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The Relationship between Black Economic Empowerment and Entrepreneurship in South Africa

Marisa Meyer

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degree of Master of Business Administration.**

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Abstract

Black Economic Empowerment is a strategy aimed at substantially increasing meaningful Black participation at all levels in the South African economy. South Africa is characterised by remarkably low levels of entrepreneurship. As entrepreneurship is associated with wealth generation and job creation, increased entrepreneurial activity can contribute significantly to address unemployment and societal inequalities.

This study explores the relationship between Black Economic Empowerment and entrepreneurship in South Africa in an attempt to investigate whether Black Economic Empowerment promotes entrepreneurship.

A qualitative approach was adopted to gain insights into the lived experiences of Black Business Leaders and Black Entrepreneurs through a phenomenological analysis of the data. Data was also collected from Experts, in an attempt to strengthen the findings and validity of the study through triangulation. Research instruments included open-ended questionnaires to ascertain the views of Experts and face-to-face, in-depth interviews to promote storytelling by Black Business Leaders and Black Entrepreneurs.

The results revealed that Black people are entrepreneurial in nature. Black people are motivated to pursue entrepreneurial opportunities by, *inter alia*, financial reasons, their contribution to society and the creation of wealth in order to leave a legacy. It is evident that Black Economic Empowerment can develop Black entrepreneurs, Black Businesses and Black intrapreneurs. A diagrammatic presentation of the relationship between Black Economic Empowerment and entrepreneurship is proposed that depicts the key linkages established by the findings from this study.



Declaration

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

Marisa Meyer

Date



“My will shall shape the future.

Whether I fail or succeed shall be no man’s doing but my own.

I am the force.

I can clear any obstacle before me or I can be lost in the maze.

My choice,

my responsibility,

win or lose,

only I hold the key to my destiny.”

Elaine Maxwell



Dedication

To my parents, Philip and Sandra Meyer. You have inspired me by your uncompromising support, encouragement and love throughout this journey.



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Chapter 1: Research Problem

1. Research Problem

The research study explores the relationship between Black Economic Empowerment (“BEE”) and Entrepreneurship in South Africa.

1.1 Research Objectives of the Study

Based on the above research problem, the research study will attempt to:

- Investigate the presence of entrepreneurship amongst Black Business Leaders and Black Entrepreneurs in South Africa
- Investigate what drives and motivates Black Business Leaders and Black Entrepreneurs to pursue entrepreneurial opportunities
- Explore the relationship between BEE and entrepreneurship in South Africa, and
- Develop a model that explains the relationship between BEE and entrepreneurship in South Africa.

1.2 Motivation for the Study

1.2.1 Historic South Africa

South Africa held its first democratic election on 27 April 1994. Prior to this date, political and business power was held in the hands of White South Africans.

Since 1948 and throughout the history of South Africa, Black South Africans were marginalised to the periphery of the economy through a deliberate policy of apartheid introduced by the National Party. To this extent, the development of Black people was obstructed as they had limited access to institutions and facilities. The policy of

apartheid systematically discriminated against Black people in all aspects of social life. Black people were prevented from becoming owners of property or residing in areas classified as “White” which constructed approximately 90% of the landmass of South Africa; senior jobs and access to schools and universities were denied to them; civic amenities including transport systems, public parks, libraries and many shops were also closed to Black people. Instead, separate and inferior facilities were provided. The deep scars of this policy are still visible in our society.

A revolution for the liberation of Black people was led by organisations such as the African National Congress (“ANC”). This led to the emergence of leaders such as Nelson Mandela, Oliver Tambo and others who fought and, in the case of Steve Biko, even died for the liberation of Black South Africans. In 1994, South Africa attained political liberation.

Against this backdrop, it would simply not make sense for Black South Africans to have the right to vote without having the right to participate meaningfully in the economy. The ANC government took control of central, provincial and local government resulting in a massive wave of change in the country (Klemz, Boshoff and Mazibuko, 2006).

