

## CHAPTER 1: BACKGROUND AND ORIENTATION OF THE PROBLEM

*“Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment of providing value for some product or service. The product itself may or may not be new or unique but must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.”* (Ronstadt, 1996: 28)

### 1.1 INTRODUCTION

Chapter one introduces the background and orientation of the problem, identifying the theme for the balance of the study. An entrepreneurial service vision in a franchised home entertainment environment encapsulates the disciplines of entrepreneurship, franchising and strategic marketing. Within the constraints of this research project, strategic marketing is in turn represented by strategic service initiatives of the service profit chain, service quality, relationship marketing and best practice initiatives. The aim of the study is to empirically evaluate the association of these disciplines toward the development of a conceptual matrix of an entrepreneurial service vision within a defined franchised system.

The background of the study identifies the subject area, together with the primary objective of identifying entrepreneurship and entrepreneurial orientation within a defined franchise system; with synergistic links to a strategic service vision. Entrepreneurship is seen as an integrated concept permeating enterprise in an innovative and creative manner, whereas franchising is regarded as an entrepreneurial option for creating and developing ventures. The strategic service vision links the service profit chain, service quality, relationship marketing and best practice initiatives towards achieving organisational profit and growth objectives. The defined franchise system is Mr. VIDEO, the market leader in the home entertainment industry on the African continent. The organisation commands an eighteen per cent market share, consisting of over one hundred and fifty franchised outlets. The study is limited to this franchise system, and cognisance is taken of the limited availability of literature on the defined disciplines in the home entertainment industry.

The importance of the study revolves around its contribution not only to enhancing understanding of the dynamics of the industry on the African continent, but also to

conceptualising an entrepreneurial service vision in the home entertainment industry. The contribution of such a strategic service vision will facilitate competitive advantage throughout the supply chain; involving distributors, retailers (primarily franchise based) and the interaction with customers. Theoretically, the value the investigation will provide will be in understanding that the home entertainment industry is worthy of developing a body of knowledge, to be shared by all industry participants.

The primary and secondary research questions, together with research objectives, are complemented with primary and secondary hypotheses. The research questions, objectives and hypotheses all revolve around an entrepreneurial orientation and strategic service vision in a franchised home entertainment environment. The research methodology and design are depicted as the sequence of stages underlying the design and implementation of the research project, including the establishment of the research purpose and objectives, information value estimation, research design and implementation. Design includes sources of data, data collection format, measurement scales and instrument design. Data analysis incorporates descriptive and inferential statistics, with the aid of computer software including SPSS version 11.0 and Surveypro. Research results and conclusions elaborate the findings based on the literature review and empirical analysis, towards the development of a conceptual entrepreneurial service matrix.

The thesis consists of eight chapters. Chapter one represents the background and orientation to the problem; chapters two to five represent a literature review on the disciplines identified; and chapters six to eight represent the research methodology, research results, conclusions, interpretation and recommendations.

## **1.2 BACKGROUND OF THE STUDY**

The subject areas of the study include entrepreneurship, entrepreneurial orientation, franchising, service quality dimensions, the service profit chain, relationship marketing and best practice initiatives.

The primary objective of the research project is to identify entrepreneurship and entrepreneurial orientation within a defined franchise system; with synergistic links to a strategic service vision. The strategic service vision in turn includes service quality, the

service profit chain, relationship management and best practice initiatives. Upon identification of the links and relationships amongst constructs, factors and variables; the opportunity exists to develop a matrix to facilitate service-oriented decision-making within the franchise system.

Kuratko and Hodgetts (2004: 3) introduce entrepreneurship as, “an integrated concept that permeates an individual’s business in an innovative manner”. Entrepreneurs are individuals who recognize opportunities, often being aggressive change catalysts within the marketplace. In high growth, global, competitive economies the ability to grow businesses, create wealth, and sustain competitive advantage has become imperative (Acs, Arenius, Hat & Minniti, 2005: 12). Entrepreneurship is associated with adaptation and change of economic systems, often contributing to national economic growth (Bygrave, Reynolds & Autio, 2004: 5). Gartner (2001: 11) highlighted a dual approach to entrepreneurship; consisting of behavioural and trait approaches. He further went on to identify behavioural approaches as a set of activities involved in organisation creation, while in trait approaches an entrepreneur has a set of personality traits and characteristics. Complementing the trait approach, Bolton and Thompson (2004: 100) developed the temperament, talent and technique matrix; identifying facets of focus, advantage, creativity, team, social and ego. Bolton and Thompson (2003: 49) define an entrepreneur as “a person who habitually creates and innovates to build something of value around perceived opportunities”. To this end, their definition is not only limited to the creation of new ventures, but also the exploitation of opportunities. Thompson (2002) identified character themes of the entrepreneur, applicable to the current study.

Franchising is seen as an entrepreneurial option towards creating and developing ventures (Bygrave: 1997). Michael (2003: 61) in agreement herewith, mentions franchising as a technique for entrepreneurs in service industries to assemble resources in order to rapidly create large chains and gain first mover advantage. Franchising is an arrangement between two parties whereby the franchisor grants the franchisee certain rights to sell a firm’s products or services, as per guidelines set down by the franchisor (Nieman, 1998: 3). The franchise association of Southern Africa defines franchising as “a grant by the franchisor to the franchisee, entitling the latter to the use of a complete business package containing all the elements necessary to establish a previously untrained person in the franchised business and enable him or her to run it on an ongoing basis, according to guidelines supplied, efficiently and profitably”. Mendelsohn (2003) emphasises that a

franchise relationship is not self-sustaining, with basic issues being that the franchise cannot succeed without successful franchisees, franchisors to devote resources to enhance franchisor/franchisee relations, franchisor duty to establish and sustain a viable business, a franchisors code of ethics, and a commitment that the franchisor must promote the basic principles upon which franchising is based. Franchisors in many sectors have recognised the benefits of multiple-unit franchisees (Johnson, 2004: 36), and this is seen as an entrepreneurial continuation of the franchise trend. Lindsay and McStay (2004: 3) further explored the entrepreneurial orientation of franchisees, together with the entrepreneurial drivers of franchisee performance. Their findings indicated a proactiveness regarding entrepreneurial orientation, together with a risk-taking entrepreneurial orientation.

The economic growth in service quality, related profit and competitive advantage potential has accelerated the competitive opportunities for companies who can excel in this discipline. The search for new approaches to enhance service quality and customer satisfaction led to the development of the scale SERVQUAL (Parasuraman, Berry & Zeithaml: 1988) that measures the discrepancy between consumers' perceptions and expectations. Zeithaml and Bitner (2003: 93) developed this model further, identifying five service quality dimensions, along with the scale developed to measure them. Dimensions include reliability, responsiveness, assurance, empathy and tangibles. In context, these dimensions represent how consumers perceive service quality. An adaptation is the development of SERVPERF (Cronin & Taylor: 1994), a service quality instrument applicable to the research project on hand.

Whilst service quality is directed towards customer satisfaction, the link to profit and growth of organisations led to the development of the service profit chain (Heskett, Sasser & Schlesinger, 1997: 12). This is a strategic service vision whereby there is a strong and direct relationship between customer satisfaction, customer loyalty and the value of the goods and services delivered to customers. Furthermore, there is a strong link between these elements and overall profit and growth of an organisation. Heskett *et al* (1997) also identified three strategic implementation initiatives of retention, related sales and referrals; as integral components of the service profit chain.

Relationships between value chain participants (Porter: 1995) led to developments in the field of relationship marketing. Peck, Payne, Christopher and Clark (1999: 22) developed a revised version of the six markets model; which included internal, referral, influence,

recruitment and supplier/alliance markets. The six markets model identifies all facets of internal and external relationships that can contribute towards an organisation's marketplace effectiveness.

Complementing the service vision further led to development of best practice initiatives, often adopted by innovative firms in competitive industries and environments. Such initiatives were regarded as pivotal for survival and achievement of competitive advantage (Porter: 1998). The Video Software Dealers Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business consultants. These were wide ranging, including understanding customers and markets, developing vision and strategy, refining store product offerings, implementing the marketing plan, creating promotions and in-store merchandising, and clear in-store operations. Customer service findings included that best customer service is one-to-one, and strong relationships and loyalty are developed between staff and customers through consistency of management and staff, and personalising customer service.

An entrepreneurial orientation within a defined franchised system, coupled with service vision components, has been evaluated in the South African home entertainment industry. The industry has an oligopolistic supply channel, dominated by two corporate distributors. Retailers are in turn dominated by a few franchisors, operating on a national (and rest of Africa) basis. The market leader, Mr. VIDEO, was founded ten years ago, and has experienced this domination for the past five years. Mr. VIDEO has a market share of approximately eighteen per cent. Entrepreneurial behaviour will be evaluated within the context of this franchise system. The industry is a major contributor to employment and income, with the market valued at approximately R 600 million per annum. Since the home entertainment market is a product of technology, it aptly fits with the entrepreneurial characteristics of innovation and creativity.

### **1.2.1 Limitations of the study**

A major limitation in this study is the limited existence of literature and material regarding the South African home entertainment industry, notwithstanding competitiveness in the supply channel due to oligopolistic market forces. Whilst the study is on the franchised system within the Mr. VIDEO network; it is the opinion of the researcher that the study cannot be extended to the entire franchised home entertainment

industry, primarily due to confidential marketing strategies. Different franchised groups would not be willing to share their competitive strategies outside their own franchise grouping. This limits this study to a single franchised group, in this case, the market leader (approximately three times larger than its closest competitor). Furthermore, the researcher was the managing director of the second largest franchised group in the industry, and participants may question ethical considerations. Ideally, the entire home entertainment market would have been the optimal population; opening avenues for further research.

Limitations of the applicable research project recommendations rest upon the motivation and entrepreneurial orientation of implementation within a franchised environment, which is ultimately in the hands of the franchisee. The franchisor, however, has to be seen as the change-catalyst towards strategic implementation.

### **1.3 IMPORTANCE OF THE STUDY**

In this study, business management frameworks regarding aspects of an entrepreneurial service vision within a franchised environment are systematically recommended. The conceptual framework is empirically tested and within this framework important conclusions are made, providing insight into these disciplines. Specific implications are tested, with recommendations regarding aspects of implementation within the context of selected South African organisations. The value of this study therefore rests on theoretical and practical levels.

Whilst the existing body of knowledge has influenced strategic service visions in many service related industries; entrepreneurship and the service profit chain, together with other strategic initiatives have received minimal formal research in the lucrative South African home entertainment industry. To date, no published entrepreneurial service vision within this industry is to be found in reviews, standing operating procedures, nor any literature search. This study will not only enhance understanding of the dynamics of the industry on the African continent, but also conceptualise an entrepreneurial service vision in the home entertainment industry. The contribution of such a strategic service vision will facilitate competitive advantage throughout the supply chain; involving distributors, retailers (primarily franchise based) and the interaction with customers.

Theoretically, the value the investigation provides will be in understanding that the home entertainment industry is worthy of developing a body of knowledge, to be shared by all industry participants. Similarly, linking entrepreneurship, franchising and strategic service in the form of a matrix may be of interest and application to other academic disciplines. This will facilitate both researchers and students in related business management disciplines.

As a contribution to practice, the entrepreneurial service vision will enhance the longevity of the industry, while sharing entrepreneurial service vision recommendations with all industry participants. As such, the general oligopolistic nature of major industry participants will be dissolved; making the industry more accessible, creating more employment, and increasing industry participants. Since the industry is a product of technology, the identification of entrepreneurial behaviour of franchisor/franchisees will highlight the re-defining of industry practices.

This study, the first of its kind in the home entertainment industry and in the specific organisation, will smooth the way for implementation of entrepreneurial franchise service initiatives in the organisation. It will also assist franchisees in their advancement in the organisation and could be used to complement other programmes within the home entertainment, entrepreneurial and franchised communities.

On a macro level, successful implementation of the matrix will enhance industry participation; together with entrepreneurial contributions towards the creation of wealth, economic growth and creation of employment in a dynamic, yet turbulent developing economy such as South Africa. In addition, the study will enhance South African companies' competitive advantage in an international marketing environment.

#### **1.4 DEFINITION OF THE RESEARCH PROBLEM**

The research problem is the determination of an entrepreneurial orientation of participants in a defined franchise system, coupled with the association of strategic service vision constructs. Once explored, the entrepreneurial orientation, franchise system and service vision constructs will be synergised to develop an entrepreneurial service vision within a franchised home entertainment environment. The research problem is further segregated



into primary and secondary research questions, key terminology, research objectives and hypotheses to be tested.

### **1.4.1 Research questions**

The purpose of the investigation is to determine the entrepreneurial orientation of participants in a franchised system, coupled with the association of service vision constructs. Once explored, the entrepreneurial orientation and service vision constructs will be synergised to develop an entrepreneurial service vision within a franchised environment.

#### 1.4.1.1 Primary research question

To determine the entrepreneurial orientation within a franchised system.

Question 1: Does entrepreneurial orientation exist within a franchised system, and if so, to what extent?

#### 1.4.1.2 Secondary research questions

To determine the contribution of franchising as an entrepreneurial option towards creating and developing ventures.

Question 2: Does franchising lead to an entrepreneurial option towards creating and developing ventures?

To determine the contribution of the service profit chain to service quality.

Question 3: Do service profit chain initiatives lead to service quality?

To determine the contribution of relationship marketing to service quality.

Question 4: Does relationship marketing lead to service quality?

To determine the contribution of best practice to service quality.

Question 5: Does best practice lead to service quality?

To determine service quality in a franchise system.

Question 6: What is the level of service quality in a franchise system?



### 1.4.2 Key terminology

The view of integrating entrepreneurial activity and strategic service within a franchised system may best be explained in the context of networks. The most widely held view of 'network' refers to an organized system of relationships, linking a defined set of persons, objects or events (Nelson: 1988; Szarka: 1990). This networking in small business serves to provide owner-managers with the necessary support, contacts, and credibility (Ostgarrd & Birley: 1996). Consequently, the owner-managers will benefit from obtaining necessary information and will learn more about their own competitive capabilities relative to their competition, thereby minimizing the harsh lessons the market place may present (Dilts: 2000). As such, networking is seen as a major tool for achieving desired business results, and as a key source of resources that are typically outside the reach of many entrepreneurs (Zhao & Aram: 1995). This network view correlates entrepreneurship and franchising, yet the study of entrepreneurial orientation amongst franchisees in the franchise system requires investigation. In this context, the study includes an entrepreneurial character theme analysis based on twenty associated themes; as developed by Bolton and Thompson (2003). In addition, franchising as an entrepreneurial option towards creating and developing ventures will be evaluated within the defined franchise system.

Extensive literature in the areas of customer satisfaction and loyalty are abounds, yet few link the disciplines of service quality, the service profit chain, relationship marketing and best practice. The development of a service vision matrix (incorporating these disciplines) involves an investigation into the relationship and association between these constructs independently and as a stratified matrix. Such a study will include strategic service initiatives of service quality (Zeithaml & Bitner: 2003), the service profit chain (Heskett *et al*: 1997), the relationship marketing six markets framework (Peck *et al*: 1999), and best practice principles (VSDA: 2001).

An important aspect of the study is synergising the overall entrepreneurial orientation of the franchised system within the framework of a strategic service vision.

