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# Contribution of Support and Incentive Programs to Entrepreneurial Orientation and Start-up Culture in South Africa

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## ABSTRACT

This paper discussed the role of an entrepreneurial orientation (EO) and start-up culture to enhance economic development. It investigates the proposition that the South African culture is conducive to EO. Secondly, this paper investigates the available programs from an entrepreneurial culture perspective. Programs are categorised to delineate their different focuses. Key issues reported include the program focus, the level of venture development aimed at and their target groups. Finally it questions the contribution of these programs to entrepreneurial culture and suggests remedies. The paper concludes that despite the number of different programs that exist, the concept of entrepreneurial culture to improve EO is not addressed.

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## 1 INTRODUCTION

In the rush to stimulate entrepreneurial activity, policy makers often rely on success stories, anecdotes and cases to demonstrate the utopia that will result when entrepreneurial activities take off.

In South Africa, as in many other countries, the national strategy for the development and promotion of small business in South Africa identifies small business development and the empowerment of entrepreneurs as the most important avenue for economic growth. (Act 102, 1996: 10). Gorman, Hanlon and King (1997: 56) confirm that there is widespread recognition that entrepreneurship is the *engine* that drives the economy of most nations. Timmons (1999: 4) also refers to entrepreneurship as America's secret weapon and argues its value as the main contributor to the superior position that the USA holds as part of the global economy. He suggests entrepreneurship to be the fundamental difference in the American culture where 37 per cent of the

population is somehow involved in their own ventures apart from their regular jobs.

This opinion underscores the need for large numbers of entrepreneurs for a successful economy as described by Sunter (1994: 4). However, four years later, Sunter (1998: 2) still calls for entrepreneurial development and again highlights its importance when he states, "It is only through the creation of millions of enterprises that millions of jobs will be created". Today, the use of the phrase *entrepreneurial development* has become a buzzword in the speeches delivered from almost every public platform, but the question could rightly be asked; what has changed in entrepreneurship, small business development and economic growth since the initial call?

Driver, Wood, Segal and Herrington (2001) in their annual global Entrepreneurship Monitor (GEM) reports an overall lack of entrepreneurial elements from the culture of South Africa. Factors such as: attitude towards entrepreneurship, entrepreneurial role models, negative mindsets towards confidence, initiative and creativity, negative perception towards entrepreneurship as a career choice and negative attitude towards failure are all sited to contribute towards the South African entrepreneurial culture.

## **2 PURPOSE OF THE ARTICLE**

The focus of this paper, thus, centres on entrepreneurial culture and its role and effect within the society under the premises that when it exists or is high, growth in numbers of entrepreneurs and their associated business ventures will benefit economic development. Understanding cultural influences on the development of entrepreneurial potential is crucial to the internalisation of entrepreneurship theory and the development and implementation of policy initiatives to encourage entrepreneurship.

### **2.1 Entrepreneurship**

The construct of entrepreneurship is both complex and controversial as there is no agreement on the definition. Kaufmann and Dant (1998: 7) categorize entrepreneurship based on the different contemporary representative definitions found in the literature. They conclude that three perspectives can be determined by the definition focuses namely:

- Definitions stressing the characteristic traits or qualities supposedly possessed by entrepreneurs including risk taking, leadership, motivation, ability to resolve crises, creativity, low level of risk aversion, decision making ability and more.

- Definitions stressing the process of entrepreneurship and its result including the creation of new enterprise, introduction of new combinations of production factors and new, unique and valuable combinations of resources in an uncertain and ambiguous environment.
- Definitions focussing on the activities entrepreneurs perform including connecting to new markets, overcoming market deficiencies, creating and managing contractual arrangements and input transforming structures, supplying resources lacking in the marketplace, activities to initiate, maintain and develop profit oriented business, to fill currently unsatisfied needs and to take operational control of the organization.

The study of Kaufman and Dant (1998), however, concludes that consensus about the construct of entrepreneurship remains elusive. Morris (1997: 17) defines entrepreneurship as the process through which individuals and/or teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organizational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets and technology. Given this broad definition of entrepreneurship, its applicability is much broader than merely limiting it to the discipline of business only.

