

**CHAPTER 1****1 INTRODUCTION**

All over the world the importance of the small business sector in the economic and social development of countries is recognised. The logic of hailing innovation as the golden route towards growth and prosperity is as follows:

By developing new businesses, extra sources of cash flow are created, which result in increased shareholder value. By creating value for stakeholders, cash flow may increase, enabling investment in further development of products, services and/or processes, closing a reinforcing loop (Janszen 2000:7).

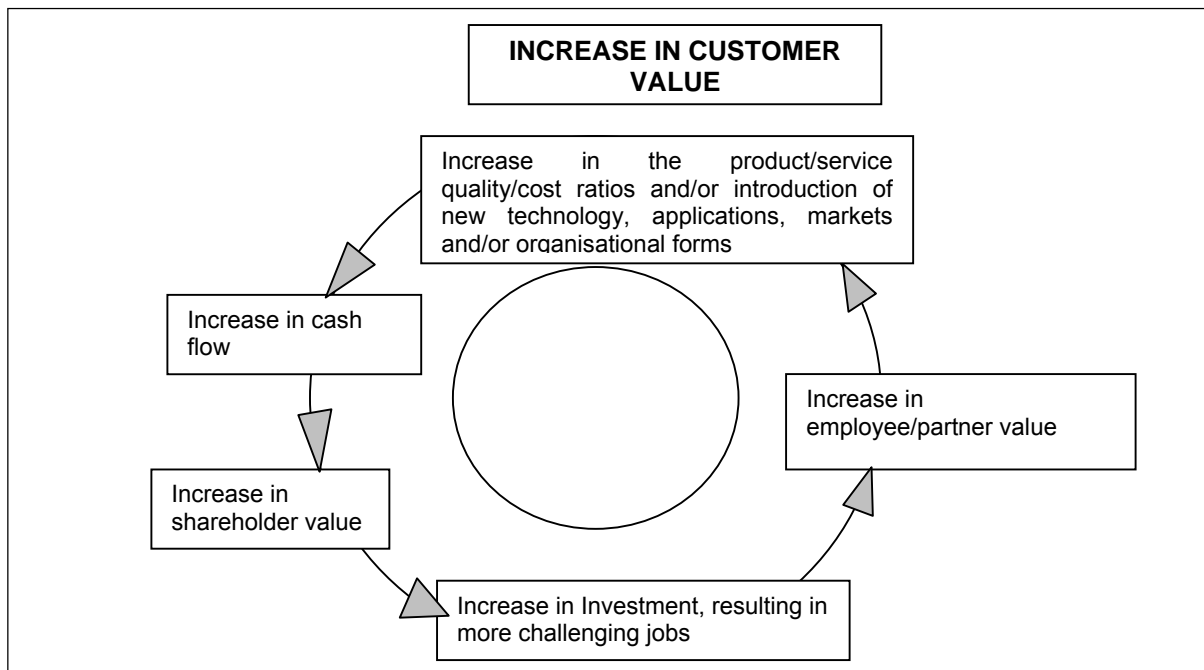


Figure 1.1: Reinforcing loop resulting in a growing firm adapted from Janszen (2000:7)

The above has led to increasing emphasis in the government and education communities on the development of programmes to aid and train entrepreneurs (Carton, Hofer & Meeks 1998:1). In South Africa SMME (small, medium and micro-enterprise) development has been identified by the South African government as a priority in creating jobs (Nieman 2001:445).

## 1.1 Success

Entrepreneurship is about success. Researchers of entrepreneurship have been struggling for decades to uncover the primary determinants of new business survival and success. Early researchers focused on the characteristics of successful entrepreneurs as a key to the mystery but the results of the trait approach were disappointing.

A venture is successful when the aspirations of its stakeholders are met. According to Wickham (2001:123) success can best be understood in terms of the following interacting aspects:

- The performance of the venture
- The people who have expectations from the venture
- The nature of those expectations and
- Actual outcomes relative to expectations.

Identified success factors of entrepreneurs include characteristics and skills, such as achievement motivation, internal locus of control, opportunity recognition, commitment to, and involvement in the enterprise, planning, perseverance, sound human relations, positive attitude and approach, the use of experts, market focus, client service, quality work, financial knowledge, creativity, innovation and willingness to take moderate risk (Nieuwenhuizen, Groenewald & Nieuwenhuizen 2003:1).