### **1.4.3 Research objectives**

The research objectives are to investigate the current situation of entrepreneurial orientation in a franchise environment, together with examining the contribution of a strategic service vision to service quality. The purpose is thus to identify entrepreneurial behaviour amongst franchisees, franchising as an entrepreneurial option; and to identify elements of service quality, service profit chain, relationship management and best practice and finally, to develop a matrix of an entrepreneurial service vision, to be initiated within the defined franchise system.

The first objective of investigating entrepreneurial orientation within the franchise system is based around the entrepreneurial character themes as depicted by Bolton and Thompson (2003: 62-80). The outcome of orientation will facilitate decision-making and implementation of the strategic service vision.

The second objective, consisting of the four constructs (service profit chain; service quality, relationship management and best practice) associated with the vision; include investigation on issues relating to relationships within and between the constructs. An additional construct, the franchise paradox, measures the contribution of the franchise system as an entrepreneurial option towards creating and developing ventures (Bygrave: 1997).

The final objective is the development of an entrepreneurial service vision, based upon the findings of the first two objectives. Such a matrix may be described as a full representation or description of the set of associations between these factors, including statements about the assumptions and interactions in the matrix (Page & Meyer, 2000: 7).

### **1.4.4 Hypotheses to be tested**

Hypothesis testing uses statistical techniques to support predictions arising from theory. This is done at a statistically significant level, in that hypotheses (predictions) are either accepted or rejected. Page and Meyer (2000: 23) define a hypothesis as “a testable speculative statement delineating the relations between all the elements of a theory”. The two hypotheses involved in hypothesis testing are the null and alternate hypothesis

(represented by H0 and H1 respectively). H1 represents the research hypothesis, whilst H0 assumes the research hypothesis is false (Page & Meyer, 2000: 166).

The hypotheses supplement the research questions and objectives:

#### 1.4.4.1 Primary hypothesis

The primary hypothesis postulates that there is evidence of entrepreneurial orientation in a franchise system.

H1: Entrepreneurial orientation exists in a franchise system.

H0: Entrepreneurial orientation does not exist in a franchise system.

A proposition is introduced:

P1: Entrepreneurial orientation exists in a multiple-outlet franchise system.

#### 1.4.4.2 Secondary hypotheses

The secondary hypotheses postulate that there is evidence of a positive association between:

- The franchise system and an entrepreneurial option towards creating and developing ventures
- The service profit chain and service quality
- Relationship marketing and service quality
- Best practice and service quality.

H2: The franchise system is an entrepreneurial option towards creating and developing ventures.

H0: The franchise system is not an entrepreneurial option towards creating and developing ventures.

H3: Service profit chain initiatives are positively associated with service quality.

H0: Service profit chain initiatives are not positively associated with service quality.

- H4: Relationship marketing initiatives are positively associated with service quality.  
H0: Relationship marketing initiatives are not positively associated with service quality.
- H5: Best practice initiatives are positively associated with service quality.  
H0: Best practice initiatives are not positively associated with service quality.

Hypotheses testing include non-parametric testing, indicative of the assumption that the dependent variable does not necessarily have a normal distribution (bell-shaped). Hypothesis tests produce P-values, measuring significance, whereby there is a chance that the null hypothesis is true (Malhotra *et al.*: 2002). Hypothesis tests will include the Kruskal-Wallis one way ANOVA test, together with interaction tests for greater than one independent variables (Page & Meyer: 2003). Service quality, the dependent variable, will be measured using similar inferential statistics as the stated hypotheses.

## **1.5 RESEARCH DESIGN**

The study commences with an exploratory search of published data in the disciplines of entrepreneurship and franchising. Related literature is reviewed, with particular reference to entrepreneurial orientation and characteristics linked to the franchise paradox. In addition, experts and well informed people with respective credentials in these arenas are canvassed for their opinions and thoughts relating to the research objectives. This not only includes academia, but industry knowledgeable individuals. Published data includes books and journals, in addition to international academic conference proceedings.

The literature review (secondary data) forms the foundation on which the research is built, and Neuman (1997) informs that it should integrate and analyse what is known in the specific area by synthesizing different prior studies. To combine a literature study of the service profit chain, service quality, relationship management and best practice; there is in the first place a theoretical perspective investigation to the process of a strategic service vision. Thereafter a theoretical disposition evolves incorporating these factors into a strategic vision.

Research design is the general form or system according to which the study is executed, with surveys enabling the researcher to collect data in a standardized format from a

census. It is done in such a way that it is possible to make generalizations to the population. The survey will be implemented to collect data about a great number of similar cases, executed in a circumscribed area at a given time. The survey follows a deductive approach, whereby it commences with a theoretical or applied research problem and ends with empirical measurement and data analysis (Neuman, 1997: 109).

A composite ideology from three methodology authorities is proposed (Malhotra *et al*: 2002; Page & Meyer: 2003; Dillon *et al*: 1993). What follows is the intention to provide insight into the practical ways and methods that will be employed in gathering the information for the empirical part of this study.

### **1.5.1 Applicable design process**

Research designs may be classified as either being exploratory or conclusive (Malhotra *et al*: 2002). Conclusive research design is further classified as descriptive and causal research. This research project will be conclusive in nature; where the primary objective is to test hypotheses of entrepreneurial orientation and a strategic service vision (service profit chain, service quality, relationship marketing and industry best practice). This however does not negate the use of exploratory data, originally used in this study to develop hypotheses and develop questions (framework).

### **1.5.2 Sources of data**

Information sources available to the researcher can be classified as primary or secondary data (Dillon *et al*: 1993: 78). Aaker, Kumar and Day (2001) postulate that these methods may be used either singly or in combination. They explain secondary data as being already available, being collected for some purpose other than solving the present problem; whilst primary data are collected especially to address a specific research objective. Applicability to the current research project is the criterion for both secondary and primary data.

### **1.5.3 Data collection format**

The relationship between qualitative and quantitative research should not be considered in terms of a mutually exclusive dichotomy but rather as a continuum of complementary

paradigms (Borland: 2001). This complementarily is a point of view shared by Page *et al* (2003), placing emphasis on the research objectives as a guiding formation. The applicability of the current research project is quantitative in nature, despite the advantages and merits of qualitative research being complementary. The two were synergized, evaluated and then determined to construct a niche setting with clear research objectives. Qualitative data was primarily used during the exploratory phase, followed by quantitative primary data to test hypotheses.

#### 1.5.3.1 The survey method

The survey method is identified as the preferred format of data collection (Borland: 2001). The approaches identified by Malhotra *et al* (2002), Aaker *et al* (2001) and the tailored design method of Dillman (2000) were instrumental in the design of the survey applicable to the research project on hand.

#### 1.5.3.2 The sampling plan

Aaker *et al* (2001) identify sampling as the process of surveying only a sample of the population to make inferences about the whole population. Application to the current research project identifies the Mr. VIDEO franchise system within the home entertainment industry as a sample unit and element. The time period is 2004 and 2005, with size indicative of franchise system participants in the home entertainment industry. Martins *et al* (1996) identify the sampling frame as a record of all the sample units available for selection at a given stage of the sampling process. In this research project, the sampling frame will include all of the Mr. VIDEO franchised outlets (one hundred and sixty two stores, one hundred and ten franchisees).

A census is a complete enumeration of the elements of a population, whilst a sample is a subgroup of the population selected for participation in the study. Advantages to using a census primarily revolve around the large variance in the characteristic of interest being large; the high cost of sampling error; and ultimately a small sample (Malhotra *et al*: 2002). The best sample designs ensure that the sampled data represent the research population efficiently and reliably (Page & Meyer: 2003). A census is obtained by collecting information about each member of the group (de Vaus: 1995); applicable to all Mr. VIDEO franchisees in the current research project. Since the sample unit and sample

frame consist of all Mr. VIDEO franchisees, a census was done of the population elements and all 125 franchisees were included in this study.

#### **1.5.4 Measurement scales**

Page and Meyer (2003: 72) refer to measurement scales as, “a set of measures where some level of value or intensity or characteristic is conveyed by a position, usually a number, on the scale”. Four variable measurement scales, namely, nominal, ordinal, interval and ratio scales are identified (Aaker *et al*: 2001). In a nominal variable scale, numbers represent a particular characteristic, despite numbers not conveying any sense of order or value in the measurement (Page & Meyer: 2003). Ordinal variable scales provide some order to the values of the variable being measured, providing more information than nominal scales. Whilst nominal scales do not have the property of order among them, ordinal scales have the property of order among scale points (Sudman & Blair: 1998: 448). Interval variable scales measure variables whereby the measurement units are equidistant, but there is not necessarily a defining beginning point to the measure. There is no true zero point to embed numerical calculations (Page & Meyer: 2003). Ratio scales are an advanced type of interval scale, whereby the spaces between measuring units are exactly the same, with the advantage of an absolute zero point. Ratio measurement scales provide an increasing depth of information about a variable, having order among scaling points, equal distances among all adjacent scale points, and an absolute zero (Sudman & Blair: 1998). Applicability to the current research project involved a bi-variable measurement approach; that of nominal and interval measurement scales. The current research project will predominantly make use of a standard five-point Likert-scale, facilitating consistency and ease of completion.

#### **1.5.5 Instrument design**

This section details the use and applicability of the questionnaire to the current research project. Since this research is of a descriptive and exploratory nature, the questionnaire is deemed to be a feasible data collection alternative (Saunders *et al*: 1997). Self-administration has the advantages of foregoing interviewer bias and geographical dispersion; and due to expected response rates, the instrument is deemed to be effective (Neuman: 1997). The design of questions, structure of the questionnaire and rigor of pilot



testing are determinants of the validity and reliability of collected data (Saunders *et al*: 1997).

The questionnaire takes a two-tiered approach, and is divided into seven distinct sections. The first tier undertakes collection of data regarding franchisee classification, entrepreneurial orientation and franchising; whilst the second tier has responsibility for collection of strategic service data (service quality, service profit chain, relationship management and best practice). The questionnaire can be observed on page 1 in Appendix 1. The sections are depicted as follows:

- Section A: Franchisee demographics and details, questions 1-8
- Section B: Entrepreneurial orientation, questions 9-28
- Section C: Franchise system, questions 29-38
- Section D: The service profit chain, questions 39-48
- Section E: Service quality, questions 49-58
- Section F: Relationship marketing, questions 59-68
- Section G: Best practice, questions 69-78.

### **1.5.6 Data analysis**

Simply defined, data analysis is a statistical procedure employed in coding, editing, analyzing and interpreting data (Aaker *et al*: 2001). Editing entails a thorough and critical review of a completed questionnaire in terms of compliance with the criteria for collecting meaningful data; and deals with questionnaires not duly completed (Martins *et al*, 1996: 295). Coding is the conversion of questionnaire responses into numeric form in order to allow quantitative analysis (Page & Meyer: 2003).

Reliability and validity were evaluated as integral prerequisites for the research data on hand to avoid possible shortcomings and pitfalls in research results. Reliability involves the quality of measurement and refers to the amount of agreement between independent attempts to measure the same theoretical concept (Martins *et al*: 1996; Brien: 1995). Validity relates to the ability of a measurement instrument to measure what it purports to measure (Brien *et al*: 1995). Martins *et al* (1996: 26) relate validity specifically to measuring instruments.

Descriptive statistical techniques identify the application of univariate (single variable) measures of centre and spread and bivariate (two-variable) measures of association. Measures include the mean, standard error of the mean, standard deviation, kurtosis and cross tabulations. Inferential statistics include relevance tests (hypotheses tests), identifying implementation of the Kruskal-Wallis one-way analysis of variance (ANOVA). Cronbach's Alpha is introduced as a construct reliability measure, identifying overall inter-item correlation. The Pearson correlation coefficient is analysed across constructs. Applicable software used for the collection and analysis of data include Surveypro and SPSS version 11.0.

## **1.6 RESEARCH FINDINGS AND RECOMMENDATIONS**

Synthesis and interpretation concludes the theoretical component of research methodology, and is followed by an analysis of research results. This provides an analysis of the results and interpretation of data, together with the outcome of the primary and secondary hypotheses formulated in Section 1.4.4. Furthermore; constructs, factors and variables are evaluated, correlated and examined within the survey framework. The final outcome is portrayed as conclusions and recommendations, identifying and detailing the recommendation of an entrepreneurial service vision matrix in a franchised home entertainment environment.

## **1.7 OUTLINE OF THE THESIS**

The investigation commences with an exploratory to specific review of literature in the disciplines of entrepreneurship, entrepreneurial orientation, franchising, service profit chain, service quality, relationship marketing and best practice initiatives. This is followed by research methodology, identifying the systematic and objective analysis of observations that lead to the development of generalizations and predictions. The penultimate section constitutes the analysis of research results, followed by conclusions and recommendations. The outcome is the recommendation of a conceptual matrix of an entrepreneurial service vision in a franchised home entertainment environment. The programme of investigation is depicted in eight chapters, with complementary appendices.

### **1.7.1 Chapter One: Background and orientation of the problem**

This chapter offers background to the focus of the study within a franchised environment in the home entertainment industry in South Africa. The analogy commences with a background of the study, including the limitation of the study. The background identifies key aspects of entrepreneurship, entrepreneurial orientation, franchising, the service profit chain, service quality, relationship marketing and best practice. The study highlights the scarcity of available literature in the home entertainment industry, and the opportunity of enhancing the understanding of the dynamics of the industry. The research problem is defined; identifying primary and secondary research questions, key terminology, research objectives and finally primary and secondary hypotheses to complement the research questions. Research design places emphasis on the empirical nature of the research project; identifying the applicable design process, sources of data, data collection format (survey and sampling), measurement scales, instrument design and data analysis. Descriptive and inferential statistical techniques are identified. The chapter culminates in a brief description of research results and recommendations. Final comments follow on the outline followed in the study.

### **1.7.2 Chapter Two: Entrepreneurial orientation**

The second chapter covers a broad spectrum of existing literature on entrepreneurship, culminating in empirical studies on entrepreneurial orientation. The literature commences with the nature and development of entrepreneurship, including entrepreneurial participation rates. The review is supported by data from The Global Entrepreneurship Monitor (GEM), identifying assessment of national entrepreneurial activity. Various definitions of the entrepreneur are evaluated, followed by the nature, characteristics and behaviour of the entrepreneur. Comparisons of entrepreneurs, intrapreneurs and traditional managers are highlighted. The talent, temperament and technique of the entrepreneur are introduced, with linkage to Gallup's life themes. Finally, character themes to evaluate entrepreneurial orientation (Thompson: 2002) are discussed with relevance to empirical evidence. An adaptation of this empirical research is implemented as an entrepreneurial orientation measurement tool in this study.

### **1.7.3 Chapter Three: The franchise paradox**

This chapter introduces franchising as an entrepreneurial option towards creating and developing ventures. The nature and development of franchising is examined, together with the franchising link to entrepreneurship. Franchise rationale is developed from existing literature, depicting operational constructs within a franchise system. Rationale includes, but is not limited to, constructs of real estate development, training, continuing support, performance standards, research and development, marketing, operations manual, specialist support, territorial rights and terms of agreement. Franchise system relationships are evaluated in the context of trends, cooperation, leadership, effort, conflict, disputes, quality control, foundation, associations, networks and franchise system merits. The chapter culminates with a literature review of an entrepreneurial orientation in a franchise system, followed by an empirical review of proactivity, innovation and risk-taking in a franchise environment.