This paper, however, is concerned with entrepreneurial thinking, orientation, activities and the way of being entrepreneurial as found specifically in its manifestation within individuals and how it is viewed and supported by the society and the impact of the culture as a contextual factor determining the entrepreneurial way of being.

## **2.2 Entrepreneurial culture and entrepreneurial orientation**

The assertion that there is a greater predisposition or propensity towards entrepreneurship in some societies than others points to the implicit role of culture. Thomas and Mueller (2000: 289) quote Weber (1904) who argues that at the society level, differences in entrepreneurial activity could be explained by cultural and religious factors. They also quote McClelland (1961) who suggested that socialization factors such as parental influences determine the need for achievement, which in turn generates entrepreneurial propensity within a society. He further predicted that societies with cultures that emphasise achievement would exhibit greater levels of entrepreneurship than societies that did not.

Culture considers the shared values, beliefs and norms of a society and is an important contextual factor affecting the number of potential entrepreneurs in a given community, ethnic group, region or country. Maasdorp and Van Vuuren

(1998: 727) propose a model that includes the population (society, supporting and cooperative environments to determine the number of entrepreneurs entering the economy through venture start-ups. They suggest these factors influencing entrepreneurial environment include several aspects including: the acceptability of entrepreneurship in the society, availability of financing, training and development programs, deregulation and even infrastructure.

Meuller and Thomas (2000: 52) conclude that some cultures are more conducive for entrepreneurship than others. Culture, it appears, may condition potential for entrepreneurship, generating differences across national and regional boundaries.

The question is therefore: How do cultural mores, values and beliefs either encourage or discourage individuals from entrepreneurial activity. Understanding the nature of the relationship between culture and entrepreneurship can provide valuable information to policy makers to motivate new venture creation and thereby increase employment and economic growth that is so desperately needed.

Thomas and Mueller (2000) describe four dimensions of culture for different countries and identify differences between countries and even within regions of the same country. The four dimensions they used to describe culture are based on Hofstede (1980) and include:

- Innovativeness, which include creativity, imaginative, inventive, enterprising, original, resourceful and farsighted.
- Internal locus of control, which is closely related to individualism compared to collectivism on the profile of Hofstede (1980).
- Risk taking, which is closely related to the opposite of risk avoidance described by Hofstede (1980).
- Energy, which is associated with individualism as described by Hofstede (1980) as well as time usage.

These authors conclude that three of the above traits associated with entrepreneurial potential, namely internal locus of control, moderate risk taking propensity and high energy level decrease in frequency as cultural distance from the United States profile increases where the US is taken as the benchmark in fitting the culture dimensions supporting entrepreneurial activity and orientation.

Anonymous (2001: 60) in the Economist reports some visible changes taking place within the Korean corporate culture namely:

- Fear of failure is no longer the deterrent to starting new business in South Korea than it once was, a big step forward in a country in which failed businessmen have traditionally been looked down on.

- Performance based pay schemes to motivate employees to develop achievement orientation (internal locus of control).
- Abandoning of lifetime employment for movement between jobs, which encourages risk taking.

Considering these changes it seems that components of entrepreneurial culture are more subject to change than factors generally associated with culture. Billig (1994: 679) also suggests that entrepreneurial culture may not be as deeply entrenched than other cultural determinants. It is therefore more flexible in its response to changes in the political, economic and social conditions.

Dana (1995: 95) suggests that social values may cause entrepreneurs to be looked up to, or down upon, depending on the beliefs of society and their prominent moral code of behaviour. He sites the case of men in Laos that embraces the traditional values of Theravada Buddhism, a belief system that opposes achievement motivation as it proposes the elimination of “desires”, which in that culture is the root of all evil. A respectable person within the Laos culture, then, should not work towards the satisfaction of materialistic desires. However, it is acceptable for women to do so and the result is women entrepreneurs who works and trade.

The lack of enterprise and entrepreneurial studies at school, in vocational education and training in higher education forms part of the reason why there is not a strong small business culture in Australia (Donnelly, 1995: 21). Education forms a crucial part of the fixation of a culture. Lee and Peterson (2000: 403) quotes Berger’s statement that culture serves as the conductor while entrepreneurship is the catalyst for the development of an entrepreneurial orientation within individuals.

