises the relationship] [partnership helps in nvc] [partnership personality fit] [partnership process] [partnership requires skills complement] [partnership shared values] [partnership trust] [stress relief from partner] [trust from friendship] [trust from longevity] [trust from openness and honesty] [trust from respect for differences] [trust from shared risk] [trust from shared vision]  
Quotation(s): 96

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### **Code Family: 10 Creating and managing networks**

Created: 07/10/22 19:50:27 (Super)

Comment:

Reasons for, establishment and management of social networks that deliver a benefit for the entrepreneur and the new venture

Codes (24): [customer personal contacts] [customer ways to get access] [innovation discussing business idea with others] [mentoring help] [network by attracting good will] [networking as risk management] [networking as substitute for knowledge and experience] [networking important] [networking motivate others from personal drive] [networking referrals from satisfied customers] [networking skill] [relationships as a resource] [relationships as a source of pleasure/stress] [relationships as by-product of work experience] [relationships consciously managed] [relationships deliberately created] [relationships long term] [relationships multilevel] [relationships necessary but not easy] [relationships personal and business] [relationships proactive requests for help and information] [relationships provide motivating feedback] [relationships to help create other relationships] [risk reduction by advice from network]

Quotation(s): 109

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### **Code Family: 11 Gathering resources**

Created: 08/08/22 13:31:08 (Super)

Codes (27): [employees avoid hiring] [employees hiring staff difficult] [funding for business expenses] [funding for personal expenses] [funding from arbitrage] [funding from bank/institution] [funding from bond/property investments] [funding from family member] [funding from own earnings] [funding from savings] [funding from shareholders] [funding from spouse earnings] [KSF finding the right partners] [KSF finding the right suppliers] [mentoring help] [networking as substitute for knowledge and experience] [networking important] [relationships as a resource] [resource constrained communication] [resource gathering process] [resource importance of research and information] [resource outsourcing] [time dedication required] [time speed as risk reduction, KSF] [time to develop business] [time to develop customer relationships] [time to develop idea]

Quotation(s): 127

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### **Code Family: 12 Managing risk**

Created: 07/10/23 15:20:19 (Super)

Comment:

How the entrepreneur perceives risk and organises resources to reduce/minimise it

Codes (26): [business strategy risk] [characteristic conservative] [innovation risk] [mentors as risk reduction tool] [planning get it right before launch] [risk as defining feature of nvc] [risk as nothing to lose] [risk as part of the pleasure] [risk as significant even when confident] [risk aversion] [risk discounting] [risk from entrepreneur lack of focus] [risk is financial/non financial] [risk reduction by advice from network] [risk reduction from employment] [risk reduction from experience] [risk reduction from focus] [risk reduction from information and research] [risk reduction from planning] [risk reduction through calculated decision] [risk reduction through customer diversify] [risk reduction through outsourcing] [risk reduction through product diversify] [risk reduction use own resources] [startup risk of surrendering salary] [thinking through the details in advance]

Quotation(s): 98

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### **Code Family: 13 Planning the business**

Created: 07/10/23 12:47:15 (Super)

Comment:

How the entrepreneur tries to anticipate future threats and opportunities - also involves the actions involved in preparing a business plan

Codes (24): [barrier environment impacts on business] [business definition concise/vague] [business model strength/weakness] [planning contingency] [planning demand from competitive behaviour] [planning demand interest assumed] [planning detailed financials]

[planning entrepreneur expectations] [planning estimating demand by segmenting] [planning estimating demand difficult] [planning evaluations unreliable] [planning for startup] [planning get it right before launch] [planning optimistic/realistic] [planning predicting the future] [planning research important] [planning what and how] [risk reduction from planning] [thinking alternates between future and immediate] [thinking big picture strategic] [thinking logical systematic] [thinking through the details in advance] [time to develop business] [time to develop idea]

Quotation(s): 113

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#### **Code Family: 14 Information as a resource**

Created: 07/11/11 16:59:32 (Super)

Comment:

How information is or could be used in the nvc process

Codes (22): [barrier access to information resources] [competition knowledge important] [customer research idea testing] [education relevance] [failure due to lack of understanding] [knowledge from experience in industry] [knowledge from business subjects at school] [KSF knowledge of industry] [KSF understand the target market] [learning about business in general] [learning about business processes] [learning continuous] [networking as substitute for knowledge and experience] [planning demand from competitive behaviour] [planning estimating demand by segmenting] [planning evaluations unreliable] [planning research important] [relationships proactive requests for help and information] [risk reduction by advice from network] [thinking entrepreneurial naivete] [trap unrealistic expectations market demand] [trap unrealistic expectations time to develop]

Quotation(s): 130

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#### **Code Family: 15 Managing the macro-environment**

Created: 08/08/22 13:24:41 (Super)

Codes (25): [barrier access to customers] [barrier access to information resources] [barrier competition for good people] [barrier environment impacts on business] [barrier expense of starting a business] [barrier experience in business lacking] [barrier inadequate resources] [barrier new entrant credibility] [barrier no resources for startup] [barrier perceived uncertainty] [barrier personal belief system] [barrier racism as obstacle] [barrier youth as obstacle to startup] [barriers cynical about available opportunities] [social community lacks understanding] [social community support limited] [social culture as influencing factor] [social perception alternative to crime] [social perception luck] [social response to entrepreneurship positive] [social support environment] [socio cultural differences] [thinking big picture strategic] [thinking entrepreneurial naivete] [thinking external attribution]