### **1.7.4 Chapter Four: Putting the service profit chain to work**

The fourth chapter identifies the service profit chain (Heskett *et al*: 1997) as a strategic service vision, identifying customer satisfaction and loyalty to long term organisational profitability and growth. The literature review commences with an overview of profit and growth related to the components of the service profit chain. Capitalising on the service profit chain identifies links in the chain, consisting of profit and growth link to customer loyalty, loyalty link to customer satisfaction, satisfaction link to service value, value link to employee productivity, productivity link to loyalty, loyalty link to employee satisfaction, and satisfaction link to internal quality of work life. Service profit chain implications are highlighted, lending management theories from many related disciplines. The management of customer satisfaction is reviewed, together with methods used to track customer satisfaction. The customer value equation is introduced, placing emphasis on requirements to add value. Customer loyalty receives emphasis from a determinants point of view, together with loyalty enhancing measures. The lifetime value of customers is analysed, identifying strategic initiatives of retention, related sales and referrals. The final section incorporates the enhancement of service profit chain initiatives, identifying eight strategies which facilitate service profit chain implementation.

### **1.7.5 Chapter five: Integrating service quality, relationship marketing and benchmarking for best practice**

This chapter identifies the disciplines of service quality, relationship marketing and best practice as three separate constructs. Service quality is most often conceptualised as the comparison of service expectations with actual performance perceptions. The various definitions of service quality are evaluated against the backdrop of the dimensionality of service quality, together with the integrated gaps model as identified by Zeithaml and Bitner (2003). Various service quality initiatives are assessed, highlighting service quality relationships. Of particular relevance, is the evaluation of service quality measurement. SERVQUAL and SERVPERF are two measurement instruments identified as being optimal for the study on hand.

A literature review was conducted on relationship marketing, with particular emphasis on the revised version of the six markets model (Peck *et al*: 1999). The six markets reviewed were customer, internal, referral, influence, recruitment and supplier/alliance markets. Each market domain was evaluated, with links to related literature from various sources in the discipline. Best practice initiatives included a review from generic literature, with particular emphasis on best practice in the home entertainment industry in the United States of America. The Video Software Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business consultants. These initiatives were wide ranging, including understanding customers and markets, developing vision and strategy, refining store product offering, implementing the marketing plan, creating promotions and in-store merchandising, and clear in-store operations.

The strategic service constructs identified in this research study include the service profit chain, service quality, relationship marketing and best practice. Service quality represents the dependent variable, whereas the other three identified constructs represent the independent variable.

### **1.7.6 Chapter Six: Research methodology**

The sixth chapter explains the research methodology as aligned with the research design. The chapter describes the research process, and details the problem formulation, research

objectives and hypotheses to be tested. Research design clarifies classification of research; whereas methodology incorporates sources of data, the data collection format, sampling plan, measurement scales and instrument design and testing. The chapter culminates in data analysis evaluation; consisting of editing and coding, reliability and validity, descriptive measures and inferential statistics. Hypotheses tests are supported using P-values, Kruskal-Wallis tests and Cronbach's Alpha. Synthesis and interpretation concludes the theoretical component of research methodology.

### **1.7.7 Chapter Seven: Research findings**

Chapter seven reflects an empirical analysis of the data obtained in this study. The first section explains the demographic and biographic profile of the franchisee respondents (section A of the questionnaire). The next section evaluates the entrepreneurial orientation of franchisees, followed by an empirical investigation in the franchise paradox (sections B and C in the questionnaire, respectively). A proposition is proposed, evaluating entrepreneurial orientation in a multiple-outlet franchise environment. The following section tests hypotheses and evaluates relationships between the service profit chain, relationship marketing and best practice (independent variables) and service quality (dependent variable). These constructs are identified in sections D, E, F and G of the questionnaire. Constructs, factors and variables are evaluated using the descriptive and inferential statistical techniques identified in Chapter six. Computer aided software facilitation in this research study include SPSS version 11.0 and Surveypro.

### **1.7.8 Chapter Eight: Summary, conclusions and recommendations**

The final chapter portrays confirmation of the results based on literature and empirical information. The hypotheses tested are discussed, and accepted or rejected based upon empirical analysis. Significant associations and differences amongst respondents, constructs, factors and variables are identified towards the development of a conceptual matrix of an entrepreneurial service vision in a franchised home entertainment environment. The chapter culminates with recommendations regarding the implementation of the conceptual matrix. Opportunity for further research; based on the conceptual matrix, concludes the chapter.

### **1.7.9 Appendices**

The appendices add value as contributory literature to the depicted chapters. Of particular reference is the questionnaire, the Mr. VIDEO franchised outlet distribution and correlation analysis of constructs. The bibliography depicts the extensive first instance reference source of literature used for the research study on hand.

## **1.8 CONCLUSION**

This introductory chapter provided an overview of the research project, highlighting the background against which the study is based. Terminology such as entrepreneurship, entrepreneurial orientation, the franchise paradox, the service profit chain, service quality, relationship marketing and best practice were introduced against the backdrop of the research objectives. The research project involves a study of the entrepreneurial orientation of franchisees within a defined franchise system in the home entertainment industry; coupled with a strategic service vision. The strategic service vision incorporates the synergistic contribution of service profit chain, service quality, relationship marketing and best practice initiatives.

The study has highlighted the scarcity of available literature in the home entertainment industry, together with the opportunity of enhancing the understanding of the dynamics of the industry. The research problem is defined; identifying primary and secondary research questions, key terminology, research objectives and finally primary and secondary hypotheses to complement the research questions. Research design places emphasis on the empirical nature of the research project; identifying the applicable design process, sources of data, data collection format (survey and sampling), measurement scales, instrument design and data analysis. Descriptive and inferential statistical techniques are identified. The chapter culminates in a brief description of research findings and recommendations. Comment is relayed on the chapter outline used in the study. The outcome is a conceptual matrix of an entrepreneurial service vision in a franchised home entertainment environment; a contribution to the development of the body of knowledge to be shared by all industry participants.

Chapter 2 provides a literature review of entrepreneurship, entrepreneur themes and entrepreneurial orientation in a franchise system



## CHAPTER 2: ENTREPRENEURIAL ORIENTATION

### 2.1 INTRODUCTION

Kuratko and Hodgetts (2004: 3) introduce entrepreneurship as, “an integrated concept that permeates an individual’s business in an innovative manner”. Entrepreneurs are individuals who recognize opportunities, being aggressive change catalysts within the marketplace.

In high growth, global, competitive economies the ability to grow businesses, create wealth, and sustain competitive advantage has become imperative. Entrepreneurship is associated with adaptation and change of economic systems, often contributing to national economic growth (Bygrave, Reynolds & Autio, 2004: 5). Gartner (2001: 11) highlighted a dual approach to entrepreneurship; consisting of behavioural and trait approaches. He further went on to identify behavioural approaches as a set of activities involved in organisation creation, while in trait approaches an entrepreneur has a set of personality traits and characteristics. Complementing the trait approach, Bolton and Thompson (2004: 76) developed the temperament, talent and technique matrix; identifying facets of focus, advantage, creativity, team, social and ego. Bolton and Thompson (2003: 49) define an entrepreneur as, “a person who habitually creates and innovates to build something of value around perceived opportunities”. To this end, their definition of entrepreneurship is not limited to the creation of new ventures, but includes the exploitation of opportunities.

Thompson, in *Global Entrepreneurship Monitor* (2003: 34) further developed a twenty-question character theme matrix to measure entrepreneurial orientation. The empirical research, based on the character theme matrix, was published in the *Global Entrepreneurship Monitor 2003 (GEM)*. A character theme is a personality attribute or characteristic that defines our normal, expected behaviour. Thompson’s (2002) set of themes forms our inner psychological core and defines things we do most readily and instinctively. These themes shall be examined and adapted for this study.

Themes consist of mastery, creativity, opportunity taking, urgency, performance orientation, networking, focus, time focus, ego, courage, team, strategic, envisioning, empowering, influencing, developer, systematic, disciplined, woo and relator. The

association of these themes relate to inventor, entrepreneur, leader, enabler and non-entrepreneurial associations. The objective is to evaluate franchisees against these themes and associations.

## **2.2 ENTREPRENEURIAL ORIENTATION**

“It’s not the critic who counts, nor the observer who watches from a safe distance. Wealth is created only by doers in the arena who are marred with dirt, dust, blood and sweat. These are producers who strike out on their own, who know high highs and low lows, great devotions, and who overextend themselves for worthwhile causes. Without exception, they fail more than they succeed and appreciate this reality even before venturing out on their own. But when these producers of wealth fail, they at least fail with style and grace, and then their gut soon recognizes that failure is only a resting place, not a place in which to spend a life-time. Their places will never be with those nameless souls who know neither victory nor defeat, who receive weekly paycheques regardless of their week’s performance, who are hired hands in the labour in someone else’s garden. These doers are producers and no matter what their lot is at any given moment, they’ll never take a place beside the takers, for theirs is a unique place, alone, under the sun.

They are entrepreneurs! ”

Joseph R. Mancuso

Center for Entrepreneurial Management

Nieman, Hough and Nieuwenhuizen (2003: 11) advise that entrepreneurial orientation is critical to the survival and growth of organisations, notwithstanding the importance to prosperity of economic advantage. They further inform that entrepreneurial orientation is focussed by a unique combination of factors, including culture, role models, family, education, work experience and personal orientation. Personal orientation includes factors such as creativity and innovation, risk taking, autonomy, pro-activeness and achievement orientation.

## **2.3 NATURE AND DEVELOPMENT OF ENTREPRENEURSHIP**

Gartner (2001) identifies two main approaches to entrepreneurial behaviour. In behavioural approaches, the study of entrepreneurship is seen as a set of activities involved in organisation creation, whereas in the trait approaches, an entrepreneur is seen

as possessing a set of personality traits and characteristics. Freel and Deaken (2003: 2) however base their concern on three approaches, being the contributions of economic writers, the psychological trait approach on personality characteristics of the entrepreneur, and a social-behavioural approach, stressing the influence of the social environment as well as personality traits.

In examining conventional economic theory, the term ‘entrepreneur’ is noticeably absent. The development of the theory of entrepreneurship parallels to a great extent the development of the term ‘entrepreneurship’ (Hisrich, Peters & Shepherd, 2004: 6). The word entrepreneur originates from French, and literally translated, means “go-between” or “between-taker”. Identifying an entrepreneur as an individual, a literal meaning might translate as “one who takes between”. Looking back through the ages, entrepreneurship development may be the result of many activities:

- Earliest period; early trading had many examples of go-betweens, Marco Polo being an early example. He attempted to establish trade routes to the East, dealing with merchant-adventurers. Activities included trading, physical and emotional risk, profiteering, notwithstanding the risks associated with pioneering itself
- Middle ages; during this period, the term entrepreneur was used to describe an actor and an individual who managed large projects. Such an example was the cleric, the person in charge of great architectural constructions, such as, cathedrals, abbeys and castles. The element of risk was however not prevalent
- 17th Century; the entrepreneurial connection with risk developed during this period, whereby the individual went into contractual arrangements with governments
- 18th Century; this period was characterised by the industrialization of the world, with the person with capital being differentiated from the one requiring capital. Thus, the entrepreneur was distinguished from the capital provider (present day venture capitalist). Examples included inventions by Eli Whitney (developer of the cotton gin) and Thomas Edison (electricity and chemistry), both being capital users (entrepreneurs) and not capital providers (venture capitalists)
- 19th and 20th Centuries; during this period, entrepreneurs and managers were closely associated and undifferentiated from an economic perspective (Hisrich & Peters: 1998). An example was Andrew Carnegie, whilst inventing nothing, adapted new technologies into products to achieve economic vitality. In the mid

20th century however, the link between entrepreneurship and innovation came to the fore. Innovation is however not a new phenomenon, being existent through history, from the Egyptians (pyramids made out of stone blocks, weighing many tons each), to the Apollo lunar module, to laser beam technology.

Whilst Freel and Deakins (2003) recognise the economic approach to entrepreneurship, they also recognise the significant role the entrepreneur has had in economic development. This is emphasised by writers outside mainstream economic thinking:

- Richard Cantillon, a noted economist and author in the 1700s, developed one of the earliest theories of the entrepreneur, and is often regarded as the founder of the term. Together with Say (1803), the entrepreneur was regarded as an organizer of factors of production, with additional insights reflecting the entrepreneur as a catalyst for economic change. Cantillon also regarded the entrepreneur as a risk-taker. Both Cantillon and Say belonged to the French school of thought known as ‘physiocrats’ (the physical nature of the then agrarian economy)
- The Kirznerian entrepreneur makes use of opportunities for trade, the entrepreneur being alert to profitable opportunities. Kirzner is one of the initial Austrian school writers who researched the characteristics of the entrepreneur. He further went on to identify the entrepreneur as having additional knowledge in providing opportunities for creative discoveries. Criticism levelled at Kirzner was that anyone could potentially possess the additional knowledge. Despite this, his identification of the key role of the entrepreneur as an opportunity spotter, together with insights regarding the entrepreneur’s key ability in creative alertness, laid the foundation for current day entrepreneurial thinking
- Whilst also being of the Austrian school of writers, Joseph Schumpeter identified the key role of the entrepreneur as being an innovator (Schumpeter, 1949). He believed that only certain people have the ability to be entrepreneurs, changing convention through innovative activity. In contrast to the Kirznerian entrepreneur, who operates on opportunities that arise out of new technology, the Schumpeter entrepreneur develops new technology. An additional insight according to his theory was the entrepreneur being regarded as a ‘hero’ figure. The best example of the Schumpeter school of thought was the explosive growth of the internet in 1999 and 2000, where dotcom entrepreneurs were seen to be innovative, pioneering new ways of trading using new technology. He however predicted the demise of

the function of the entrepreneur, in that large monopolistic firms have distinct advantages over small firms in the technological process. The concept that the entrepreneur is someone ‘special’, someone ‘different’ is important. Many writers have carried this forward to distinguish entrepreneurs from those simply running their own business (those wishing to merely remain self-employed)

- Knight; the entrepreneur was introduced as being a risk-taker, with additional insights highlighting the risk-reward relationship. He placed emphasis on the opportunity for profit arising out of environmental uncertainty, and identified that the entrepreneur is someone who is prepared to undertake risk in an uncertain world. Knight also made an important distinction between risk and uncertainty. Risk is associated with uncertain outcomes, but those outcomes can be predicted with a certain degree of probability. He further informs that the entrepreneur is someone who is willing to accept risk when outcomes are uncertain. This distinction helps to distinguish an entrepreneur from a small firm manager/owner. The Knightian entrepreneur is an individual who is prepared to undertake the risk of setting up their own business, as well as being a risk taker. This dual risk-taking activity leads to criticism of the Knight theory, despite the importance of risk-taking behaviour on modern entrepreneurial thinking. Knight described the entrepreneur as confident and venturesome to make judgements about the uncertain future, with profit being the reward
- The viewpoint of uncertainty and imperfect information is crucial in Shackle’s model of entrepreneurship. He identifies the entrepreneur as being someone who is creative, imaginative and original. Imagination is important for identifying opportunities. Shackle identifies that a host of factors responsible for creativity, including personal background, education and attitudes. It is only recently that pre-entrepreneurial experiences such as education, employment and learning are beginning to be recognized as important influences on nascent (pre-start) entrepreneurs (Reynolds & White: 1997). Shackle’s additional insights include the notion of uncertainty creating opportunities for profit
- The entrepreneur is seen as an organizer of resources, and Casson attempts to synergize the attributes and concepts of the major writers above. Identifying the different skill sets of entrepreneurs enables the entrepreneur to make judgements and coordinate scarce resources. A resource-based view dominates his theory, in that lack of capital is regarded as a barrier to successful entrepreneurship. His views are closer to Knight’s than any of the other writers. The main link is that the

entrepreneur coordinates demand and supply under uncertainty (associated risk). Casson views change as an accompaniment to entrepreneurship, with additional insights highlighting key influences of the environment

- Thunen; many other economic writers and theorists considered developments of entrepreneurial activity and the role of the entrepreneur. Thunen for example, built upon Knight methodology, seeing the entrepreneur as a risk-taker, innovator and problem solver.