Lee and Peterson (2000: 410) also proposed a model depicting the relationship between culture and entrepreneurial orientation and how it relates to global competitiveness (See Figure 1). They compare different countries (cultures) including the United States, Former Russian countries, Japan, China and Mexico and show clearly that entrepreneurial orientation is very different between those measured. They conclude that a culture that is low on power distance, weak in uncertainty avoidance, masculine in nature, individualistic, achievement oriented, and universalistic will engender a strong entrepreneurial orientation, characterised by autonomy, pro-activeness competitive aggressiveness, innovativeness and risk taking. Such a strong entrepreneurial orientation will ultimately lead to increased entrepreneurship and global competitiveness.

Arguing that entrepreneurship and the manifestation thereof within the culture are complex constructs, the understanding of the relationship cannot be less complex. Meuller and Thomas (2000: 52) indicate that culture is only one of many contextual factors that contribute to the rate of venture creation. It is argued that the components of culture are often vague and depends on perceptions, intention and even the motivational level of the researcher. Suffice it to say that the ideas associated with this paper have as aim to open what is generally perceived as a “taboo” subject in the South African context as culture is generally viewed a racial issue and very sensitive.

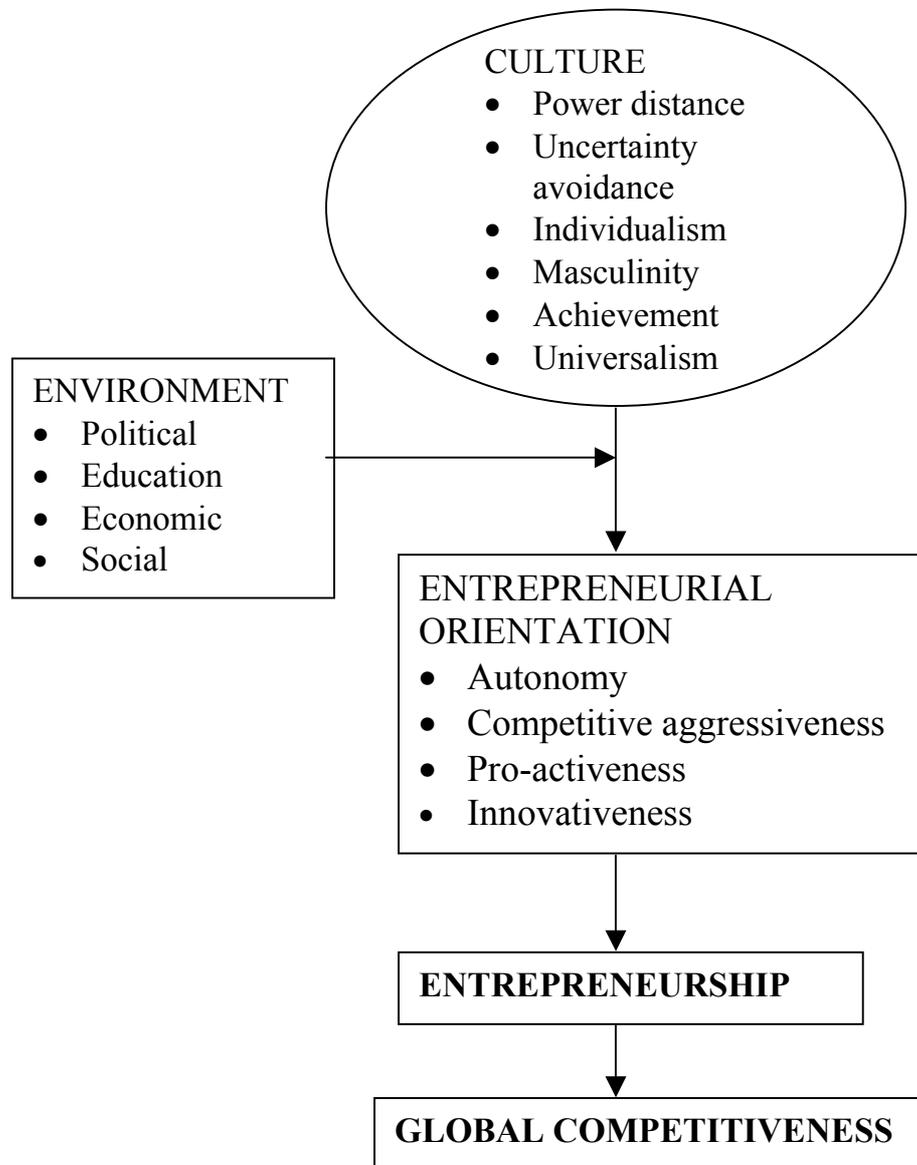
The authors are of the opinion that a core issue hampering entrepreneurial development may be covered up by being politically correct, as seen in the figure below. Rather than opening a can of worms that may lead to meaningful discussion, research and action to improve the current situation if it proves to be relevant, people tend to shy away from the risk of being politically incorrect. The authors believe that it is worth the risk if it can make a difference and based on the evidence cited, it is very relevant.