Wickham (2001:126) lists a common set of factors that lies behind every successful business:

- A significant opportunity is exploited
- The nature of the opportunity is well defined and well understood by the venture
- The innovation behind the venture is effective and different from the way existing businesses operate
- The entrepreneur brought the right skills to the venture
- The venture has the right people
- The organisation has a learning culture and its people a positive attitude
- There is effective use of networks
- Financial resources are available and

- The venture has clear goals and its expectations are understood.

### **1.1.1 The contribution of innovation and creativity to entrepreneurial success**

According to Carrier, Cossette and Verstraete (1999:1) enterprises are required to demonstrate creativity and innovation if they are to survive and flourish in a competitive and increasingly demanding world. Shepherd and DeTienne (2001:1) indicate that organisations need continually to identify new opportunities beyond existing competencies if they are to survive and prosper.

In a study by Hills and Shrader (1998:5) it was found that entrepreneurs agreed that creativity was very important to identifying business opportunities. This strengthens the perception that creativity and innovation are major factors in being entrepreneurial and meeting the changing needs of society.

Brazeal and Herbert (1999:34) remarked that although the concepts “change”, “innovation” and “creativity” are integral components in the entrepreneurial process, they have been largely ignored by entrepreneurship researchers. Furthermore a unique delimitation of the underlying relationships between the concepts entrepreneurship, creativity and innovation in the entrepreneurship domain with the aim of developing curricula for training and development has not yet been done.

The question arose whether this observation was still true and if so, why? A search was done in the citations and abstracts of items in the Proquest database (2002). This electronic database was chosen due to the large number of serial titles (1832), mainly focused on business, that were abstracted and the ease with which the database could be searched. The Proquest database facilitated the use of titles, citations and abstracts as physical units of analysis enhancing the greatest possible availability of the concepts under investigation.

The words “entrepreneurship and creativity and innovation” were used in conjunction with one another as units of analysis to establish to what extent the entrepreneurship field acknowledges creativity and innovation.

Twenty-nine (29) articles were found combining all three different search terms and were subtracted from the results for “entrepreneurship and creativity” as well as from the results for “entrepreneurship and innovation”. The result was as follows:

Table 1.1: Number of articles found on “entrepreneurship”, “creativity” and “innovation”

Search term	Total Hits
Entrepreneurship AND creativity AND Innovation	29
Entrepreneurship AND creativity (only)	63
Entrepreneurship AND Innovation (only)	806
Other (Entrepreneurship)	3078
<b>TOTAL: ENTREPRENEURSHIP</b>	<b>3976</b>

The results of the search confirmed Brazeal and Herbert’s (1999:34) observation, indicating that the term “creativity” especially, was not often used in articles on entrepreneurship. The linking of entrepreneurship with creativity in the domain is furthermore less established than the linking of entrepreneurship with innovation and is graphically illustrated in Figure 1.2.

Furthermore, when comparing the total number of articles on innovation in the database (10 000+), with those on entrepreneurship (3976), it seemed as if the concept “innovation” was much more researched/established than “entrepreneurship”.