From the writings of these theorists, a consensus emerged that the entrepreneur is a key factor in the economy, particularly in conditions of uncertainty and change. Two major avenues of thought evolved from these theorists, that of the Knightian approach, and that of the Schumpeterian approach. The Knightian approach highlights the risk-bearing and uncertainty-reducing role of entrepreneurs; whilst the Schumpeterian approach highlights the entrepreneur as an innovator. Overall, other distinct roles identified include coordination, business creation, access to resources and participation rates.

Kao, Kao and Kao (2002: 45) identified the evolution of entrepreneurial thought into six distinct stages; early thoughts, incubation, growth and ideas, a confusing proliferation of ideas, consolidation, and maturation. Their definition of entrepreneurship (section 2.5) highlights a self-reliant individual, an agent of creation and innovation; the spirit pervading all economic entities. Kao *et al* (2002: 43) regard entrepreneurship as being interdisciplinary, feeding off all disciplines, including virtually all branches of social science. Entrepreneurship assists in wealth creation for the individual, and contributes to the common good at the same time. Table 2.1 identifies the evolution of entrepreneurship, and is presented on the following page.

The next section identifies entrepreneurship from the Global Entrepreneurship Monitor (GEM).

**TABLE 2.1 The evolution of entrepreneurial thought**

Period	Featuring	Contributors and Definitions	Remarks
Early thought	Not a definition for entrepreneurship, rather describing who is the entrepreneur.	Richard Cantillon (1730); the entrepreneur is a self-employed person with uncertain returns.	After more than 270 years, still is viewed a good definition; clearly refers to owner managed venture and specifies the risk bearing attribute of entrepreneurial undertakings.
Incubation	Entrepreneurship is still considered a branch of business practice.	Carl Menger (1871); obtaining information, calculating value, acts of will and the supervision of production to efficiently satisfy needs.	Activated the thinking of those interested in clarification of entrepreneurship, and its meaning to the individual and society.
Growth of ideas	New thinking: entrepreneurship not confined to domain of self-employment and small business.	Joseph Schumpeter (1910); finding and promoting new combinations of production factors.	A very comprehensive yet simple definition that can be applied to all human endeavours.
A confusing proliferation of ideas	Entrepreneurial function clearly extended beyond self-employed entities.	Harvey Leibenstein (1970); the reduction of organisational inefficiency and the reversal of organisational entropy.	Drive for efficiency, can be part of “make changes to the old,” but entrepreneurship has much greater scope than organisational efficiency.
		Long and McMullan (1990); the building of new organisational growth.	A broader approach at the organisational level. However, organisational growth may not be entrepreneurial unless “sustainable” is added.
Consolidation	Action orientation	J.A. Timmons (1989); the ability to create something from nothing. Initiating and building rather just watching, analysing or describing; sensing an opportunity where others see chaos and confusion.	A good definition that includes both enterprise and organisation.
Maturation	Fostering entrepreneurship as a job creation strategy; entrepreneurship central to economic growth.	OECD (1998); the ability to marshal resources to seize new business opportunities.	Bridging the individual’s initiative and common good.
	The socio-economic value of entrepreneurship. Development into an ideology.	R.W.Y Kao (1993, 1997); creating wealth for the individual and adding value to society through new and innovative undertakings.	An ideology as an alternative to capitalism and communism.

Source: Kao, Kao and Kao (2002: 45-46)

## 2.4 ENTREPRENEURIAL PARTICIPATION RATES

The Global Entrepreneurship Monitor (GEM) is a global assessment of national entrepreneurial activity, led by the London Business School. It constitutes forty-one universities, one hundred and eighty researchers, with a US\$ 2, 78 million annual budget.



The GEM “world” consists of 41 participating countries, which account for two thirds of world population, and ninety per cent of Gross Domestic Product (GDP). Core entrepreneurial drivers have been identified as access to finance, access to innovation, education, training, skills, opportunity, motivation, culture, networks and economic climate (Acs *et al*, GEM 2004 executive report; Bygrave *et al*, GEM 2003 executive report). GEM methodology includes adult population surveys, national expert interviews, national expert questionnaires and standardized national data (for example, International Monetary Fund, World Bank, United Nations).

GEM (2004) identifies two types of entrepreneurs:

- Opportunity entrepreneurs are people who spot an opportunity and pursue it
- Necessity entrepreneurs are people who create self-employment in response to job loss or redundancy (Maritz: 2004a)

GEM (2003) participation rates highlight the following (Bygrave *et al*: 2003):

- The most entrepreneurial countries include Chile, Korea, New Zealand, Uganda and Venezuela. The next most active are Brazil, China, India and Mexico. The intermediate group includes Argentina, Australia, Canada, Denmark, Hong Kong, Hungary, Iceland, Ireland, Slovenia, Spain, Singapore, Thailand, United Kingdom and the United States. The below average group includes Belgium, Finland, Germany, Greece, Israel, Italy, Norway, South Africa, Sweden and Switzerland. The least entrepreneurial countries are Chinese Taipei (Taiwan), Croatia, France, The Netherlands, Japan, Russia and Poland. The most entrepreneurial group of countries is three to six times higher than the least entrepreneurial group on all measures of entrepreneurial activity
- Job creation is highly correlated with the level of start-up activity, and there is a positive, statistically significant association between national economic growth and entrepreneurship
- Men are twice as likely to pursue start-ups than women, and younger adults (25-34 years old) are the most active
- There are at least three ways national entrepreneurial activity may have consequences for a country. These include the scope of activity, job creation and association to economic growth

GEM (2003) South Africa participation rates highlight the following main findings (Orford, Wood, Fischer, Herrington & Segal: 2003):

- Levels of necessity entrepreneurship are significantly lower compared to other developing countries, despite similar or worse levels of poverty and income equality in South Africa
- Total entrepreneurial activity of men are significantly lower than in other GEM developing countries
- Total entrepreneurial activity rates in South Africa are lower than other developing countries particularly due to participation rates of men 18-44 years of age
- The proportion of men who believe they have the skills to start a new business is much lower than other developing countries. This reflects lower education levels and a lower probability of South African men who associate with entrepreneurs
- One of the principal constraints on formal black-owned businesses is the lack of finance. Cash shortages are widespread among Black African, Indian and Coloured entrepreneurs with small and medium registered businesses. Of those that have secured overdraft finance, close to half have exhausted their overdraft facilities in the last six months
- Within the GEM countries, South Africa has the second lowest income per capita and the second highest level of income equality
- Two thirds of South African entrepreneurs claim to be taking advantage of business opportunities (opportunity entrepreneurs), the remaining thirty-seven per cent were necessity entrepreneurs
- Indians dominate contribution by ethnicity, primarily due to their proportionally high necessity entrepreneurship rates. Black Africans have the lowest activity rates, predominantly due to their low opportunity entrepreneurship rates
- There is considerable variation in total entrepreneurial activity across the regions. Gauteng and Western Cape have the highest level of entrepreneurial activity, and the Free State and the Eastern Cape experience similar activity rates (just over half the rate in Gauteng). Kwazulu Natal is not significantly different to the rates in Western Cape
- A positive relationship between educational attainment and entrepreneurial activity was evident.

## 2.5 DEFINITION OF THE ENTREPRENEUR

More recent approaches to entrepreneurship (built upon theories from the pre-Schumpeter era) include those of McClelland (1961), viewing entrepreneurs as energetic and moderate risk takers. Drucker (1964) placed emphasis on the entrepreneur maximizing opportunities, with Shapero (1975) viewing the entrepreneur as taking initiative and accepting the risks of failure. Karl Vesper (1980) raised the notion that economists, psychologists, businesspersons and politicians see entrepreneurs differently. Pinchot (1983) identified the intrapreneur as an entrepreneur within an already established organisation. Robert Hisrich (1985) defined entrepreneurship as the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resultant rewards of monetary and personal satisfaction.

The concept of an entrepreneur is however further refined when considered from a business, managerial and personal perspective. Hisrich *et al* (2004: 9) state that when defining entrepreneurship, most definitions talk about behaviour including initiative taking, the organisation of social and economic mechanisms to turn resources and situations to practical account and the acceptance of risk or failure. They further place emphasis on entrepreneurship being a dynamic process of creating incremental wealth. Individuals taking the risks, whilst providing value for some product or service create wealth.

Hisrich *et al* (2004: 9) define entrepreneurship as, “the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence”. This definition stresses four basic aspects of being an entrepreneur, which are that entrepreneurship:

- Involves the creation process, which has to have value to it’s target market
- Requires the devotion of the necessary time and effort
- Necessitates assuming the risks
- Delivers the rewards of being an entrepreneur.

Schaper and Volery (2004: 6) define entrepreneurship as, “the process brought about by individuals of identifying new opportunities and converting them into marketable products or services”. They highlight factors that are most commonly cited for entrepreneurship to occur, being an individual, an act, an organisation and innovation.

Kuratko and Hodgetts (2004: 3) introduce entrepreneurship as, “an integrated concept that permeates an individual’s business in an innovative manner”. Entrepreneurs are individuals who recognize opportunities, being aggressive change catalysts within the marketplace. Bygrave (1997: 2) defines an entrepreneur as, “someone who perceives an opportunity and creates an organisation to pursue it”. He further defines the entrepreneurial process as, “involving all the functions, activities, and actions associated with perceiving opportunities and creating organisations to pursue them”. Bygrave (1997) believes the new business is much more likely to be of the incremental kind, as opposed to a revolutionary creation.

Halloran (1994: 4) defines an entrepreneur on a broad basis, as “one who assumes the risk of gaining profits or incurring losses in the undertaking of commercial transactions.” This definition includes entrepreneurs from all walks of life, and it may be useful to incorporate ‘calculated’ risk to make the definition more meaningful to successful entrepreneurs.

Kao (1993: 69) defines entrepreneurship as “the process of doing something new (creation), and/or something different (innovation) for the purpose of creating wealth for the individual and adding value to society”. He defines the entrepreneur as, “a person who undertakes a wealth-creating and value-adding process, through developing ideas, assembling resources and making things happen”. Here it is recognized that entrepreneurship is a process of wealth-creation and adding value. This includes small business, but small business does not automatically make for an entrepreneurial undertaking (Kao, Kao & Kao, 2002: 42). The development of entrepreneurship; seeded in the broad application of entrepreneurship, is defined by Kao *et al* (2002: 44) as, “entrepreneurism is not just a way of conducting business; it is an ideology originating from basic human needs and desires: the need to create wealth for oneself and to add value to society. In practice, entrepreneurism can be considered as the application of ingenuity for self-interest and for the common good. This entails discovering the new, while changing, adapting and preserving the best of the old. It champions the rights of the

individual to acquire ownership through the freedom to make decisions. Although capital will always be an important factor, entrepreneurship is unlike capitalism, which facilitates capital accumulation and delivers ownership to the rich. Likewise, although the community and the good of the state are key concepts, entrepreneurship is like communism, which provokes class struggle through the revolution, taking ownership away from the individual and giving it to the state”.

Entrepreneurism is a societal orientation, whereby every individual is encouraged to be self-reliant, and an agent of creation and innovation. This spirit pervades all economic entities (Kao *et al*, 2002: 46). Zimmerer & Scarborough (1996: 3) point out that, “an entrepreneur, in the face of risk and uncertainty, combines resources in new and different ways to create value, often accomplished via the formation and development of a new business venture. Entrepreneurship is also very much alive in existing companies. It can be found in all sectors of society, not just in business”.

Lumpkin and Dess (1996: 137) refer to entrepreneurial orientation (EO) as the organisational processes, methods, styles, practices and decision-making activities employed by entrepreneurs that lead to new ventures. Contingent on environmental and organisational factors, various studies demonstrate a positive EO relationship in entrepreneurial firms (Lumpkin & Dess: 1996; Miller: 1983; Covin & Slevin: 1989). Various authors concur on OE measures. Miller (1983); Lumpkin & Dess (1996); Covin and Slevin (1989) and Wiklund (1999) regard EO measures as including:

- Proactiveness
- Innovativeness
- Risk taking.

Bolton and Thompson (2004: 16) define an entrepreneur as, “a person who habitually creates and innovates to build something of recognized value around perceived opportunities”.

The definition comprises six important elements:

- ‘a person’ who
- ‘habitually’

- ‘creates and innovates’
- ‘to build’ something of
- ‘recognised value’ around
- ‘perceived opportunities’.

They inform that ‘a person’ can also be a group of people as it is possible to describe teams and even organisations as entrepreneurial. ‘Habitually’ distinguishes entrepreneurs from owner-managers or people who build business simply to achieve a comfortable lifestyle. ‘Create and innovates’ is used to place emphasis on the entrepreneur starting something new. ‘To build something’ describes the output, whilst the words ‘habitually creates and innovates’ refer to the process. ‘Something’ means an entity that can be identified, not just an idea or a concept (despite it starting as that). ‘Of recognized value’ broadens the definition, not limiting it to commercial gain only; but including social and aesthetic capital or value. ‘Perceived opportunities’ are important as it provides direction and focus.

An important implication of this definition is the link between entrepreneurs and enterprise. Bolton and Thompson (2000: 238) believe that, “entrepreneurs are the people who possess the imagination and flexibility to ensure that there is a causal link between them and the enterprise”.

## **2.6 THE NATURE, CHARACTERISTICS AND BEHAVIOUR OF THE ENTREPRENEUR**

Entrepreneurs are all around us. They are the people who make a difference and affect the world around them. Some can be found starting new businesses that grow and prosper because the entrepreneur has identified, engaged and exploited a valuable new opportunity. But it is often entrepreneurs who drive change and develop new initiatives in larger, established corporations. Social entrepreneurs are found at work in the community sector.

Moreover, not everyone who starts a new business is, in reality, an entrepreneur. Those concerned may be enterprising, but there is a subtle difference. The world needs both, but they are different. True entrepreneurs, then, are people who habitually create and innovate to build something of recognised value around perceived opportunities. ‘Build’ implies

growth. Some start-up businesses, though, do not do or achieve anything new or different. There may be an apparently good idea that never finds many customers. The business survives at best, but often disappears. In other cases a real opportunity is identified but again a growth business does not emerge. Perhaps it is inadequately financed. Perhaps it is badly managed. Perhaps the person starting it is the wrong person to do it alone and he or she fails to recognise the vital importance of building an entrepreneurial team of people with complementary abilities. The ability to identify a good potential opportunity does not automatically guarantee a successful business, let alone a growth business, however committed the so-called entrepreneur might be.

At the same time many people have more entrepreneurial talents than they realise. They do not appreciate what they could achieve if they took ‘the first step’. They need a trigger event to set them off on their journey. If the wrong people spot an opportunity, set off and then fail to build an entrepreneurial team, their chances of survival are low. People who set off ‘by necessity’ may well find themselves being successful because they were entrepreneurs in waiting.