This paper concentrates on South African context but could have wider application especially cited in the context of the rate of globalisation.

It is argued that while there are several programs available to enhance economic development, few, if any, impact on the development of an entrepreneurial culture as suggested in this text.

Three of the key programs of South African service providers are investigated. The key vehicles in South Africa that have to do with entrepreneurial development is the Department of Trade and Industry (DTI) and its implementation arms namely the IDC, Ntsika and Khula. This research evaluated the goals of their programs and involvement in the economic development through business creation.

**Figure 1 Model depicting the relationship between culture and entrepreneurial orientation as it relates to entrepreneurship and global competitiveness (Lee & Peterson, 2000: 410)**



### 3 PROPOSITIONS

Firstly it is required to determine whether the South African culture is conducive to entrepreneurial orientation and therefore the proposition is set that the South African culture is conducive to an entrepreneurial orientation rather than not being conducive.

Secondly it is required to determine whether development and support programs contribute to the enhancement of entrepreneurial start-up culture and therefore

the proposition is set that official development and support programs contribute to the enhancement of entrepreneurial start-up culture rather than not contribute.

#### 4 METHODOLOGY

Firstly, the literature was searched for references to South African or African culture and its impacts on entrepreneurial orientation and possible relationship to the culture dimension as described by Lee and Peterson (2000: 405) based on the framework of Hofstede (1980) and Trompenaars (1994) that they cited.

Thereafter, the most well known programs namely those of the DTI and its associated implementation bodies (IDC, Khula and Ntsika) with their different programs were investigated as a cross sectional secondary data study. The programs have different goals and target groups as part of their overall aim to improve economic growth and development. The available programs were evaluated based on how they are described in the promotional material and web sites of the DTI with an investigative evaluative method.

The descriptions of the goals and prerequisites for each program were evaluated and classified into categories for business size and growth stage of the venture the programs are aimed at. Figures were developed to depict the difference between programs.

#### 5 FINDINGS

Table 1 depicts references from the literature that are directly related to South African, African, Sub Sahara African and even to developing economies where African is implied and its relationship to the dimension of culture.

**Table 1**      **Categorising African culture for the main dimensions that may impact on entrepreneurial orientation based on Lee and Peterson's evaluation**

<b>Cultural dimension<sup>1</sup></b>	<b>Conducive to entrepreneurial culture<sup>2</sup></b>	<b>Categorisation for African culture</b>	<b>Reference for African evaluation</b>
Uncertainty avoidance	Weak	Strong	Themba <i>et al.</i> (1999: 110) Driver <i>et al.</i> (2001: 4) Sono (1994)

**Table 1 continued**

<b>Cultural dimension<sup>1</sup></b>	<b>Conducive to entrepreneurial culture<sup>2</sup></b>	<b>Categorisation for African culture</b>	<b>Reference for African evaluation</b>
Power distance	Low	High	Themba <i>et al.</i> (1999: 110) Fadiman (2000: 82) Sono (1994)
Masculinity	Masculine	Féminine	Themba <i>et al.</i> (1999: 113)
Individualism	Individual	Collective	Rutashobya (1999:39) Themba <i>et al.</i> (1999: 112) Fadiman (2000: 80) Sono (1994)
Achievement	Achievement	Ascription	Rutashobya (1999: 39) Driver <i>et al.</i> (2001: 42)
Universalism	Universal	Particular	Olomi (1999: 166) Sono (1994)