Quotation(s): 105

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#### **Code Family: 16 Startup process**

Created: 07/11/25 13:27:12 (Super)

Comment:

The steps involved in the actual startup of a new venture

Codes (22): [risk reduction from employment] [risk reduction use own resources] [startup as fun] [startup as great leap] [startup as major personal transition] [startup as serendipity] [startup burden of performing many roles] [startup customer commitment as first step] [startup financial uncertainty] [startup from nothing] [startup ignorance and inexperience] [startup importance of revenue stream] [startup in parallel with employment] [startup need for secrecy] [startup risk of surrendering salary] [startup stages of development] [startup survivalist in style] [support aimed at low end businesses] [support from financial institutions lacking] [support from shareholders] [support people inexperienced in nvc] [support systems frustrating]

Quotation(s): 76

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### **Code Family: 17 Describing the experience**

Created: 07/10/23 17:07:05 (Super)

Comment:

The way in which entrepreneurs describe the experience of new venture creation, with special emphasis on the way metaphors are used to construct meaning

Codes (27): [entrepreneur as serendipity] [entrepreneur born/made] [entrepreneur definitions] [entrepreneur reasons why not] [entrepreneur types] [entrepreneurship difficult/easy] [entrepreneurship pervasive/rare] [metaphor nvc as battle] [metaphor nvc as child parent] [metaphor nvc as complexity] [metaphor nvc as disease] [metaphor nvc as farming] [metaphor nvc as freedom] [metaphor nvc as gamble] [metaphor nvc as game] [metaphor nvc as journey] [metaphor nvc as learning opportunity] [metaphor nvc as puzzle to be solved] [metaphor nvc as romance] [metaphor nvc as school] [metaphor nvc as sport] [metaphor nvc as succubus] [metaphors for fierce competition] [startup as fun] [startup as great leap] [startup as major personal transition] [startup as serendipity]  
Quotation(s): 105

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### **Code Family: 18 Managing the competitive environment**

Created: 08/08/22 13:28:47 (Super)

Codes (16): [compete on price because of lower costs] [compete on service quality] [compete with limited budget] [competition doesnt really exist] [competition fierce] [competition incumbents won't let you in] [competition knowledge important] [competition require multiple bases] [customer getting them to pay] [customer personal contacts] [customer publicity and communication important] [customer research idea testing] [customer response to innovation] [customer retention important] [customer trust from delivery] [customer ways to get access]  
Quotation(s): 64

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### **Code Family: 19 Organisation building**

Created: 08/08/22 13:32:03 (Super)

Codes (22): [employee good relationships] [employee retention difficult] [employees as entrepreneur's responsibility] [employees avoid hiring] [employees entrepreneurs not] [employees hiring staff difficult] [employees management and motivation] [employees upliftment key feature] [leadership in the community] [leadership style collegiate] [leadership style directive] [leadership style pragmatic] [leadership style humanist] [organisation challenge formalising] [organisation challenge operations v strategy] [organisation challenges delegation] [organisation culture relaxed] [organisation process in place] [organisation structure corporate] [organisation support/resources] [organisation trust in work environment] [vision success as hiring others, replace self]  
Quotation(s): 73

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### **Code Family: 20 Entrepreneurial identity**

Created: 08/01/29 12:17:21 (Super)

Comment:

How an individual's view of themselves influences their understanding of the entrepreneurial process

Codes (28): [self as aggressor] [self as driven] [self as easily bored] [self as equal or better] [self as high achiever] [self as idealist] [self as loner outsider different] [self as rebel rule breaker] [self as salesman] [self awareness and understanding] [self efficacy confident of own abilities] [self efficacy confident of success] [self efficacy confident that it can be done] [self efficacy confident that it is something important] [self efficacy confident that there is a need] [self efficacy from education] [self efficacy from family] [self efficacy from nvc] [self efficacy from performance at school] [self efficacy from performance at work] [self efficacy from pt work] [self efficacy from religious belief] [self efficacy important] [self efficacy lacking]

[talent affinity for business] [talent artistic creative] [talent intelligence] [talent pragmatic creative]

Quotation(s): 137

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### **Code Family: 21 Cognitive processes**

Created: 07/11/25 13:54:11 (Super)

Comment:

The internal mental processes used by the entrepreneur in new venture creation

Codes (23): [decision making discuss with partner] [decision making fast/slow] [decision making intuitive] [decision making participative] [decision making problem-solving process] [decision making process complex] [decision making systematic] [decision making with incomplete information] [risk discounting] [thinking alternates between future and immediate] [thinking big picture strategic] [thinking different ways to achieve end] [thinking entrepreneurial naivete] [thinking external attribution] [thinking fast and flexible] [thinking intuition] [thinking logical systematic] [thinking optimistic] [thinking realistic pragmatic] [thinking task discounting] [thinking through the details in advance] [thinking unconstrained by convention] [thinking visualisation]