The key to understanding the character and potential of any person lies in those behaviours that are habitual, that come naturally and is done well. Each of us has a particular set of character themes that makes us the way we are - that means we excel in some roles but not in others. Thus a character theme is a personality attribute or characteristic that defines our normal, expected behaviour. Our set of themes forms our inner psychological core and defines the things we do most readily and instinctively. In all aspects of our lives we demonstrate our particular set of character themes in the ways we behave - we can’t help it.

The relevant character themes (Bolton & Thompson: 2003) for the entrepreneur, or entrepreneur team, invariably demonstrated by those who are successful, concern:

- Their reason for doing what they do - their motivation
- Their ability to spot, discriminate, select and prioritise opportunities
- Their ability to gather the necessary resources and to build a suitable team.

An approach towards identifying entrepreneurial orientation (Nieman *et al*, 2003: 11) is to identify certain personality characteristics or traits that appear to be possessed by



successful entrepreneurs (Deakins & Freel: 2003). This correlates with the trait approach of Gartner (2001). In the trait approach the entrepreneur is assumed to be a particular personality, whilst in behavioural approaches the entrepreneur is seen as a set of activities involved in organisation creation.

### **2.6.1 Intuition and entrepreneurial behaviour**

Allinson, Chell and Hayes (2000) proposed that entrepreneurs could be differentiated from non-entrepreneurs on the basis of intention, despite intention not always translating into entrepreneurial performance outcomes. Intuition is referred to as a person's preferred way of gathering, processing and evaluating information. They further state that owner managers are not a homogenous group and that not all owner managers are entrepreneurs. The results of their study support the notion that entrepreneurs are more intuitive than members of the general population and middle and junior managers, but in terms of cognitive style, are similar to senior managers. These findings provide empirical support in that entrepreneurs adopt an intuitive approach to information processing. This is notwithstanding the view that entrepreneurs process information differently to salaried employees. Other entrepreneurial activities highlighted by Allinson *et al* (2000: 34) include recognition of wealth-creating opportunities, judging which opportunities to pursue, persistence and non-traditional focus, impulsive synthesis, lateral reasoning and idea generators.

### **2.6.2 Behavioural traits and characteristics**

Thompson (1999: 210) informs that it has become traditional to associate entrepreneurs with certain behavioural traits and characteristics. He identifies entrepreneurs as those with initiative (Lumpkin & Dess: 1996), imagination, achievement orientation, pragmatism, independence, risk takers (Miller: 1983; Covin & Slavin: 1989), creativity, flexibility, conceptual, and see change as an opportunity (Bygrave: 1998). Thompson (1999) identifies ten key points of key research findings:

- Entrepreneurs are individuals who make a difference. Entrepreneurs transform a simple idea into an opportunity that works (Kets de Vries: 1997). These may be individuals who create new ventures or those that entrepreneurially champion

change within the organisation. They have a true vision, which stretches beyond mere ideas

- Entrepreneurship is about spotting and exploiting opportunities. Visionaries are those individuals who spot and act on opportunities that others miss. They are able to synthesise available information and clarify patterns that escape others. Two schools of thought are related in this instance to that of the entrepreneur disrupting stability with innovations (Schumpeter: 1949); and the view of creating equilibrium in an environment of instability (Kirzner: 1973)
- Entrepreneurs find the resources required to exploit opportunities. Entrepreneurship foundations are rooted in flexibility, and when resources are not ‘state-of-the-art’, entrepreneurs will select those that will perform satisfactorily. Within a systems context, the system should become increasingly knowledge-based, to support sharing and learning (Lindsay & McStay: 2004)
- Entrepreneurs add value. Sometimes instinctively, entrepreneurs adapt their offerings to the needs and wants of markets, whilst they add value through a transformation process. Value-adding requires performance measures, which is outcome-driven. Added value may be measured in many ways, which brings rewards of some form (Ostgard & Birley: 1996)
- Entrepreneurs are good networkers. This notion supports the paradigm that ideas can be found anywhere at any time, and entrepreneurs are alert to opportunities. Whilst being constrained by limited resources, the entrepreneur uses creativity, social networking and bargaining to obtain deals and activity (Perry: 2002)
- Entrepreneurs have ‘know-how’ and ‘know-who’. Gibb (1998) informs that entrepreneurs are also aware of where they can obtain the required resources (‘know where’)
- Entrepreneurs create capital. Adding value, networking and acquisition of resources constitute the entrepreneur’s intellectual capital. These attributes are used to create financial capital, social capital and aesthetic capital (Covin & Slavin: 1989)
- Entrepreneurs manage risk. Risk must be taken in context, being risks that the entrepreneur can understand and manage (Lindsay & McStay: 2004; Lumpkin & Dees: 1996). However, over-valuation of risk and avoiding downside risk may result in opportunities being missed (Miller, 1983: 771)
- Entrepreneurs are determined in the face of adversity. Elements of self-belief, determination and motivation are inherent in entrepreneurial success.

Entrepreneurs however have high faith in their own ability, often resulting in failures (in that they often believe they are infallible and can almost do anything). Successful entrepreneurs most often are able to deal with unexpected obstacles. There is a school of thought, which paradoxically, suggests that some entrepreneurs can perceive failure as the price of their success (Kets de Vries: 1997)

- Entrepreneurship involves creativity and innovation. Creativity and innovation are means whereby entrepreneurs make a difference. The creativity and innovation link is manifested in the ability of entrepreneurs to harness the potential of new technologies in turbulent environments (Lumpkin & Dess, 1996: 142).

Thompson (1999) informs that entrepreneurs and entrepreneurial activity can be found everywhere, including, but not limited to: business; the community, consisting particularly of individual initiatives, social entrepreneurship and public sector initiatives; science; theatre and the arts; sport; military service; and exploration and adventure.

A concluding remark regarding the synthesis of key research findings (Thompson: 1999) is that not all entrepreneurs succeed. There are failed entrepreneurs, some of whom disappear from sight and others who return with new ideas and ventures.

### **2.6.3 Creativity, innovation and entrepreneurship**

Successful entrepreneurs come up with ideas and then find ways to make them work to solve a problem or to fill a need (Covin & Dess: 1997). In a world that is changing faster than most of us could ever have imagined, creativity and innovation are vital to a company's success-and survival (Zimmerer & Scarborough: 1996). Creativity is the ability to develop new ideas and develop new ways of approaching problems and opportunities. Innovation is the ability to apply creativity to those problems and opportunities. Entrepreneurship is the result of a disciplined, systematic process of applying creativity and innovation to exploit opportunities in the market. Entrepreneurs are a constant source of creative ideas and innovations, and Zimmerer and Scarborough (1996) have depicted a set of 'rules' for entrepreneurs to live by: create, innovate and activate; always be on the lookout for new opportunities; keep it simple; try it, fix it, do it; shoot for the top; don't be ashamed to start small; don't fear failure; never give up; get on with it.

They went on to identify the following entrepreneurial characteristics:

- Commitment and determination
- Desire for responsibility
- Opportunity obsession
- Tolerance for risk, ambiguity, and uncertainty
- Self-confidence
- Creativity and flexibility
- Desire for immediate feedback
- High level of energy
- Motivation to excel
- Orientation to the future
- Willingness to learn from failure
- Leadership ability.

Schaper and Volery (2004) identified a behaviourist approach to studying characteristics of entrepreneurs, highlighting the following:

- Self-confidence
- Risk-taking propensity
- Flexibility
- Independence of mind
- Energy and diligence
- Hard-work ethic
- Creativity
- The need for achievement
- Internal locus of control
- Tolerance of ambiguity
- Responsiveness to suggestions
- Dynamic leadership qualities
- Initiative
- Resourcefulness
- Good communication skills
- Perseverance

- Profit-orientation
- Perception with foresight.

Amongst an almost endless list of entrepreneurial traits, Schaper and Volery (2004), in agreement with Gartner (1989), believe that only three show a high level of validity, the need for achievement, internal locus of control, and a risk-taking propensity.

Nieman and Bennett (2002: 58) identify key concepts from a number of definitions, which include identifying an opportunity; innovation and creativity; acquiring resources; creating and growing a venture; taking risks; being rewarded and managing the business.

#### **2.6.4 The entrepreneurial personality**

Deakins and Freel (2003) highlight the notion that many of the entrepreneurial characteristics are the same abilities and skills that could be applied to most successful managers, hence the difficulty to separate out specific characteristics of entrepreneurs. They do however list key competencies of successful entrepreneurs:

- Proactivity: initiative and assertiveness
- Achievement orientation: ability to see and act on opportunities
- Commitment to others
- McClelland's need for achievement
- Calculated risk-taker
- High internal locus of control
- Creativity
- Innovative
- Need for autonomy
- Ambiguity of tolerance
- Vision.

Nieman *et al* (2003: 29) also identify similar entrepreneurial characteristics, and inform that they can be acquired through life experience. Dominant characteristics include:

- Passion

- Locus of control
- Need for independence
- Need for achievement
- Risk taking and uncertainty
- Creativity and innovation
- Determination and persistence.

Criticism of the personality characteristics approach as expressed by Deakins and Freel (2003: 15):

- Inappropriate to search for a significant individual trait
- Ignores environmental factors that may be more important than personality
- Comprises an essentially static analysis approach to the dynamic process of entrepreneurship
- Ignores the role of learning, preparation and serendipity in the process of entrepreneurship.

The negative entrepreneurial characteristic of non-conformist (deviant personality) is associated with Kets de Vries (1997), being individuals who do not easily fit in with their existing environment. Timmons (2004) cited additional attributes that are more innate:

- High energy coupled with emotional stability
- Creative and innovative ability
- Conceptual ability
- Vision combined with capacity to inspire.

Deakins and Freel (2003:29) highlight the notion of attempts to develop tests on entrepreneurial characteristics which owes something to the development of theories on entrepreneurship. These include the theories of Shackle (creator), Schumpeter (innovator), Knight (calculated risk-taker), Casson (co-ordinator) and Kirzner (autonomy, internal locus of control).

Halloran (1994) outlines a four-step approach towards identifying entrepreneurial behaviour:

- Goal orientation. Only after achieving goals, does financial reward kick in as a secondary objective. Much of what entrepreneurs accomplish is through sheer determination. The late Sam Walton, founder of Wal-Mart, put it very simply as, “knowing where you want to go and being willing to do what it takes to get there”
- Creative energy. The majority of successful entrepreneurs are individuals who serve existing markets in better ways. Better ways is emphasized, not necessarily reinventing the wheel. Entrepreneurs have certain flair to the way they approach things (Lumpkin & Dees: 1996)
- Abundance of self-confidence. Making decisions requires confidence, and entrepreneurs are decision makers in their enterprises. Cognisance must be taken of the fact that entrepreneurs are not afraid of making the wrong decision. Self-confidence is evident when wrong decisions are made one day, and the individual is confident that the correct decisions will be made the next day (Miller: 1983)
- Determination. The notion of try and try again emerges. Halloran (1994: 6) states that when determination is coupled with creativity, the entrepreneur may only be successful on try number 100.

Kirby (2003) separates the literature on entrepreneurial characteristics, behavioural traits and patterns into a seven-notion framework:

- Risk-taking ability. Classical economic theory suggests that entrepreneurs are risk-takers, and by the very nature of their activities and roles in society, cannot be averse to risk. Koh's (1996) research suggests that entrepreneurially inclined individuals have higher risk scores (Miller: 1983). Busenitz (1999) indicated that entrepreneurs are more confident than managers in large organisations; and as a consequence tend to distort their perception of risk. This introduces the concept of self-confidence, which Koh (1996) believes is a prerequisite for successful entrepreneurship
- Need for achievement (nAch). McClelland (1961) suggested that entrepreneurs are highly achievement orientated, and will choose situations characterised by individual responsibility, moderate risk-taking, knowledge of results of decisions, novel instrumental activity and anticipation of future possibilities. Empirical research supporting McClelland's theory of nAch (1961) is conflicting, with many researchers suggesting that entrepreneurs do not portray significantly different

scores to others (Koh: 1996). Entrepreneurship is however a way of thinking and behaving, and entrepreneurial behaviour is not confined to single traits only

- Locus of control. Internal control individuals are those who believe achievements are dependent on personal characteristics and behaviour (Rotter: 1966). External control individuals are those who believe achievements are dependent on luck, fortune and other people's action. Whilst somewhat inconclusive (Cromie: 2000), entrepreneurs are believed to possess a high internal locus of control
- Desire for autonomy. Entrepreneurs value individualism and freedom more than others, as they have a general dislike of rules, procedures and social norms (Kirby: 2003). Cromie (2000) observes that some entrepreneurs are even deviants
- Deviancy. Entrepreneurial financial benefits and drives do not always lead to personal satisfaction and happiness, being a result of negative characteristics and drives (Kets de Vries: 1977). According to Kets de Vries (1977a: 41) an entrepreneur is "an anxious individual, a non-conformist poorly organized and not a stranger to self-destructive behaviour." As a consequence, the entrepreneur becomes a person with low self-esteem, lacks the ability to reflect critically, and who dreams of being in total control, and independent of everything and everyone. This explains the risk-taking and start-up behaviour of entrepreneurs
- Creativity and opportunism. Entrepreneurs tend to think in non-conventional ways, challenge existing assumptions, being adaptable and flexible in their problem-solving. These traits are integral to the creative process (Kirton: 1976), though some would argue that entrepreneurs are not so much creative as opportunistic (Holt: 1983). Research by Utsch and Rauch (2000) however suggest the powerful link between innovativeness and venture performance, particularly in high technology ventures
- Intuition. Entrepreneurs prefer an intuitive approach that requires synthesis and lateral thinking, rather than sequential reasoning and random methods of exploration (Kirby: 2003). Carland (1982) contested that entrepreneurs are intuitive rather than rational thinkers.

Whilst many knowledgeable in the area of entrepreneurship agree on common personal qualities and traits of successful entrepreneurs, Kuratko & Hodgetts (1992) provided the following entrepreneur profile:

- Commitment, determination and perseverance



- Drive to achieve and opportunity orientation
- Initiative and responsibility
- Persistent problem solving and seeking feedback
- Internal locus of control and tolerance to ambiguity
- Calculated risk taking
- Integrity and reliability
- Tolerance for failure
- High energy level
- Creativity and innovativeness
- Vision, self-confidence and optimism
- Independence
- Team building
- Managerial skill development for entrepreneurs.

Kuratko and Hodgetts (2004) identify managerial skill development for entrepreneurs as including marketing skills, operations/technical skills, financial skills, administrative skills, interpersonal and team skills, and knowledge of applicable law. An extensive survey on entrepreneurial traits and characteristics dates back to Gartner (1989: 36), “be aggressive, be competitive, be goal-oriented, be confident, be egocentric, make decisions, be an achiever early in life, be a loner in your final decision, put family and friends second to business, be an opportunist, do not be security-oriented, be persistent, have determination, be an optimist (to an extreme), have desire to achieve, be hyperactive mentally, be a dreamer, be a calculated risk-taker, want power, learn from previous mistakes, be a perfectionist and be intuitive”.