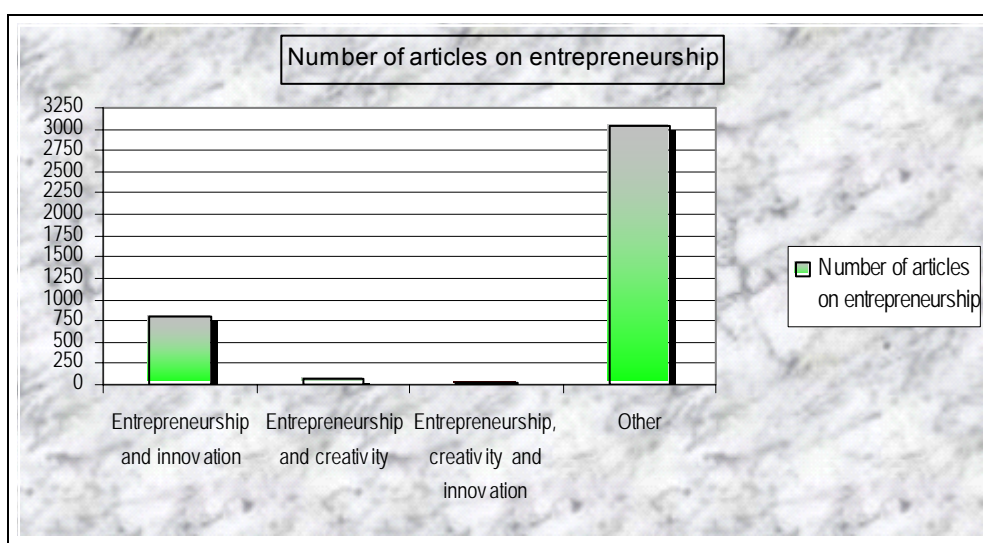


Figure 1.2: Number of articles on entrepreneurship in Proquest Database containing the keywords “creativity” and “innovation”

Since the Proquest database (2002) focuses on management literature it can be deduced that there seems an acknowledgement and acceptance in the management domain of a relationship between entrepreneurship and innovation since 21% of the articles on entrepreneurship also mentioned innovation (including the articles on entrepreneurship AND creativity AND innovation).

In investigating why the concept innovation is more often associated with entrepreneurship, the following observations are put forward:

- At the root of the problem of reaching an acceptable definition of entrepreneurial core skills and capacities are the diverse contexts within which the various definitional views are taken. Mueller-Vollmer (1985:x) summarised it as follows: "all concepts in which an entire process is semiotically concentrated (i.e., concerned with signs and symbols of the existence of something), elude definitions, only that which has no history is definable."
- Definitions are useful in the development of paradigms because they provide a set of synonyms and formulate conditions necessary for and applicable to the term defined. Carlock, (1994:17) also pointed out that paradigms with the clearest boundaries advance fastest from a scientific perspective.

Although various definitions of entrepreneurship acknowledge creativity and innovation as key ingredients of entrepreneurship, Carrier (1999:2) found that when one examines the content of existing entrepreneurship courses and programmes it becomes clear that many fail to address the questions of creativity and innovation.

### **1.1.1 The role of training and development in the success of entrepreneurs**

Management development advisers and/or trainers are concerned with those entrepreneurial skills and capacities that are necessary and sufficient for the pursuit of effective entrepreneurial behaviour within, and outside of, organisations. Couger (1995:14) is of the opinion that entrepreneurship can be taught. Although it is not really possible to teach people how to recognise opportunities, or to have the will and tenacity to start and bring an entrepreneurial venture to its conclusion it is possible to:

- Sensitise people to the importance of opportunities
- Show them how to think differently than others
- Make them aware of the demands entrepreneurship makes and
- Sensitise them to some ways to handle these demands (Bull, Thomas & Willard 1995:164).

The past decade saw a remarkable growth in the number of entrepreneurship courses. Solomon, Duffy and Tarabishy (2002:2), report various educational opportunities available at more than 1500 colleges and universities. However, despite the general agreement that entrepreneurship can be taught there is little uniformity in course content (Gorman, Hanlon & King 1997:1). The question that comes to mind is, what should be taught and how should it be taught to improve the development of entrepreneurial capabilities?

The science of small and medium enterprise management is seen as teachable within a conventional pedagogic paradigm. However, the art is seen as more problematic, since it is experiential, founded in innovation and novelty but based on heuristic practice (Jack & Anderson 1999:111). Those in the education and training system, who wish to respond to the challenge of teaching the “art” of entrepreneurship, face a number of problems relating to the concept of entrepreneurial skills. These derive mainly from the large number of definitions on offer and the fact that the definitions of the terms ‘entrepreneurship’ and ‘small business’ are yet to be resolved in the literature (Grant & Perren 2002:186).

Van Vuuren and Nieman (1999:4) addressed the lack of theory and paradigm in entrepreneurship education by presenting the constructs, entrepreneurial performance (E/P); motivation (M); entrepreneurial skills (E/S); and business skills (B/S) in a dynamic linear model  $E/P = f aM (bE/S \times cB/S)$ ; a,b,c being constants or existing skills. Clarity and specificity on creativity and innovation as entrepreneurial skills would contribute largely towards a more focused design of training/education programmes for entrepreneurial skills development.