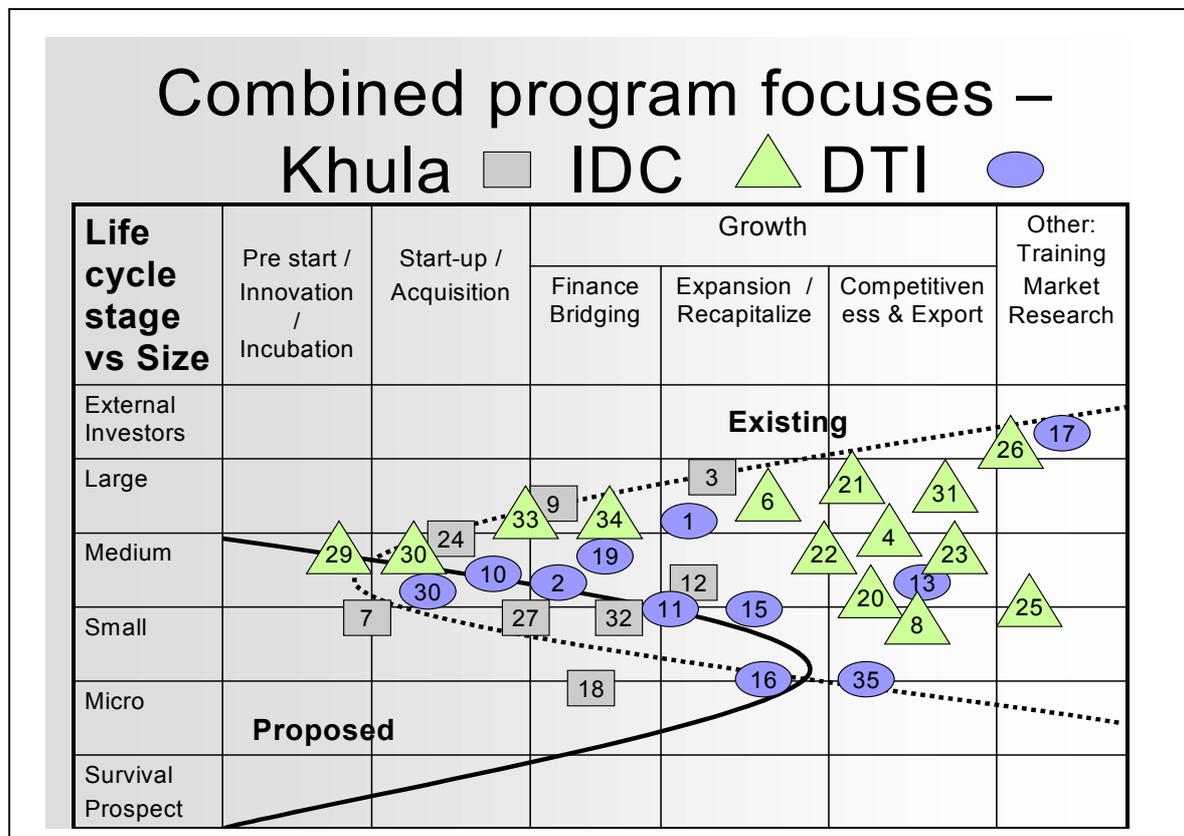
Dimensions based on Lee and Peterson 2000: 405

<sup>1</sup> Power distance – degree of tolerance for hierarchical or unequal relationships where low power distance is conducive to entrepreneurial orientation. Uncertainty avoidance – degree of acceptance for uncertainty or willingness to take risk. Individualism – degree of emphasis placed on individual accomplishment. Masculinity – degree of stress placed on materialism and wealth (masculine) versus harmony and relationships (feminism). Achievement – describes how power and status are achieved either through competition and hard work (achievement) versus birthright, age or gender (ascription). Universalism – describes the norms for regulating behaviour either through a code of laws that apply equally to all (universalism) that are conducive to entrepreneurial orientation versus some who enjoy special rights or privileges because of their status (particularism).

<sup>2</sup> Coincides with the evaluation of the US culture.

Figure 2 depicts the distribution of the programs offered by the DTI, IDC and Khula according to their focus, size and level of its target market. Although the categories are subjective, the programs are positioned according to their focuses used.