### **2.6.5 Comparison of entrepreneurs, intrapreneurs and traditional managers**

Intrapreneurship is entrepreneurial activity within an organisational context, receiving sanction and resource commitment for the purpose of innovative results (Kuratko & Hodgetts: 2004). The intrapreneur acts within the confines of an existing business, and is typically the intra-organisational revolutionary- challenging the status quo and fighting to change the system from within (Nieman *et al*, 2003: 347). Corporate entrepreneurship or intrapreneurship, is a term used to describe entrepreneurial behaviour inside established mid-sized and large organisations (Morris & Kuratko, 31: 2002). Management is the process of planning, organizing, leading and controlling resources to achieve goals

(Schermerhorn: 2002). Many of the characteristics of entrepreneurship are similar to those of the intrapreneur, since both are associated with focus on innovation; focus on creation of value-added and risk-taking activities. Differences are however that entrepreneurship is developmental whilst intrapreneurship is restorative; entrepreneurs overcome obstacles in the market, intrapreneurs overcome corporate obstacles; funding is usually a major entrepreneurial constraint, not so considerable with intrapreneurship.

Table 2.2 identifies key characteristic comparisons between entrepreneurs, intrapreneurs and traditional managers. Cognisance must however be taken that one individual may share characteristics between manager, intrapreneur and entrepreneur. Distinguishing traits will however be identified (Bolton & Thompson: 2004). Traditional practices compared to entrepreneurial approaches are highlighted in Table 2.3. The two tables complement each other, in that the former looks at the ‘person’, whilst the latter looks at approaches and practices. Table 2.3 is represented on the following page.

**TABLE 2.2 Comparison of entrepreneurs, intrapreneurs and traditional managers**

	<b>Managers</b>	<b>Entrepreneurs</b>	<b>Intrapreneurs</b>
Primary motives	Promotion and other traditional corporate rewards such as office, staff and power	Independence, opportunity to create, and money	Independence and ability to advance in the organisation Rewards
Time orientation	Short-term –meeting quotas and budgets, weekly, monthly, quarterly, and the annual planning horizon	Survival and achieving 5-10 year growth of business	Between entrepreneurial and traditional managers, depending on urgency to meet self-imposed and corporate timetable
Activity	Delegates and supervises more than direct involvement	Direct involvement	Direct involvement more than delegation
Risk	Careful	Moderate risk taker	Moderate risk taker
Status	Concerned about status symbols	No concern about status symbols	Not concerned about traditional status symbols- desires independence
Failure and mistakes	Tries to avoid mistakes and surprises	Deals with mistakes and failures	Attempts to hide risky projects from view until ready
Decisions	Usually agrees with those in upper management positions	Follows dream with decisions	Able to get others to agree to help achieve dream
Who serves	Others	Self and customers	Self, customers and sponsors
Family	Family members worked for large organisations	Entrepreneurial, small-business, professional or farm background	Entrepreneurial, small-business, professional or farm background
Relations	Hierarchy as basic relationship	Transactions and deal-making as basic relations	Transaction within hierarchy

Source: Hisrich & Peters (1998: 47)

A point of view of Kao *et al* (2002: 40) is that a previously unmentioned (in this study) term of ‘interpreneurship’ concerns how the entrepreneurial environment and activities are found in family businesses. Whilst managed by family members, there is expected to be a continuing entrepreneurial drive inherited from the founders of the business. In the context of the franchise system, this interpreneurial orientation exists in many organisations. A South African example is that of Famous Brands (formerly Steers Holdings), whereby the founders are part of the Halamandres family, and the current Chairman, Peter Halamandares (note surname difference) being an entrepreneurial family member.

Kao *et al* (2002: 18) inform that entrepreneurship focuses on people, the environment and promoting sustainable growth. It differs from traditional management in the fundamentals of management philosophy, and thereby in the process as well. Table 2.3 summarizes the differences of business management practices in respect to a traditional versus an entrepreneurial approach.

**TABLE 2.3 Relative differences between traditional management practice and entrepreneurial approach to business management**

<b>Management Practice</b>	<b>Traditional</b>	<b>Entrepreneurial</b>
Economic system	Market economy: capitalistic	Market economy: entrepreneurial
Ownership	Private ownership. Capital accumulation and ownership augmentation.	Individual ownership. Enterprise creation, personal dedication and pursuit of entrepreneurial value.
Value system	Individuals benefit from the harvest of their efforts. Satisfy consumer needs (sometimes generated through advertising).	Individuals create wealth for themselves and add value to society. Concern for the common good.
Business culture	Maximization, guided by marginal theory. System approach.	Optimization, guided by personal belief. Judgement approach. Self-reliant wherever and whenever feasible.
Mode of managing	Serving investors’ needs for return on investment. Market driven.	Driven by entrepreneurial need to create and innovate.
Rules for managing	Management separate from ownership. Employees serve the interest of capital investors.	All individuals assume decision-making responsibility. Individuals perceived as stakeholders, with or without capital investment.
The goal of the business entity	To make money.	Re-invest for development and growth.
Management practice decision guide	Maximization principle.	Optimisation principle.
Attitude toward resources	Resources are for exploitation.	Resources are limited. Consideration of future generations.

Table 2.3 continued

Attitude towards the environment	Satisfaction of legal responsibilities.	Satisfaction of moral responsibilities.
Attitude toward people	A replaceable and manageable resource.	The source of innovation and creativity. They make or break the business.
Attitude toward innovation and creativity	ROI comes first	Improvement through innovation.
Attitude toward risk	No risk no loss.	No risk no gain.
Profit computation	Deduct all costs from revenue (accounting method).	Residual, taking into account opportunity cost and cost to environment.
Profit distribution	To shareholders, with bonuses to top executives.	Residual, to shareholders.
Individual's remuneration	Contractual agreement through collective bargaining between the firm and its employees.	Conciliatory, possibly with worker participation in management.
The role of the government	The less the better.	Responsible for matters of the common good, where the market system cannot serve public interest.
Education	Professionalism and specialization. Serve corporate interests.	Develop creativity and independent thought.
Profession and professionals	Uphold professional standards.	Manage professionally, but without professional managers.
Human resources management	Employment based on short term contracts. Good soldiers.	Relationships built on mutual loyalty. Risk takers.
Human resource performance	Judged by superiors.	Judged in the marketplace.
Attitude toward the presence of opportunity	Cost and benefit analysis.	Make it happen.
Deal with crisis	Seek responsibility. Investigative approach.	Resolve crisis. Fire fighter's approach.
Action orientation	There are always more opportunities.	Seize the day.
Tasks	Problem solving.	Identify and pursue opportunities.
The bottom line	Accounting profit and ROI attainment.	Sustainable growth and tasks accomplished.

Source: Kao, Kao and Kao (2002: 19-21)

Nieman *et al* (2003: 349) identify key roles that must be performed for intrapreneurship to occur successfully:

- Initiation, being the trigger of the entrepreneurial event
- Facilitation, playing an advisory or mentoring role
- Managing, taking the lead towards implementation.

To bring the entrepreneurial concept to fruition (in an intrapreneurship context), Nieman *et al* (2003: 350) include additional constructs of research, strategy, invention, leading, endorsing, team, resourcefulness, problem solving, coordination, negotiation, politics, change management opportunity and judgement. They regard creativity as a requirement to develop business concepts.

## 2.6.6 Entrepreneurial synthesis (three factors)

Bolton and Thompson (2004) provide an apt synthesis regarding the main conclusions about entrepreneurs and entrepreneurship, based on several people who have studied the subject. They group their findings into three sections, identified below.

### 2.6.6.1 What entrepreneurs are like: the personality factors

Butler and McManus (1998) inform that studies and research into what we do, why we are often alike, yet so different are questions that psychologists have been studying for some time. Bolton and Thompson (2004) identify four main themes:

- Motivation and emotion
- The born or made debate
- Behavioural characteristics
- Personality attributes.

McClelland (1961) looked at the psychological and social elements that drove economic development. He linked motivation of individuals as a crucial factor, linking it to the need for achievement, the need for power and need for affiliation. Thematic Apperception Tests (TAT) concluded that entrepreneurs had a high need for achievement; however, despite being an important finding, a high need for achievement would not necessarily make good entrepreneurs. Competitiveness, a well recognized motivation factor, has received little attention regarding entrepreneurs, as a character trait of successful entrepreneurs. The entrepreneur's ultimate motivator is however striving towards independence, developing their own ideas without having to answer to others (Roberts: 1991).

The born or made debate raises the question of whether entrepreneurs are a product of nature or nurture. Personality is understood to have an inborn (inherited) and an environmental component, hence, the conclusion that entrepreneurs are both born and made. Contrary to the findings of psychologists sharing this view, Burns and Dewhurst: 1989) are of the opinion that entrepreneurs are 'made'. Kuratko and Hodgetts (2004) however say that it is a myth of entrepreneurship that entrepreneurs are born and not

made. They state that entrepreneurship is a discipline that can be taught and mastered like any other.

Behavioural characteristics have received much attention from researchers over the years. Hornaday (1982) compiled a list of forty-two characteristics including perseverance and determination; need to achieve; creativity; independence; honesty and integrity; orientation to clear goals; initiative and taking responsibility; and ability to take calculated risks. The list, albeit rather long, surprisingly excluded opportunity orientation persistent problem-solving and internal locus of control, identified by Kuratko and Hodgetts (1992; 2004). Honesty and integrity may be doubtful to some, as entrepreneurs are often associated with taking of opportunities without too much thought as to the consequences of others. Entrepreneurs are however networkers who most often rely upon trust, highlighting the fast emerging ethical component of entrepreneurial education.

Personality attributes have been studied extensively and a wide range of tests are available to measure them. Examples of such tests, termed ‘psychometric testing’, are the Cattell sixteen personality factors (PF); and the Myers-Briggs Type Indicator (MBTI). Roberts (1991) conducted research on seventy-three people, with about two-thirds of the sample known to be entrepreneurs (all were however interested in entrepreneurship). His research highlighted personality traits of extroversion (E), intuition (N), thinking (T) and perceiving (P). Whilst this test does not point to a definable entrepreneurial personality, other associated tests, including judging (J) and sensation (S) may be used for start-up programmes.

#### 2.6.6.2 Where entrepreneurs come from: the environmental factors

Entrepreneurs’ roots and surrounding influences are highlighted. The environmental factors mould the entrepreneur, and are generally ‘static’ in nature. This excludes ‘dynamic’ environmental factors such as redundancy and other changing circumstances. Bolton and Thompson (2000) group this category into three sections; family background; education and age; and work experience.

Family background has an influence on the entrepreneurial heritage, an idea developed by Roberts (1991) to describe the importance of family background for the entrepreneur. He identified many family influences, the father’s career being the strongest of the influences

on entrepreneurship. Research has indicated that if entrepreneurial activity dominated the household, it was most likely that this would be conveyed to offspring (Hisrich: 1990; Timmins: 1986; Hisrich & Brush: 1984). A disproportionate number of entrepreneurs are the sons and daughters of entrepreneurs (Roberts: 1991). However, whilst these family influences can be important they are by no means deciding factors.

Education and age appear to have no relevance to entrepreneurial activity, with the only notion that the entrepreneur is likely to do it sooner rather than later. This is in agreement with Larson and Rogers (1986) who have experienced and studied the Silicon Valley story, whereby they concluded that, “anybody, even an eleven-year-old, can become an entrepreneur”.

Regarding work experience, studies have shown that ninety-per cent of entrepreneurs start their own business in similar markets/industries to those they are working in (Brockhaus: 1982). It is also well known that entrepreneurs process through the ‘university of life’ or ‘the school of hard knocks’, as this is what develops their entrepreneurial nature.

#### 2.6.6.3 What entrepreneurs do: the action factors

Bolton and Thompson (2004) examine ten key roles associated with entrepreneurs and entrepreneurship, regardless of the context:

- Entrepreneurs are individuals who make a significant difference (Nieman *et al.*: 2003: 16)
- Entrepreneurs are creative and innovative (Lumpkin & Dess, 1996: 142)
- Entrepreneurs spot and exploit opportunities (Covin & Dess: 1997)
- Entrepreneurs find the resources required to spot opportunities (Nieman *et al.*: 2003: 9)
- Entrepreneurs are good networkers (Nieman *et al.*: 2003: 19)
- Entrepreneurs are determined in the face of adversity (Nieman *et al.*: 2003: 17)
- Entrepreneurs manage risk (Miller: 1983; Deakes & Freel, 2003: 69)
- Entrepreneurs have control of the business (Nieman *et al.*: 2004: 48)
- Entrepreneurs put the customer first (Nieman *et al.*: 2003: 18)
- Entrepreneurs create capital (Acs *et al.*: 2005).



Entrepreneurs transform a simple, ill-defined idea into a workable solution (Kets de Vries: 1997). They disturb the status quo, initiating change whilst enjoying what they do. The other factors listed by Bolton and Thompson (2004) all contribute towards entrepreneurs making a significant difference. Creativity and innovation are distinguishing foundations of entrepreneurship. True entrepreneurship may take the premise that the best way to the future is to invent it (George Bernard Shaw, *Man and Superman*, Act IV). The entrepreneur thrives on chaos (Peters: 1989). Creativity entails seeking new ways of doing things, being a continuous activity. Innovation is to create a new idea, and make it work in practice.

Entrepreneurs often see or craft opportunities that others miss, being comfortable with ambiguity. The entrepreneur is the person who exploits the opportunity (Nieman *et al.*: 2003) and turns it into a reality. Limited resources do not put off entrepreneurs; they make it their business to exploit all resources available (Lindsay & McStay: 2004). Entrepreneurs are able to timeously locate required resources via networking capabilities. Larson and Rogers (1986) identified the close networks that characterize Silicon Valley, giving the region an advantage over other areas. Entrepreneurs are motivated to succeed, with high levels of determination and self-belief. In times of adversity, entrepreneurs use their creative and innovative skills to overcome hurdles.

The words of Mark Twain best describe the entrepreneur's view on managing risk; there are two times in a man's life when he should not speculate – when he cannot afford it – and when he can. Entrepreneurs certainly do take risks, but risks they understand and can afford. Whilst not being risk averse, they are willing to accept responsibility for their decisions.

In evaluating the state of their business, entrepreneurs vary in style; however, they do know the state of their business and have a tendency to spot the issues that really matter (Williams: 1994). There is a direct link between entrepreneurship and customer retention; with entrepreneurs being able and willing to respond to what customers are telling them (Bolton & Thompson: 2004). Entrepreneurs create not only financial capital, but also social and aesthetic capital.

The entrepreneurial process consists of the ten key roles identified by Bolton and Thompson (2004), condensing the action factors into two distinct stages:



- Spotting the opportunity
- Project championing the opportunity (Nieman *et al.*: 2004).

The opportunity spotter is the enterprising person who realizes and seizes the opportunity. The interests and values of the opportunity spotter and the personal environment affect the direction of the venture or project. The project champion is the person who makes things happen. Differentiating small business from entrepreneurs, small-business people spot an opportunity, and choose to exploit it – but essentially that is where it stops. The opportunity does not have real growth potential, and they are not regarded as true project champions. Nor do they behave habitually to keep finding further new opportunities. Managers who champion change in larger organisations are often project champions, acting on behalf of the organisation. When encouraged to come up with new ideas and see them through to fruition, they are referred to as internal entrepreneurs, or intrapreneurs (Hisrich & Peters: 2004).

### **2.6.7 Entrepreneurial talent, temperament and technique**

Towards profiling the entrepreneur, a five-phase explanation is required. This commences with identifying the entrepreneur amongst others; linking talent, temperament and technique; Gallup's 'life themes'; Gallup's 'entrepreneurial perceiver' interview; towards a profile of the entrepreneur; and the well of talent (Bolton & Thompson: 2004).