Quotation(s): 115

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### **Code Family: 22 Emotional dimension**

Created: 07/10/23 13:05:10 (Super)

Comment:

The kinds of emotions that entrepreneurs experience during nvc

Codes (23): [emotion anger as loss of control] [emotion anxiety stress] [emotion calm and controlled] [emotion comfortable expressing] [emotion excitement thrill] [emotion fear of failure] [emotion fear of the unknown] [emotion love and passion required] [emotion managing own] [emotional turbulence] [motivation joy and fun] [need for excitement] [need to enjoy work] [satisfaction creative] [satisfaction ego] [stress from business financial difficulties] [stress from domestic financial difficulties] [stress management by exercise] [stress management by internalising] [stress relief from family] [stress relief from partner] [stress tolerance high] [support systems frustrating]

Quotation(s): 125

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### **Code Family: 23 Spiritual dimension**

Created: 08/01/29 08:25:20 (Super)

Codes (19): [commitment and determination] [employees upliftment key feature] [intention to nvc inherent] [motivation from religious belief] [motivation to achieve social change] [self as idealist] [self efficacy from religious belief] [spiritual nvc as inevitable destiny] [spirituality as justification for entrepreneurship] [spirituality contributes to commitment] [spirituality gives support] [spirituality makes ethical business] [spirituality motivates] [spirituality religious adherence from childhood] [spirituality religious conviction strong] [startup as major personal transition] [thinking intuition] [vision significant] [vision socially responsible]

Quotation(s): 94

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### **Code Family: 24 Getting things done**

Created: 07/10/23 12:40:18 (Super)

Comment:

Entrepreneurial actions and behaviour undertaken in course of NVC

Codes (23): [behaviour action orientation] [behaviour attention to detail] [behaviour conflict avoiding/confronting] [behaviour considering several nv simultaneously] [behaviour delay gratification] [behaviour goal focus] [behaviour good at teamwork] [behaviour high energy] [behaviour over-delegating] [behaviour preference wheel and deal] [behaviour priority is

business development] [behaviour procrastinating] [behaviour professionalism] [behaviour task focus] [characteristic organised/disorganised] [characteristic presence has impact] [commitment and determination] [commitment hard working] [planning get it right before launch] [planning research important] [thinking alternates between future and immediate] [thinking task discounting] [thinking through the details in advance]  
Quotation(s): 140

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#### **Code Family: 25 Growing the business**

Created: 07/11/26 16:48:11 (Super)

Comment:

As the business grows, new challenges emerge which may not have been anticipated by the entrepreneur

Codes (16): [funding process knowledge important] [growth challenge adequate funding] [growth challenge dealing with stakeholders] [growth challenge find more customers] [growth challenge funding no loss of control] [growth challenge maintaining same rate] [growth challenge offer more products/services] [growth not a garage business] [planning predicting the future] [trap from desire for control] [trap giving away equity to the wrong partner] [trap hiring the wrong employees] [trap unrealistic expectations market demand] [trap unrealistic expectations time to develop] [vision growth desire] [vision significant]  
Quotation(s): 47

---

#### **Code Family: 26 Social and institutional support**

Created: 08/01/29 12:28:09 (Super)

Comment:

Sources and relevance of support for the nvc effort, how the entrepreneur accesses

Codes (22): [family support important] [mentor as advisor] [mentor as enthusiast] [mentor as resource provider] [mentor as role model] [mentoring help] [mentors as risk reduction tool] [role model christian hero] [role models other entrepreneurs] [role models successful family members] [social community lacks understanding] [social community support limited] [social culture as influencing factor] [social perception alternative to crime] [social perception luck] [social response to entrepreneurship positive] [socio cultural differences] [support aimed at low end businesses] [support from financial institutions lacking] [support from shareholders] [support people inexperienced in nvc] [support systems frustrating]  
Quotation(s): 77

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#### **Code Family: 27 Strategy Formulation**

Created: 07/11/18 17:41:46 (Super)

Comment:

How entrepreneur formulates strategy - the way in which the nv positively differentiates itself from its competitors too satisfy customer needs

Codes (27): [business definition concise/vague] [business model change/stable] [business model strength/weakness] [business strategy brand bigger than person] [business strategy case study] [business strategy differentiation] [business strategy options] [business strategy relationship quality] [business strategy risk] [business strategy sales] [business strategy scalability] [business strategy slow to show success] [innovation KSF] [KSF distribution channel access] [KSF finding the right partners] [KSF finding the right suppliers] [KSF focus on core business] [KSF knowledge of industry] [KSF understand sales cycle] [KSF understand the target market] [product confident of superiority] [product development effort continuous] [product development trial and error] [product prototype developed] [product quality KSF] [risk reduction from focus] [time speed as risk reduction, KSF]  
Quotation(s): 126

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### **Code Family: 28 Personal characteristics**

Created: 07/11/18 17:15:10 (Super)

Comment:

Terms used by the entrepreneur and others to describe the natural talents and traits personally characteristic of the entrepreneur