The problem for educators according to Bull, Thomas and Willard (1995:165) is teaching students to be innovative entrepreneurs and not only firm-organising entrepreneurs. Bull *et al.* (1995:166) identify the fundamental difference between the two

as the innovative act, the recognition and development of the opportunity and acknowledges that this is something that cannot be taught very well.

Important factors in the implementation of innovation might be self-esteem and self-efficacy. Self-esteem refers to the perception of one's self as capable, important, successful and worthy, while self-efficacy pertains to the belief that one has the ability to perform tasks effectively in various achievement situations. People high in generalised self-efficacy predict that they are likely to succeed at task performance in a variety of achievement situations (Gardner & Pierce 1998:3). It is therefore hypothesised that small business owners with high levels of self-efficacy pertaining to creativity predict high levels of entrepreneurial performance, including innovativeness.

The understanding, nevertheless, of the role played by the self-concept within the entrepreneurship domain remains incomplete and far removed from the practice. In this context it can be argued that there are a number of areas of omission and need for clarification in the entrepreneurial skills debate.

Furthermore, few authors actually address the question of how to develop the required creative and innovative skills in future entrepreneurs. This must perhaps be seen in the context of Albert Einstein's remark, as quoted by Antonites (2000:34):

The history of scientific and technical discovery teaches us that the human race is poor in independent and creative imagination. Even when the external and scientific requirements for the birth of an idea have long been there, it generally needs an external stimulus to make it actually happen, man has, to speak, to stumble right up against the thing before the idea comes....

## **1.2 Purpose of this research**

If Amabile's (1996:12) conclusion is concurred with, namely that in business, creativity can almost be equalised with the improvement of business performance, the question of what does the creative entrepreneur do that results in the improvement of business performance, becomes even more crucial. A critical factor proposed to

distinguish entrepreneurs from non-entrepreneurial managers and small business owners is innovation (Jennings 1994:138).

Ivanyi and Hofer (1999:1002) are of the opinion that creativity and innovation are inseparable and that the natural environment of personal creative work and creativity is the innovation process. It could be asked whether creativity and innovation, as subject domains in their own right, are only loosely linked to entrepreneurship or whether the concepts could be established as ancillary constructs in the entrepreneurship domain. If these concepts are accepted as ancillary constructs, it can subsequently be asked what these ancillary constructs' unique meanings are in the entrepreneurship domain and whether these ancillary constructs are accepted and regarded as core skills that can be taught to aspiring entrepreneurs.

Aldrich and Martinez (2001:42) state that any research design should integrate the outcomes of entrepreneurial efforts and the processes that led to those outcomes. This study will attempt to do the following:

- Establish what is unique about the constructs of creativity and innovation in the entrepreneurship domain. Various representative definitions of creativity and innovation will be categorised, focusing on determining the unique qualities of creativity and innovation in the entrepreneurship domain.
- Establish if a link/relationship can be found between business owners' perception of their own creativity and their perception of their businesses' innovativeness.
- Test business owners' on the above by establishing their attitude towards implementation. Since self-assessed entrepreneurial self-efficacy was found to have a positive relationship with entrepreneurial intention and action (Jung *et al.* 2001:41), the empirical results indicating the perceptions and behaviours of small business owners in terms of the application of creative and innovative processes will be explored and implications for entrepreneurship education identified.



### 1.3 Importance of the study

The World Competitiveness Report (2003) placed South Africa in the 18th position out of the 30 developed and newly industrialised countries measured in the world. The Global Entrepreneurship Monitor (GEM) (Foxcroft, Wood, Kew, Herrington & Segal 2002:4) supports the above ranking, indicating that only 6,5% of the adult population is involved in entrepreneurial ventures. The impact of this is worsened by the fact that 2,8% of these entrepreneurs are necessity entrepreneurs.

It must therefore be asked whether South African entrepreneurs are applying creative and innovative concepts and whether any difference can be seen in the growth and/or innovativeness of businesses due to increased creativity.