#### **2.6.7.1 The entrepreneur among others**

“What is special about the entrepreneur is the possession of a range of talents and a temperament profile that together with a specific skill set enables an individual to create and innovate to build something of recognized value” (Bolton & Thompson, 2000: 31). Each individual has a grouping of different talents and temperaments; which together with techniques that are learned enable the fulfilment of a particular role, such as entrepreneur, inventor or leader.

Table 2.4 on the following page; breaks the three elements of talent, temperament and technique into some of their constituent parts. It can be seen that whilst the entrepreneur possesses all these characteristics to some degree the others only possess some of them (Bolton & Thompson: 2003). The true entrepreneur, like the the inventor, has creative

talent, whereas the leader typically has little or none. Similarly, the temperament that is high on urgency differentiates the leader from the entrepreneur and inventor, where urgency is an important characteristic of a leader. It must however be noted that environmental influences may alter a set state, such as in hostile situations. In such cases, the entrepreneur may accommodate uncharacteristic behaviour of courage.

**TABLE 2.4 The entrepreneur among others**

Element	The entrepreneur	‘Entrepreneurial’ behaviour	The inventor	The leader
Talent	Creativity	Yes	Yes	Probably not
	Opportunity	Yes	Yes	Possibly
	Courage	No	Possibly	Yes
Temperament	Urgency	No	No	Yes
	Risk-taking	Yes	No	Possibly
	Ego drive	Possibly	Possibly	Yes
Technique	Finance skills	No	No	Possibly
	Planning skills	No	No	Yes
	Personal skills	No	No	Yes

Source: Bolton and Thompson (2000: 31)

#### 2.6.7.2 Linking talent, temperament and technique

Talent is described as an innate ability, characterised by strength, expertise and exceptional abilities (Woods: 1998). Temperament can be defined in terms of moods that typify our emotional life (Goleman: 1996), our emotional landscape (Whybrow: 1999) and ‘highways through the brain’ (Buckingham & Coffman: 1999) that are formed as one grows up in the environment and experiences, but relate to a genetic template. Both talent and temperament are inborn, but talent has the potential to develop. The role of technique is to train talent and temperament so that both are enhanced to achieve the desired outcomes.

To clarify which elements of talent, technique and temperament are most commonly associated with successful entrepreneurs; towards identifying an entrepreneur’s profile, Gallup’s life themes analysis provides a valuable and robust framework for accomplishing this.

### 2.6.7.3 Gallup's 'life themes'

Gallup uses the term 'life theme' for talent which he describes as a 'person's innate behaviour, thoughts and feelings' (Garret: 1998). It may also be reviewed as a consistent pattern of behaviour. Gallup places emphasis on excellence, being the capacity for recurrent high levels of performance. Gallup works out life themes for particular roles by using focus groups made up of prominent achievers in the applicable role. Each role is identified as having its own life themes, and excellence is achieved in a role by individuals who possess some but not all of these themes to an exceptional degree. The leadership role for example has twenty distinct life themes, made up of unsuppressible themes, habitual themes, and themes achievable with effort. Buckingham and Coffman (1999) have summarised the work of Gallup (SRI) over the last twenty-five years, and use the word talent when referring to themes. They in turn group the talents into three basic categories:

- Striving talents, explaining the why of a person
- Thinking talents, explaining the how of a person
- Relating talents, explaining the who of a person.

A selection of Gallup's life themes, are identified by grouping. Striving talents (six selected from eleven) include achiever, competition, belief, mission, service and vision. Thinking talents (seven selected from fourteen) include focus, responsibility, performance orientation, strategic thinking, problem-solving, formulation and creativity. Relating talents (seven selected from fourteen) include woo, multirelator, interpersonal, individual perception, team, activator and courage.

### 2.6.7.4 Gallup's 'entrepreneur-perceiver' interview

Twelve life themes of the entrepreneur were identified by SRI (1986) from a series of focus groups and interviews with successful entrepreneurs. In practice many of these themes should not be seen in isolation, for example, courage and focus come together so that the entrepreneur can target an outcome with confidence and accuracy. Similarly, creativity and focus are combined. As with the general Gallup approach; the successful entrepreneur will possess only some of these life themes to an exceptional degree (different for each entrepreneur); hence the diversity amongst entrepreneurs. This again

brings the inter-connectivity of life themes into context of opportunity spotting (creating ideas and going for opportunities) and project championing (building support and doing). Table 2.5 depicts these entrepreneurial themes identified, with themes from the striving, thinking and relating talents represented with an asterix.

**TABLE 2.5 The original Gallup entrepreneurial themes**

<b>Entrepreneurial life themes</b>	<b>Summary description</b>
1. Dedication	Consumed by a goal or purpose
2. Focus*	Discriminates and targets
3. Profit orientation	Advantage focused
4. Ego drive	Wants to make a recognized difference
5. Urgency	No time to waste, must take action now
6. Courage*	Determined in the face of adversity
7. Activator*	Wants to make it happen
8. Opportunity	Sees possibilities not problems
9. Creativity*	Buzzing with ideas
10. Expertise orientation	Knows own limits and finds experts
11. Team	Gets the right people together
12. Individual perception*	Sees and uses strengths in others

Source: Bolton and Thompson (2000: 37)

#### 2.6.7.5 Towards a profile of the entrepreneur: talent, temperament and technique

The Gallup/SRI ‘entrepreneurial perceiver’ has eighty-four questions in all, representing seven questions across each of the twelve themes (Table 2.5). Bolton and Thompson (2000) analysed these questions, cross tabulating and correlating them to the talent, temperament and technique themes. Whilst many questions correlated across themes, 30 per cent correlated to talent; temperament aspects in 70 per cent and technique in less than 15 per cent. Table 2.6 depicts Bolton and Thompson’s (2000) preferred list of life themes to those already identified for the entrepreneur. To reduce the list to a more manageable size, relevant themes have been grouped, for example, creativity, formulation and problem-solving under creativity.

Their work with the themes continues, constructing a new questionnaire to identify strengths in each of the areas. The next phase is re-introducing the earlier distinction between the opportunity-spotter, the project champion and the entrepreneur.

Table 2.6 is depicted on the following page.

**TABLE 2.6 Profiling the entrepreneur**

<b>Element</b>	<b>Entrepreneurial Themes</b>	<b>Summary Themes</b>
Talent (abilities both thinking and emotional)	Creativity Formulation Problem-solving Courage Focus Opportunity-spotting Team Individual perception Expertise orientation Networker Advantage orientation Resourcing	}Creativity  Courage Focus Opportunity-spotting  }Team  Networker Advantage orientation Resourcing
Temperament	Competition Desire Urgency Opportunity-taking Performance orientation Responsibility	Competition  }Urgency Opportunity-taking Performance orientation Responsibility
	Ego drive Mission Activator Dedication	Ego drive Mission Activator Dedication

Source: Bolton and Thompson (2003: 41)

Opportunity spotters are typically creative, whilst project champions are typically focused and strategic. Whilst the opportunity-spotter opens the window of opportunity, project-champions are able to grasp and enact the opportunity (Bolton & Thompson: 2000). Table 2.6 takes the twenty-two life themes to profile the entrepreneur and re-presents them in the context of opportunity-spotting and project-championing. Some themes are common to both. More life themes are associated with the project champion, indicative of the significant contribution of the entrepreneur that builds something distinctive and valuable. The opportunity spotter and project champion is depicted in relation to talent, temperament and technique in Table 2.7. The table is represented on the following page.

**TABLE 2.7 The opportunity-spotter and the project champion: talent, temperament and technique**

	<b>Talent</b>	<b>Temperament</b>	<b>Technique</b>
Opportunity-spotting (being able to see and grasp the opportunity)	Creativity Formulation Opportunity-spotting	Mission	Techniques to develop talent
Project-championing (being able to grow something)	Problem-solving Courage Focus Team Expertise orientation Advantage orientation Individualized perception Resourcing	Competition Desire Urgency Opportunity-taking Performance orientation Ego drive	Techniques for managing temperament
Themes common to both	Networker	Responsibility Activator Dedication	Experience Skill set

Source: Bolton and Thompson (2000: 43)

#### 2.6.7.6 The well of talent

Bolton and Thompson (2003) liken the talent of various levels to a ‘well of talent’; with talents buried at depths according to how difficult they are to get and exploit. The talents are depicted below in descending order, that is, the inventor talent is the most deeply buried of all the talents, with the follower talent the least buried. Between the follower and inventor are managers, some of who may be enterprising, project champions, leaders and entrepreneurs. As such, inventor talent, followed by entrepreneurial talent, are the most difficult to exploit:

- Followers
- Operational managers
- Enterprising managers
- Project champions
- Leaders
- Entrepreneurs
- Inventors.

## 2.6.8 The entrepreneur's character themes

Bolton and Thompson (2003) went on to develop the FACETS model, representing entrepreneurial character themes. This was based upon the foundations of the talent, temperament and technique paradigm (Bolton & Thompson, 2000). The entrepreneur has six main character themes, being the reason why entrepreneurs are what they are, and do what they do:

- F for Focus
- A for Advantage
- C for Creativity
- E for Ego
- T for Team
- S for Social.

Analysing the mix, number and relative strength of the themes determine the proportional measures of business or social entrepreneurship. Often referred to as the 'face' of the entrepreneur; the Focus, Advantage, Creativity and Ego facets are found in all entrepreneurs. It is what we see when looking at an entrepreneur, being the entrepreneur's character theme set. Successful entrepreneurs require aptitude and ability in these four facets. The facets of team and social supplement the basic entrepreneur profile, and create some important differences. The Team facet is predominantly responsible for growth potential of the business or venture.

### 2.6.8.1 Entrepreneurs, managers and leaders

Some of the facets are shared. The Focus facet for example, is shared with the manager, and both the Focus and Team facets, with the leader. It is thus possible to have an entrepreneurial manager or an entrepreneurial leader. Table 2.8 identifies role identification amongst the three classifications. The table is represented on the following page.

**TABLE 2.8 Role identification of entrepreneurs, managers and leaders**

<b>The entrepreneur</b>	<b>The manager</b>	<b>The leader</b>
has fun	manages	leads
innovates	administers	innovates
creates	maintains	develops
focuses on the business	focuses on systems	focuses on people
builds a team	relies on control	inspires trust
sees opportunities	sees problems	sees the future
asks how and when	asks how and when	asks what and why
acts short term	acts short term	thinks long term
does the right things	does things right	uses influence

Source: Bolton and Thompson (2003: 74)

### 2.6.8.2 Talent, temperament and technique

Bolton and Thompson (2003) link talent, temperament and technique with the facets of the entrepreneur. Talent is represented in the facets of Focus, Advantage, Creativity and Team. These facets are inborn, we either have them or we don't. Temperament is linked to the facets of Ego and Social. These facets are both inborn and acquired, being a case of nature and nurture. All the facets can be enhanced and developed by the learning and application of techniques.

### 2.6.8.3 Focus

The entrepreneur requires the ability to concentrate for long periods and to be dedicated to the end objective. Three shades of focus are depicted, target focus, time focus and action focus. Target focus refers to the ability to concentrate on what is important, and not be distracted by other influences. Characteristics include perseverance and single-mindedness. The project champion is strong on target focus and discriminates between triviality and importance. Time focus reflects upon urgency, and getting things done within certain time constraints. Some entrepreneurs live on a knife-edge when time focus becomes a mania (Kirby: 2003). People weak on this shade will procrastinate, which is not a characteristic of the entrepreneur. Action focus is allied to energy and getting things done. The downside is impatience, which could lead to all sorts of problems. Entrepreneurs are considered to be doers rather than thinkers (Hisrich & Peters: 1998).



#### 2.6.8.4 Advantage

Due to being advantage-oriented, entrepreneurs create economic, social and aesthetic capital. They see the advantage in a course of action, and make it happen. Without a strong advantage facet, the entrepreneur will find it difficult to focus (Bolton & Thompson, 2003: 89). The advantage facet centralises opportunity selection, and radiates four elements. These consist of benefit orientation, performance orientation, resourcing and vision. Opportunity selection incorporates spotting, selecting and targeting opportunities. Selecting the right opportunity at the right time is pivotal to the Advantage facet. Benefit orientation goes hand in hand with profit orientation. A major aspect of benefit orientation is the ability to select and get the right deal. Performance orientation is likened to achieving budgets, hence the importance for the corporate entrepreneur. Being high on performance orientation, the entrepreneur aims for personal advantage rather than advantage to the company. Resourcing is managing scarcity, and the entrepreneur does not see resources as a barrier. Entrepreneurs find ways of limiting resourcing problems, often turning them into opportunities- an example of the combination of Creative and Advantage facets. Vision reflects on the way entrepreneurs see things, and combined with the Advantage facet; see the future in new ways. They use these insights to gain advantage.

#### 2.6.8.5 Creativity

Creativity may be triggered by a problem to solve; the answer can come in a moment of insight; there is delight and excitement in finding the answer; and creativity needs the right environment (inventors and scientists are still having their Eureka moments). Creativity is referred to as a servant talent, expressing itself through other talents (Bolton & Thompson: 2003). Creativity fuels the other facets, provides the opportunities, whilst Advantage selects, and Focus delivers. The creativity facet, being ideas, opportunities and solutions, provides three important outputs. Ideas span across many disciplines, and those entrepreneurs strong on ideas will have some of the characteristics of the inventor. The downfalls are that many ideas are out-dated and that most ideas are impractical or have limited commercial value. Entrepreneurs thrive on opportunities, many of which their Creativity facet has revealed. Opportunities differentiate the entrepreneur from the inventor. An opportunity is one step up from an idea, and can be classified and analysed.

Solutions and problem solving go hand in hand, with solutions being the output of creative ability. Solutions are an indispensable element of the Creativity facet.

#### 2.6.8.6 Ego

The Ego facet provides the temperament to align the Focus, Advantage, Creativity and Team facets to build something of recognised value. A strong Ego facet is important to the entrepreneur, and without it, talent is simply wasted. Bolton and Thompson (2003) divide the Ego facet into two shades, the inner and outer shades. The inner shade explains the entrepreneur on the inside, whilst the outer shade explains how the entrepreneur deals with the outside. The inner shade is made up of self-assurance, dedication and motivation. The outer shade is made up of responsibility, accountability and courage. The outer group all come from the entrepreneur's locus of control, a key entrepreneurial characteristic. Self-assurance is a key attribute, meaning the inner confidence in one's own abilities and values (Nieman *et al*, 2003: 17). This goes hand in hand with confidence (Schaper & Volery, 2004: 35). Dedication refers to the passion that affects what people do, and many entrepreneurs have used dedication to the customer as their competitive advantage. Motivation is a strong trait seen in entrepreneurs, being self-starters, achieving, winning, and proving something (Hisrich *et al*: 2004). The main motivation behind entrepreneurs is their need for independence, followed by the challenge of the task (Morris & Kuratko: 2002). Making money is not a primary motivator, despite being a distinct measure of achievement (Bygrave: 1997).

Those with an external locus of control expect others to take control for them. Entrepreneurs have an internal locus of control. Responsibility follows directly from the locus of control, being willingness to take responsibility for one's actions. This personality characteristic usually shines through in entrepreneurs. Accountability reflects on personal accountability of all aspects of entrepreneurial activity, taking responsibility one-step further. Courage is the most important of the external shade of the Ego facet, as it is what gets the entrepreneur started. Three strands are identified in entrepreneurs; the courage to confront situations, the courage to face reality, and the courage to stand by your beliefs. Courage faces up to problems, whilst creativity finds solutions. Courage to deal with emotions is of a higher order than courage associated with general business issues.