Codes (27): [characteristic ambitious] [characteristic analytical] [characteristic arrogant] [characteristic assertive] [characteristic caring for others] [characteristic competitive] [characteristic conservative] [characteristic curiosity] [characteristic daring/cautious] [characteristic easily bored] [characteristic encouraging, enthusiastic] [characteristic flexible/inflexible] [characteristic generosity] [characteristic honest, direct] [characteristic organised/disorganised] [characteristic patience/impatience] [characteristic perfectionist] [characteristic personality extravert] [characteristic personality introvert] [characteristic presence has impact] [characteristic resilient] [characteristic responsible] [characteristic sense of humour] [characteristic serious minded] [characteristic tolerant of criticism] [characteristic uncompromising] [characteristic warm and friendly]  
Quotation(s): 142

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### **Code Family: 29 Entrepreneurial learning**

Created: 07/10/23 17:14:40 (Super)

Comment:

The capacities that the entrepreneur has or is required to develop in order to successfully create a new venture

Codes (28): [barrier experience in business lacking] [competition knowledge important] [failure due to lack of understanding] [knowledge from experience in industry] [knowledge from business education] [knowledge from business subjects at school] [Knowledge from close observation of nvc] [knowledge from experience in business relevant] [knowledge from experience with corporates] [knowledge from experience with high level decision makers] [knowledge from experience with serial entrepreneurship] [knowledge from experience with survivalist entrepreneurship] [knowledge from exposure to technology] [knowledge from family entrepreneurial expertise] [knowledge from life experience] [knowledge from technical education] [knowledge skills transferable] [KSF financial discipline] [KSF knowledge of industry] [KSF understand the target market] [learning about business in general] [learning about business processes] [learning about self during nvc] [learning about the product] [learning continuous] [learning from experience necessary] [learning from family industry expertise] [networking important]  
Quotation(s): 156

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### **Code Family: 30 Creativity and innovation**

Created: 07/11/14 16:32:07 (Super)

Comment:

How entrepreneurs create novel solutions, ideas and concepts for use in nvc

Codes (26): [business strategy differentiation] [idea as opportunity to test skills] [idea as problem solving] [idea developed over time] [idea from access to resources] [idea from business model weakness] [idea from change in environment] [idea from change/development in technology] [idea from customer relationship] [idea from different place] [idea from hobby] [idea from luck] [innovation as desperation] [innovation continuously getting new] [innovation diffusion time] [innovation discussing business idea with others] [innovation KSF] [innovation new application existing technology] [innovation reinforcing effect of feed-back] [innovation repeated experimentation] [innovation risk] [innovative behaviour inventive] [satisfaction creative] [talent artistic creative] [talent pragmatic creative] [thinking different ways to achieve end]  
Quotation(s): 124



## L. Super family clusters

The following pages list the 'super family clusters', which constitute the final step in the coding process as described in Chapter 3.5.1 of the thesis document. These 'super family clusters' form the basis of the cross-case analysis presented in Chapter 20.

HU: DBA Transcripts 3  
File: [C:\Documents and Settings\Administrator\My Documents\Scientific Software\ATLAS...\DBA Transcripts 3.hpr5]  
Edited by: Super  
Date/Time: 08/10/14 05:28:12

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### 1.

Code Family: 01 Early influences  
Created: 07/11/14 16:14:10 (Super)  
Comment:  
The role of the family on the subject's development as an entrepreneur both prior to and during nvc  
Codes (30): Quotation(s): 139

---

### 2.

Code Family: 28 Personal characteristics  
Created: 07/11/18 17:15:10 (Super)  
Comment:  
Terms used by the entrepreneur and others to describe the natural talents and traits personally characteristic of the entrepreneur  
Codes (27): Quotation(s): 142

Code Family: 21 Cognitive processes  
Created: 07/11/25 13:54:11 (Super)  
Comment:  
The internal mental processes used by the entrepreneur in new venture creation  
Codes (23): Quotation(s): 115

Code Family: 30 Creativity and innovation  
Created: 07/11/14 16:32:07 (Super)  
Comment:  
How entrepreneurs create novel solutions, ideas and concepts for use in nvc  
Codes (26): Quotation(s): 124

Code Family: 29 Entrepreneurial learning  
Created: 07/10/23 17:14:40 (Super)  
Comment:  
The capacities that the entrepreneur has or is required to develop in order to successfully create a new venture  
Codes (28): Quotation(s): 156

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**3.**

Code Family: 02 Motivation to start new venture

Created: 07/10/23 05:59:12 (Super)

Comment:

What motivates the entrepreneur to begin the nvc process and what keeps them going when times are tough

Codes (30): Quotation(s): 224

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**4.**

Code Family: 04 Preparation and intention

Created: 07/11/14 16:22:31 (Super)

Comment:

How entrepreneurs prepare for nvc, often long before they have identified a particular opportunity

Codes (29): Quotation(s): 166

Code Family: 03 Developing expertise

Created: 07/11/25 13:17:36 (Super)

Comment:

How entrepreneurs develop the expertise they need to create and sustain a new venture

Codes (34): Quotation(s): 176

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**5.**

Code Family: 05 Source of business idea

Created: 07/11/11 16:30:01 (Super)

Comment:

How new business ideas emerge

Codes (20): Quotation(s): 85

Code Family: 06 Opportunity evaluation

Created: 07/10/23 06:09:16 (Super)

Comment:

How the entrepreneur evaluates the opportunity prior to committing resources to exploiting it

Codes (20): Quotation(s): 110

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**6.**

Code Family: 08 The commitment event

Created: 08/08/22 13:29:53 (Super)

Codes (9): Quotation(s): 93

---

**7.**

Code Family: 09 How partnerships work

Created: 07/10/23 06:20:35 (Super)

Comment:

Partnerships are an important dynamic in the nvc process - this explores how partnerships are established and operate and how the relationship between partners is managed by the entrepreneur

Codes (22): Quotation(s): 96

Code Family: 10 Creating and managing networks

Created: 07/10/22 19:50:27 (Super)

Comment:



Reasons for, establishment and management of social networks that deliver a benefit for the entrepreneur and the new venture

Codes (24): Quotation(s): 109

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**8.**

Code Family: 11 Gathering resources

Created: 08/08/22 13:31:08 (Super)

Codes (27): Quotation(s): 127

Code Family: 14 Information as a resource

Created: 07/11/11 16:59:32 (Super)

Comment:

How information is or could be used in the nvc process

Codes (22): Quotation(s): 130

**9.**

Code Family: 12 Managing risk

Created: 07/10/23 15:20:19 (Super)

Comment:

How the entrepreneur perceives risk and organises resources to reduce/minimise it

Codes (26): Quotation(s): 98

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**10.**

Code Family: 16 Startup process

Created: 07/11/25 13:27:12 (Super)

Comment:

The steps involved in the actual startup of a new venture

Codes (22): Quotation(s): 76

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**11.**

Code Family: 22 Emotional dimension

Created: 07/10/23 13:05:10 (Super)

Comment:

The kinds of emotions that entrepreneurs experience during nvc

Codes (23): Quotation(s): 125

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**12.**

Code Family: 23 Spiritual dimension

Created: 08/01/29 08:25:20 (Super)

Codes (19): Quotation(s): 94

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**13.**

Code Family: 15 Managing the macro-environment

Created: 08/08/22 13:24:41 (Super)

Codes (25): Quotation(s): 105

Code Family: 18 Managing the competitive environment

Created: 08/08/22 13:28:47 (Super)

Codes (16): Quotation(s): 64

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**14.**

Code Family: 13 Planning the business

Created: 07/10/23 12:47:15 (Super)

Comment:

How the entrepreneur tries to anticipate future threats and opportunities - also involves the actions involved in preparing a business plan

Codes (24): Quotation(s): 113

Code Family: 07 Vision Goals

Created: 07/11/14 16:42:33 (Super)

Comment:

What the entrepreneur wants to achieve by setting up the new venture, and how he will know he has achieved it

Codes (27): Quotation(s): 141

Code Family: 27 Strategy Formulation

Created: 07/11/18 17:41:46 (Super)

Comment:

How entrepreneur formulates strategy - the way in which the nv positively differentiates itself from its competitors too satisfy customer needs

Codes (27): Quotation(s): 126

Code Family: 25 Growing the business

Created: 07/11/26 16:48:11 (Super)

Comment:

As the business grows, new challenges emerge which may not have been anticipated by the entrepreneur

Codes (16): Quotation(s): 47

---

**15.**

Code Family: 19 Organisation building

Created: 08/08/22 13:32:03 (Super)

Codes (22): Quotation(s): 73

Code Family: 24 Getting things done

Created: 07/10/23 12:40:18 (Super)

Comment:

Entrepreneurial actions and behaviour undertaken in course of NVC

Codes (23): Quotation(s): 140

Code Family: 26 Social and institutional support

Created: 08/01/29 12:28:09 (Super)

Comment:

Sources and relevance of support for the nvc effort, how the entrepreneur accesses

Codes (22): Quotation(s): 77

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**16.**

Code Family: 17 Describing the experience

Created: 07/10/23 17:07:05 (Super)

Comment:

The way in which entrepreneurs describe the experience of new venture creation, with special emphasis on the way metaphors are used to construct meaning

Codes (27): Quotation(s): 105

Code Family: 20 Entrepreneurial identity

Created: 08/01/29 12:17:21 (Super)

Comment: How an individual's view of themselves influences understanding of the nvc process