A core objective of entrepreneurship education that differentiates it from typical business education first is to generate various different ideas in a short time span in order to exploit business opportunities and to project a more extensive sequence of actions entering business (Solomon *et al.* 2002:3). Keeping this objective of entrepreneurship education in mind, establishing the conceptual links of creativity and innovation with the entrepreneurship domain could contribute to the conceptualisation of “entrepreneurial skills”.

1.4 Research Plan

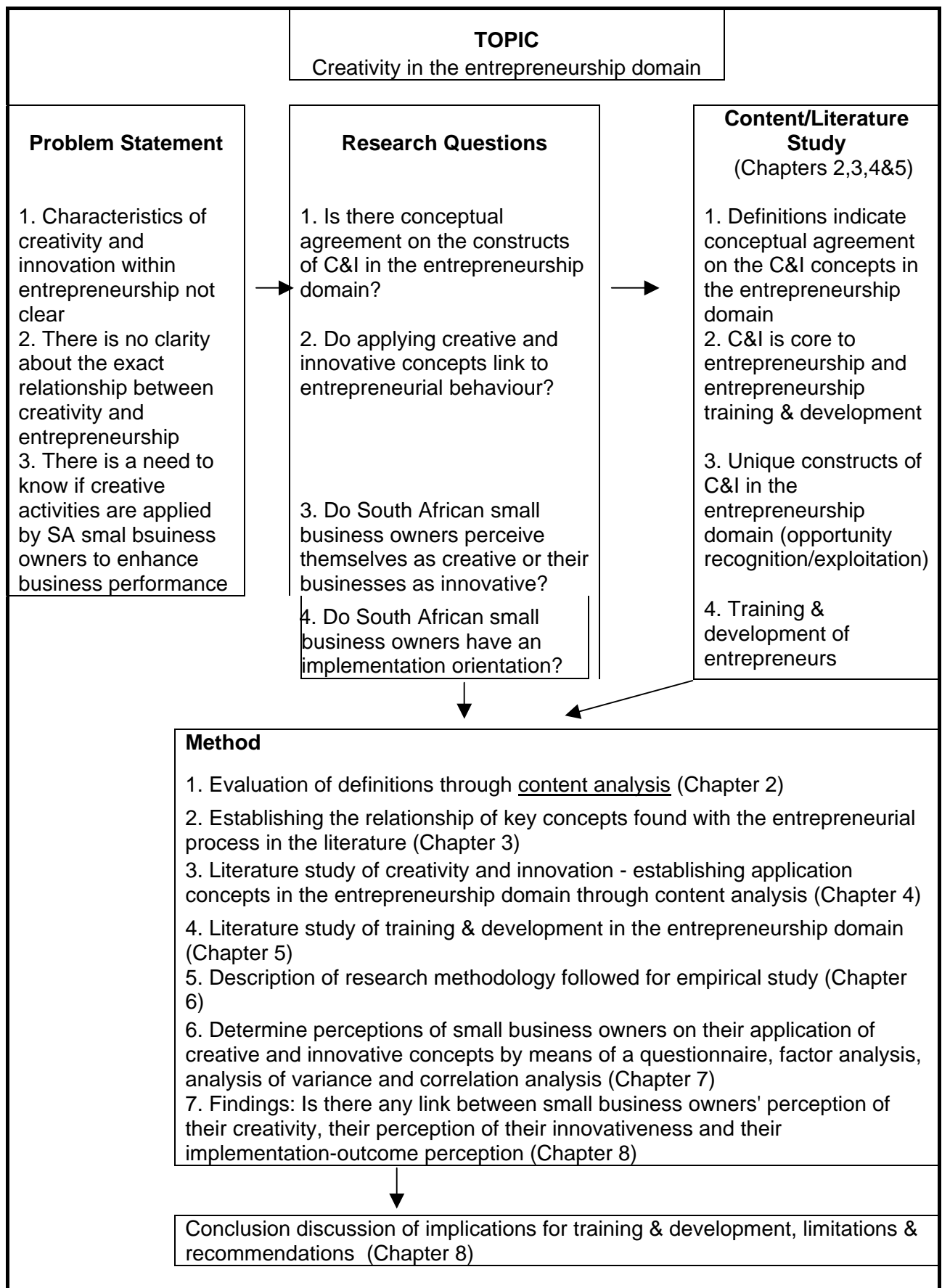


Figure 1.3: Research Plan