#### 2.6.8.7 Team

Whilst deciding on what type of entrepreneur a person is, the Team facet is optional for the entrepreneur. With a strong team facet, the entrepreneur is able to create social capital as well. The Team facet is seen as being a multiplier facet, as it enables the entrepreneur to multiply their effectiveness (Bolton & Thompson: 2003). This is done in two ways. Team members can either build upon facet strengths missing in the entrepreneur, or expand the business in a way that is not possible alone.

The Team facet has four elements, but it is the combination of these elements that really makes the differences. Elements consist of picking good people, working through a team, using experts-the extended team, and networking. Entrepreneurs and leaders benefit from a strong Team facet. Leaders however have two elements of their own. Gathering followers and empowering others. Linked with the ability to pick good people, working through a team produces a powerful combination. An added social dimension can be achieved in working through a team. When using experts, communication problems may occur, as these specialists have a different mindset to that of the entrepreneur. Despite this, their specialisation (such as accountants, lawyers) usually adds advantage to the entrepreneur, specifically when the entrepreneur is incompetent in that speciality or discipline. Entrepreneurs who are strong in picking good people and using experts have an ideal combination. Networking is usually the strongest element in the entrepreneur's Team facet. Networking contributes towards finding the right people and experts, notwithstanding valuable publicity opportunities. Empowering others is characteristic of the leader, despite the entrepreneurial trait of working through others (Nel *et al*: 2004).

#### 2.6.8.8 Social

Whilst not essential, most entrepreneurs have the Social facet present to some degree. Entrepreneurs with a Social facet create social capital by meeting challenging social needs, making the world a better place for all. The need for commercial viability will always be difficult to accept if the entrepreneur's Social facet dominates the other facets. Some social entrepreneurs do not succeed (finance capital) because the profit versus social need conflict is not resolved (Morris & Kuratko: 2002). Nieman *et al* (2003: 39) inform that a major problem with social entrepreneurs is finding start-up capital. The Social facet depicts four building blocks; belief, values, mission and service to others.

The Social facet demands all these elements; they cannot be taken alone (as in the other facets).

The transition from belief to values is the first dividing line between business and social entrepreneurs (Morris & Kuratko: 2002). Although business entrepreneurs see usefulness in values and ethics, the social entrepreneur accepts these naturally. The entrepreneur is socially minded by adopting values and beliefs, but will only be a true social entrepreneur when moving up to mission (Kuratko & Hodgetts: 2004). Mission is about finding a cause through which belief and values can be channelled (Bolton & Thompson: 2003). Service to others is part of the motivation of the social entrepreneur. Needs are identified as opportunities to the social entrepreneur, but these needs are centred on others rather than themselves.

Table 2.9 summarizes the Facets approach to entrepreneurial character themes, together with talent, temperament and technique. The facets may be developed by enhancement and development techniques.

**TABLE 2.9 Facets approach to character themes**

Facet	Elements	Talent/Temperament
Focus	action focus time focus target focus	
Advantage (Central theme of opportunity selection)	benefit orientation performance orientation resourcing vision	Talent creativity courage focus
Creativity	ideas opportunities solutions	opportunity-spotting team
Team	picking good people working through a team using experts-the extended team networking	networker advantage-orientation
Ego Inner Group	self-assurance dedication motivation	Temperament competition urgency
Outer Group	responsibility accountability courage	opportunity-taking performance-orientation responsibility
Social	belief values mission service to others	ego-drive mission activator dedication

Source: Bolton and Thompson (2003: 142)

## 2.6.9 Application of the facets

Four key points are identified regarding the application of the facets (Bolton & Thompson: 2003). These relate to facets interaction; the entrepreneur and the leader; risk and extreme presence of facets. The ideal is for all the facets to have the same strong presence, however, not too dominant over other facets. Neither absent nor extreme facet presence is ideal, highlighted in Table 2.10.

**TABLE 2.10 Entrepreneurial character themes**

<b>Absent</b>	<b>Visible</b>	<b>Extreme</b>
Random	Focus	Tunnel vision
Switched off	Advantage	Ruthless
Unimaginative	Creativity	Over-imaginative
Purposeless	Ego	Self-deluded
Individualistic/Independent	Team	Abdicated responsibility
Self-centered	Social	Fanatical

Source: Bolton and Thompson (2003: 156)

Bolton and Thompson (2003) use a ten-point scale for measuring the facets. Scores between 8 and 10 are indicative of an entrepreneurial orientation, whilst the enterprising person has a lower score but is still average or above.

### 2.6.9.1 Facets interaction

Synergy is affected when the facets are balanced in a supportive manner. An entrepreneurial characteristic of creating something out of nothing is a result of Creativity, Advantage and Focus facets working together. Successful entrepreneurs never take advantage of all the opportunities; however, the indiscriminate entrepreneur is tempted by all the opportunities. When too many opportunities are spotted, Advantage and Creativity work against Focus. When the entrepreneur really wants to make a difference, Ego may prove to be a problem, countering Focus. Social entrepreneurs often encounter situations where they do more and more to help. Priorities in this case will become confused if Advantage and Focus are not working well together. Team interacts well with the other facets, if that Team is non-existent, the entrepreneur will not have time to exploit opportunities. The Ego and Team facets often have conflict, representing groups and independence.

### 2.6.9.2 The entrepreneur and the leader

The facets identified some overlaps and distinguishing differences between the entrepreneur and leader (identified in Table 2.11). Dependency on trust is depicted in italics.

**TABLE 2.11 Character themes of the entrepreneur and leader**

<b>Character themes specific to the entrepreneur</b>	<b>Character themes shared by the entrepreneur and the leader</b>	<b>Character themes specific to the leader</b>
Creativity Advantage	Focus Ego Team Social	strategic visioning <i>envisioning</i> <i>empowering</i> <i>influencing</i>

Source: Bolton and Thompson (2003: 161)

Creativity and Advantage are character themes essential for the entrepreneur, and not normally associated with the leader. Focus discriminates and grasps the opportunity, and Ego, together with sub-themes (courage, dedication and responsibility) is shared by entrepreneur and leader, as is Team. Networking is more important for leaders, but not as prominent in entrepreneurs.

Four character themes are identified for the leader that does not define the entrepreneur. Strategies are a means to an end, consisting of a range of activities, competition in areas of activity, integration of activities, and how the organisation will manage change and implement strategies. Strategic positioning is closely related to the entrepreneurs Advantage, however, more complex. Jack Welsh may be described as a strategic visionary for his insight into diversification at General Electric. Leaders are able to communicate their strategies and gain support as they continue with the process (envisioning). Being team dependent, the leader has to delegate authority and responsibility (Nel *et al*: 2004), empowering individuals in the process. The leader also gathers others together, organizes and manages resources, achieving things by influencing others (Schermerhorn: 2002). Strategic visioning, envisioning, empowering and influencing are important determinants of the leader; and of utmost importance for the leader-entrepreneur and entrepreneurial leader (Morris & Kuratko: 2002).

Power and effective leadership are dependent on trust (Nel *et al*: 2004), indicating the confidence and respect people have in each other. The Team and Social facets of the

entrepreneur, together with leader themes of envisioning, empowering and influencing are dependent on trust. Others, indicative of strong Focus, Advantage, Creativity and Ego facets; but weak in Team and Social facets, do not trust those entrepreneurs.

### 2.6.9.3 Risk

Most entrepreneurs ‘handle’ risks rather than ‘take’ risks (Wiklund: 1999). Those entrepreneurs with a strong Ego facet are not risk-aware, portraying self-confidence, and being in charge of their own destiny. Those entrepreneurs strong on Creativity and Ego facets take the view that one cannot plan for chaos in uncertain environments. They rather equip themselves with good resources and preventative measures. Creativity, innovation and courage can be used to find a way around obstacles and setbacks (Bolton & Thompson: 2003). Those entrepreneurs high on Advantage believe in the notion of calculated risk (Lumpkin & Dess: 1996). Advantage may also add to the belief that the opportunity cannot fail, highlighting extreme courage, and a sense of invincibility.

### 2.6.9.4 Extreme presence

Regarding extremities, moderation is excluded from reality. Extreme Focus relates to tunnel vision, ignoring influences that might be very important. Focus keeps the entrepreneur on course, whereas extreme Advantage means wanting to accommodate every opportunity arising. Extreme Creativity results in over-imagination, but entrepreneurs need to evaluate only those opportunities that can add value (Nieman & Pretorius: 2004). This extremity is apparent in many science fiction writers. When coupled with greed, extreme Ego is the most difficult facet to cope with. Entrepreneurs with extreme Ego are self-opinionated, and come across as arrogant. Extreme Ego is also damaging in that according to the themes of talent and temperament, Ego is regarded as temperament. When temperament is destructive, it negatively affects the exploitation of talents.

Extreme Team facet is seen when one of the team elements dominates the others. An example is someone high on networking will spend time at conferences whilst neglecting the business. Fanaticism may be the result of extreme Social facet, being an obsession with a cause. Those not sharing the same passion portray impatience. Those with extreme facets across the board will be very driven, very ambitious and very profit-oriented, being

ruthless and winning at all costs. They like to take huge risks, and can be seriously dangerous individuals. Another extreme Social facet is characterised in the criminal entrepreneur (absence of Social character). Many petty criminals, rather than the true professionals who are much focussed, are impulsive. This is indicative of a lack of self-discipline and an individual who is very low on the Focus facet.

### **2.6.10 The character theme questionnaire**

Thompson (2002) conducted a twenty-question questionnaire to two-hundred and forty-two respondents identified as start-up entrepreneurs by the GEM programme. Each question addressed an individual character theme - some related to those characteristics specifically associated with the entrepreneur and others to the inventor, the leader and someone we might call the non-entrepreneur. Some entrepreneur characteristics are shared with other types. Twenty questions and themes are sufficient to provide a useful insight.

The questions investigated behaviour that would typify the presence of a particular character theme. They were read to respondents who were then asked to allocate a personal score (out of 10) indicating the extent to which they believed it described them. Simple averaging of the scores for each respondent and for each question carried out evaluation. The relationship between the themes, their ranking against each other is insightful; the individual scores are less meaningful because individual respondents will have had varying perceptions of the actual score to allocate.

#### **2.6.10.1 Character themes 20-question profile**

The questionnaire consists of twenty statements, which are designed for face-to-face or telephone interviewing. Respondents should be asked to allocate a score to each statement, the score depending upon the extent to which they agree with the particular statement.

<p>Score out of 10, such that: 9 or 10 - Strongly agree with the statement 6, 7 or 8 - Agree it is a good description 3, 4 or 5 - 'Not really' a good description 1 or 2 - 'Not at all' a good description.</p>
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Whilst the questionnaire can be administered directly to a person, the ‘prospective entrepreneur’, it might be more useful in the first instance if the respondent is someone who knows the ‘entrepreneur’ particularly well. A personal or business partner whom they trust. In which case, of course, the ‘I’s’ would need to be read as ‘he/she’s’. A more detailed follow-up with the person in question is then appropriate.

#### 2.6.10.2 Character theme questionnaire

1. I enjoy being able to do things that others can’t and to be seen as something of an expert.
2. I am naturally impatient and often think I am not doing as much as I should.
3. My motto is ‘When the going gets tough, the tough get going’ - because setbacks give me stimulation.
4. My mind is always full of ideas and I enjoy doing unusual things.
5. When I have what I think is a good idea I find I can sell it to other people.
6. I appreciate you have to influence people and situations to make things happen and I am good at it.
7. I am uncomfortable with constant change and uncertainty and prefer a substantial degree of routine and order in my life.
8. When faced with a deadline I find it easy to concentrate my time and effort and meet it.
9. I thrive on uncertainty and can find ways to achieve my goals.
10. I can trust people to take responsibility for things and I am happy to delegate this responsibility to them.
11. I am naturally gregarious, quickly relating to other people, and thinking of things we could work on together.
12. If I can see how something can be improved I want to get on and do it.
13. People would describe me as systematic and organized for I have a keen eye for detail.
14. I set personal targets for myself all the time and check on my progress.
15. I get an extra kick at work when other people visibly approve of the way I do things.
16. I generally know what’s important and so I limit my options and stick with these priority tasks.
17. It matters to me whether I achieve more in life than my parents and my close friends.
18. I enjoy working closely with people I know well.

19. When I am part of a team I play a chairing, co-ordinating role and bring out the best in others.
20. At heart I am a people person and I enjoy helping others achieve their goals and targets.

Table 2.12 mirrors the character themes 20-question profile, depicting the relevant association, character theme and brief definition. Themes in turn relate to talent, temperament and technique, together with the Facets approach (Bolton and Thompson: 2003). The themes are also applicable to the research questionnaire of an entrepreneurial orientation in a franchise system. Applicability to the current research project is a five point Likert scale adaptation of the character theme questionnaire (Thompson: 2002).

**TABLE 2.12 Character themes to evaluate entrepreneurial orientation**

Association	Character Theme	Definition
Inventor	Mastery	Basking in expertise others don't have
Inventor + Entrepreneur	Creativity	Constantly buzzing with ideas
Entrepreneur	Opportunity taking	Engaging and taking on perceived opportunities
Entrepreneur	Urgency	Real drive to get on with things now
Entrepreneur	Performance orientation	Setting milestones and measuring progress
Entrepreneur	Networking	Developing a set of potentially valuable contacts
Entrepreneur + Leader	Focus	Concentrating on the task in hand, staying on course
Entrepreneur + Leader	Time focus	Setting, engaging and meeting deadlines
Entrepreneur + Leader	Ego	Wanting to make a recognised difference
Entrepreneur + Leader	Courage	Determination in the face of setbacks
Entrepreneur + Leader	Team	Getting the right people together
Leader	Strategic	Seeing a clear route forward
Leader	Envisioning	Communicating a strategy to others
Leader	Empowering	Getting people to accept responsibility for things
Leader	Influencing	Getting people to take things on, to provide resources
Entrepreneur enabler	Developer	Seeing and encouraging potential in others
Non-entrepreneur	Systematic	Enjoying detail, systems and procedures
Non-entrepreneur	Disciplined	Enjoying structure and organisation
Non-entrepreneur	Woo	Winning others over and enjoying their approval
Non-entrepreneur	Relator	Preferring to work with trusted colleagues

Source: Thompson (2002: 3)

## 2.7 CONCLUSION

The nature and development, participation rates, definitions, characteristics and behaviour of entrepreneurs are discussed. Differences between the entrepreneur, intrapreneur and leader are also analysed. Particular reference is made to entrepreneurial talent, temperament and technique, associated with the facets of the entrepreneur.

Entrepreneurs have distinct character themes (individual and combination thereof) that separate them from others. They also share certain character themes with the leader. These include intuition, behavioural traits, personality traits, talent, temperament, technique and entrepreneurial facets. Character themes for franchise analysis are introduced in the character theme questionnaire.

In Chapter 3 the franchise paradox is discussed. In an entrepreneurial context, franchising is viewed as an influencing factor on entrepreneurship development. Franchising is a relatively low-cost means of setting up a new-venture that has grown rapidly in recent years, both in South Africa and internationally. The entrepreneurial link to small business is facilitated by franchising, whereby a business owner sells to another the right to operate the same business in another location. The chapter concludes with a literature study of entrepreneurial orientation in a franchised environment.