Codes (28): Quotation(s): 137



## **M. Framework for narrative summaries**

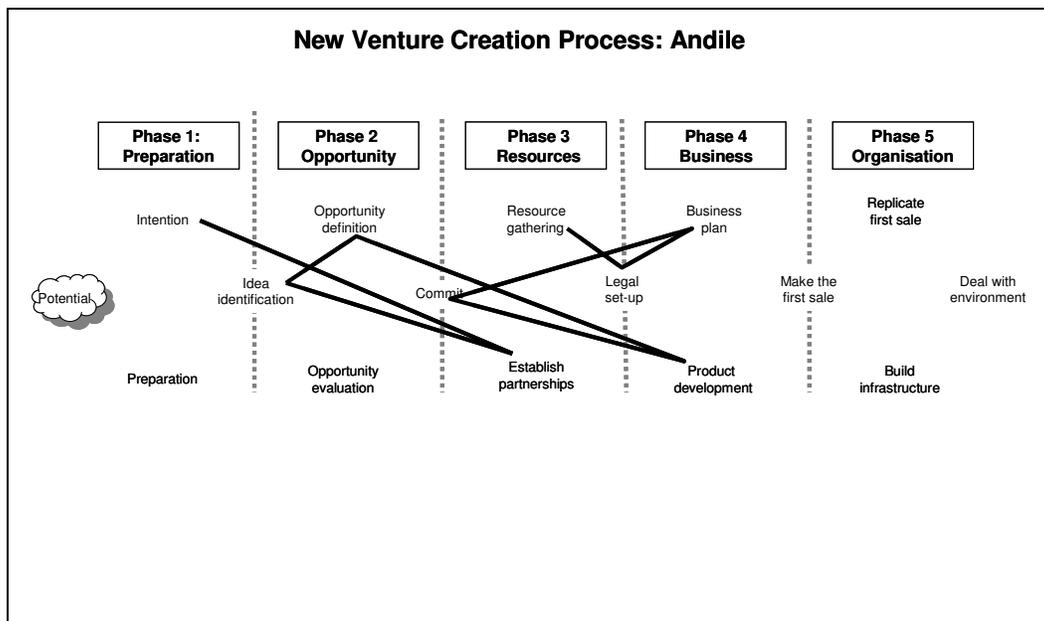
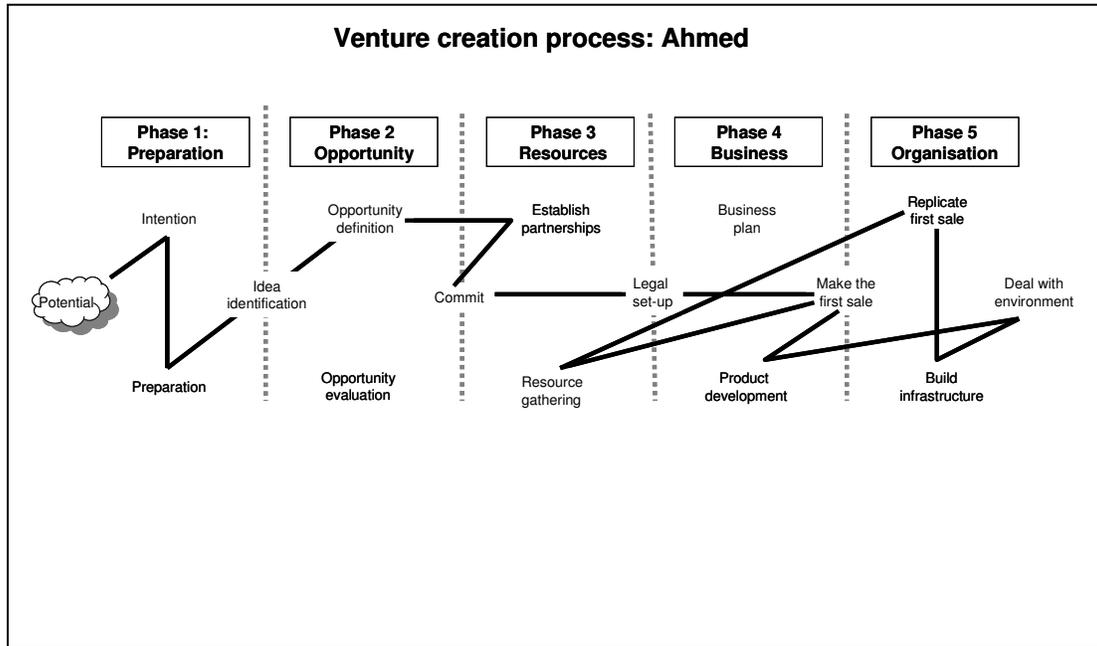
- 1. Personal context**
  - 1.1. Key characteristics
  - 1.2. Education
  - 1.3. Work experience
  
- 2. Family and social context**
  - 2.1. Childhood and parental influences
  - 2.2. Family support
  - 2.3. Business and social relationships
  
- 3. Business and organisational context**
  - 3.1. Inspiration and preparation
  - 3.2. Opportunity search and evaluation
  - 3.3. Start-up decision and sequence of events
  - 3.4. Resourcing the business
  - 3.5. Managing risk
  - 3.6. Exit strategy
  
- 4. Macro-environment and competitive context**
  - 4.1. Macro-environmental conditions
  - 4.2. Competitive environment conditions
  
- 5. Describing the experience**
  - 5.1. Personal challenges and opportunities
  - 5.2. Business challenges and opportunities

## **N. Framework for within-case analysis**

- 1. Early influences**
  - Positive/negative
  - Relative importance of different stages
  - Impacts
- 2. Social capital**
  - Number of relationships
  - Strength of ties
  - Diversity of network
  - Network dynamics
- 3. New venture creation process**
  - Initiation and completion of start-up
  - Length of time
  - Categories
  - Order of events
- 4. Business model and strategy evaluation**
  - Strategy process
  - Consistency
  - Consonance
  - Advantage
  - Feasibility
- 5. Support required**
- 6. Meaning making metaphors**
  - Metaphors used and examples
  - Implied features of the experience – highlighted and hidden
  - Feelings communicated through the use of the metaphor
  - Socio-cultural conventions suggested – responses evoked
- 7. Relationships between different levels of analysis**
  - Personal to social
  - Personal to business
  - Personal to environment
- 8. Respondent differences**
  - Consistent
  - Complementary
  - Contradictory
- 9. Implications of this analysis**