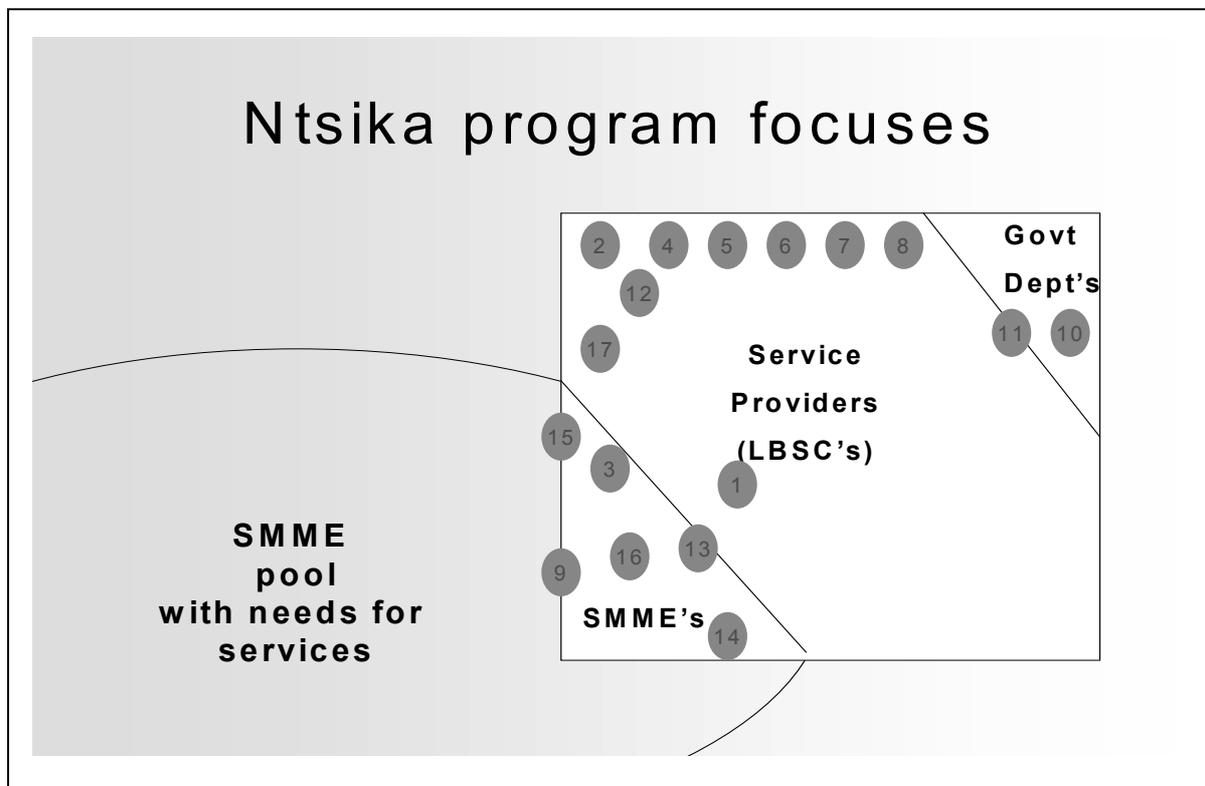
**Figure 2** Graphical presentation showing that the program focuses of IDC, DTI, and Khula programs lean towards larger ventures and growth rather than SMME and start-ups (own compilation)



Also shown on Figure 2 are two lines categorising the “existing” focus versus the “required” focus where it is believed that programs will contribute to more start-ups.

The focuses of the Ntsika programs are differently depicted in Figure 3. The core target markets are the service providers to a large extent and the entrepreneurs to a lesser extent.

**Figure 3** Graphical presentation showing that the program focuses of Ntsika programs lean towards service providers more than towards SMME's (own compilation)



## 6 CONCLUSION

From Table 1 it seems that the available literature points towards a culture in South Africa that is not supportive to the development of an entrepreneurial orientation. Although empirical research is required to prove or disprove this generalisation, indications are clear to those who have the nerve to postulate it that: The evaluation points that entrepreneurial orientation and start-up culture levels are oppositely valued especially for uncertainty avoidance, individualism and achievement. Power distance, masculinity and universalism appear to be evaluated as sending mixed signals about their status within the South African society.