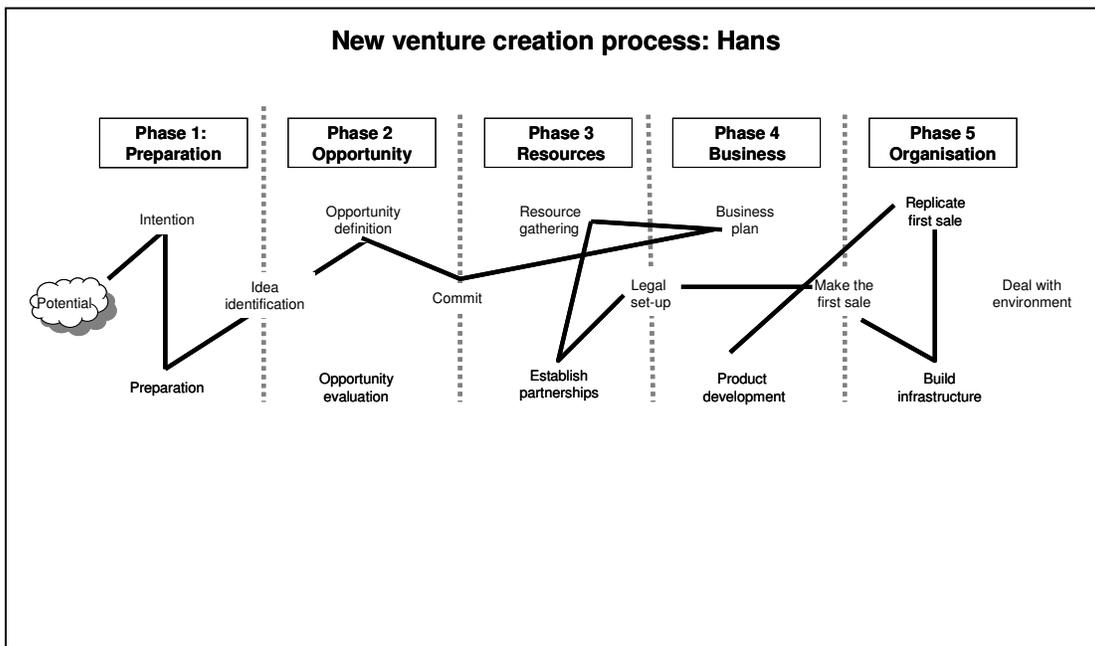
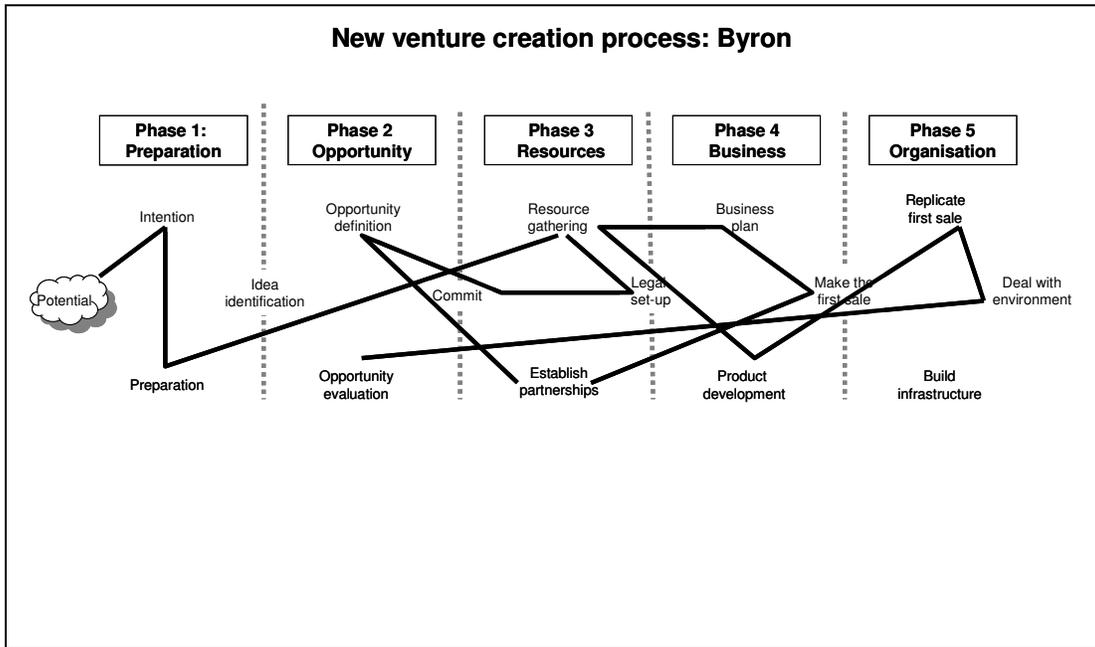


## O. Mapping of venture creation process for each case

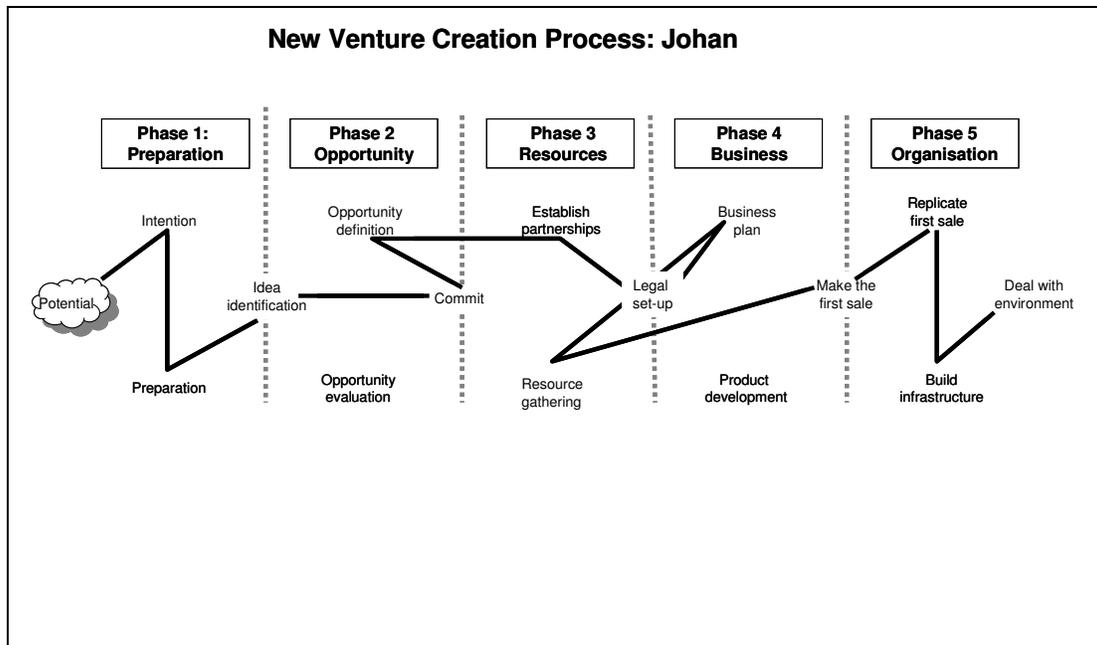
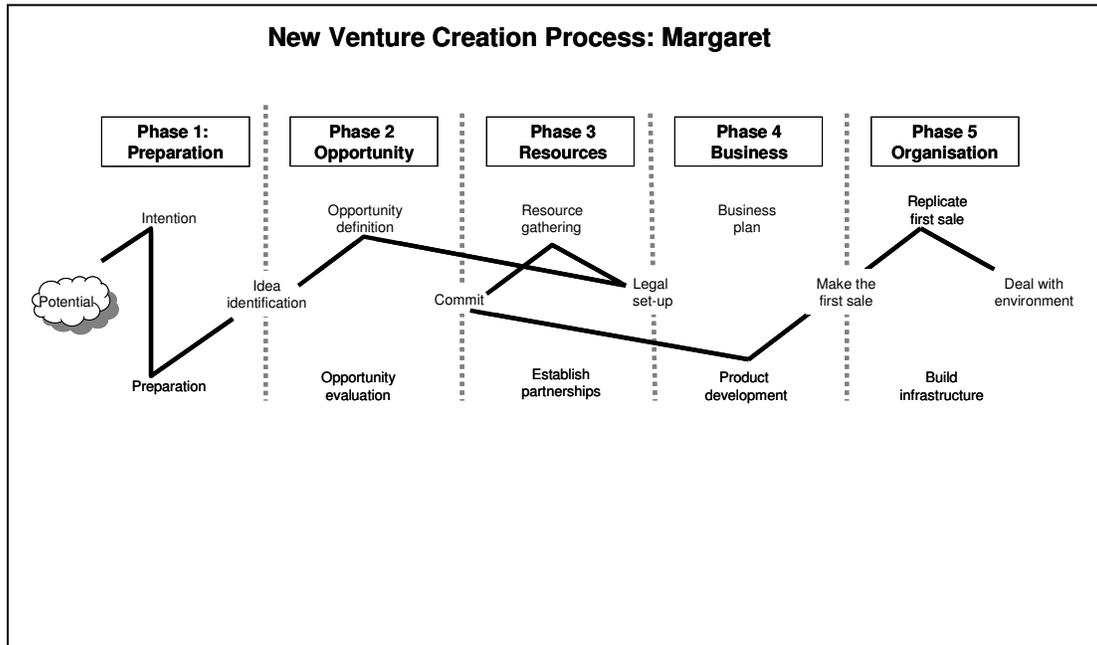




### O. Mapping of venture creation process for each case (continued)



O. Mapping of venture creation process for each case (continued)





### O. Mapping of venture creation process for each case (continued)