Based on the literature evidence, it is fair to reject the first proposition that the South African culture is conducive to entrepreneurial orientation. Empirical research in this regard is, however, required.

Figure 2 shows that there is a general program convergence on the level of medium and large ventures although some programs tend towards small

business. The core focuses of the programs from Khula, IDC and DTI include finance, growth, expansion and competitiveness (through export) that are more relevant for existing business than for start-ups.

Figure 2 also shows that there is a general tendency of the Khula, DTI and IDC programs to focus on the larger and existing ventures as their target audience. Very few programs are aimed at micro and small business. Although some programs do focus on start-up the prerequisites suggest that they are more relevant for larger ventures.

The question arises whether this could be construed as a latent acknowledgement that real growth comes from true entrepreneurs, which eventually create larger businesses than the conventional small businessperson. This, despite the general thinking that growth depends on SMMEs as described earlier in this paper. Could this also be support for large businesses as they are the real employment creators and therefore the focus rather than micro and small business?

One could argue further that these programs were not designed to influence anything else than what they are doing. The question is whether they could contribute to enhancement of entrepreneurial culture and if so, how? There, however, seems to be no indication that these programs contribute directly towards the development of entrepreneurial orientation.

Apparently the role of Ntsika is more towards the assistance of small business and the creation of more micro business where one would tend to find programs that are more related to entrepreneurial culture.

Figure 3 further shows the focuses of the Ntsika programs. The majority of the programs are focused on assisting their service providers. A smaller portion of the Ntsika programs focus directly on the entrepreneurs that are the proposed beneficiaries of the programs whether directly or indirectly. The question is whether Figure 3 shows any support to the issues related to improvement of entrepreneurial orientation. Ntsika's strategy requires a strong service provision sector to impact on the SMME pool that requires its services and therefore explains the larger portion of the programs that are aimed at the service providers. The question arises that if the service providers need such an amount of inputs from Ntsika before they can operate, what is the level of entrepreneurial orientation within these service organisations.

Based on the evidence presented it seems that the second proposition that official support programs contribute to the enhancement of entrepreneurial orientation and start-up culture should be rejected and the opposite accepted.

## 7 RECOMMENDATIONS

Accepting that these programs do not support the enhancement of entrepreneurial orientation and start-up culture opens the debate for how these can be influenced.

Figure 1 shows the role of the environment and the social and specifically the education environment should be investigated. Further research is, therefore, proposed into the role of entrepreneurship education within the primary and secondary school curricula to impact at the earliest potential intervention point rather than at the stage where IDC, DTI, Khula and Ntsika incentives are focused. The DTI may investigate entering into discussions with the department of Education to labour this issue.

Based on the general line of the discussion in this paper, Table 2 identifies some speculative issues that require further research. When looking at entrepreneurial orientation and start-up culture, all of these factors may be relevant.

**Table 2** Contributors to entrepreneurial culture based on *speculative perceptions to stimulate debate* (own compilation)

<b>Environmental contributors relevant for entrepreneurship</b>	<b>Speculative perception of the typical South African scenario</b>	<b>Speculative perception of the typical US scenario</b>
General view towards failure	Bad – shows poor judgment	Good – show perseverance
Achievement motivation	Someone will do it for you	I want to do it myself
Innovation	This is how it works – don't tamper with it	I can do it better I'll find an alternative way
Locus of control	I can't change the way things work	I am in charge
Risk propensity	Don't make a mistake Find right answer only Try to win the lotto	There will be more chances if this doesn't work.
Energy	Passivity and wait for someone to do it	Fired up to do something yourself
Typical role models	Lack of entrepreneurial role models	Achievers in business and sport through hard work
Aspirations	Don't hurt the other	Make a difference

**ENDNOTES**

- 1 Paper originally presented at: South Africa Entrepreneurship and Small Business Association, (SAESBA) Conference at Sun City, 4-6 August 2002. Awarded best paper prize.
- 2 The assistance of the officials from the different institutions is hereby acknowledged. Opinions expressed in this paper and conclusions arrived at, are those of the authors and are not necessarily to be attributed to the institutions and programs investigated.

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