The first ten years of democracy were characterised by affirmative action, employment equity legislation and BEE. The objective of these legislative actions was to increase Black economic power through encouraging Black participation in the economic mainstream (Klemz *et al.*, 2006). Through BEE initiatives, the ANC government encouraged traditionally White-owned businesses to sell a significant portion of their businesses to Black people. The ANC government formulated industry charters to voluntarily transform industries and awarded governmental contracts to Black-owned firms or firms with significant Black shareholding, thereby incentivising firms committed to the transformation process (Klemz *et al.*, 2006).

The economic success of new Black-owned market entrants into existing, highly competitive industries in South Africa is of vital importance to the ANC government (Klemz *et al.*, 2006).

1.2.2 South Africa Today

South Africa is a nation of approximately 47.4 million people of diverse origins, cultures, languages and beliefs. The African population is in the majority at 37.7-million, amounting to 79.5% of the total population. The White population is estimated at 4.4-million (9.2%), the Coloured population at 4.2-million (8.9%) and the Indian population at 1.2-million (2.5%) (Statistics South Africa, 2006a).

Economic transformation is a business necessity as a consequence of:

- A financial and growth imperative to address the high rate of unemployment in South Africa (DTI, 2005). It is estimated that 25.6% of the labour force is currently unemployed. With a population of 47.4 million people, growing at a rate of 2.7% per annum, the absorption rate of the labour force is at a low of 41.7% i.e. only four out of every 10 newcomers to the labour force can be accommodated (Statistics South Africa, 2006b). The unemployment rates of South Africa for the period March 2001 to March 2006 are presented in Table 1 below (Statistics South Africa, 2006b).

Table 1: Unemployment rates of South Africa, March 2001 – March 2006

2001	2002	2003	2004	2005	2006
26.4%	29.7%	31.2%	27.9%	26.5%	25.6%

(Source: Statistics South Africa, 2006b)

- A social imperative due to a significant load of the economy being carried by few income earners (DTI, 2005). The Gini-coefficient measures the disparity between a few rich elites and the poor majority and is an indicator of the level of social

tension in South Africa. The Gini-coefficient ranges from 0 (absolute equality) to 1 (absolute inequality) (Schwabe, 2004). The increasing levels of inequality in our society are of great concern with the highest inequality by race prevalent amongst African people as measured in 2001. The Gini-coefficient by population group is presented in Table 2.

Table 2: Gini-coefficient by Population Group

Population Group	1991	1996	2001
African	0.62	0.66	0.72
White	0.46	0.50	0.60
Coloured	0.52	0.56	0.64
Indian/Asian	0.49	0.52	0.60
Total	0.68	0.69	0.77

(Source: Schwabe, 2004)

- A moral imperative, as Black people were excluded from the economy on the basis of race (DTI, 2005).

The rationale behind this research is pertinent to the South African business environment. With the introduction of the Broad-based Black Economic Empowerment Act, No. 53 of 2003, promulgated in 2004 (“BBBEE Act”) (BEEA, 2004) and the finalisation of the Broad-based Black Economic Empowerment Codes of Good Practice, 2007 (the “Codes”) (DTI, 2007), the ANC government is determined that Black people share in the wealth, ownership and management of the private sector, thereby striving towards a more democratic capitalism in South Africa.

Seventy-eight percent of South African companies, including all JSE-listed and AltX-listed companies with a turnover of R5m or higher, is not compliant with BEE at present (Lund, 2007). Although, BEE compliance remains voluntary at this stage, it is imperative that the private sector becomes more receptive towards Black business.

BEE and entrepreneurship are regarded as critical drivers of economic growth and political stability in South Africa (Klemz *et al.*, 2006). This study seeks to investigate the relationship between BEE and entrepreneurship in South Africa.

1.3 Definitions and Conceptual Analysis of BEE and Entrepreneurship

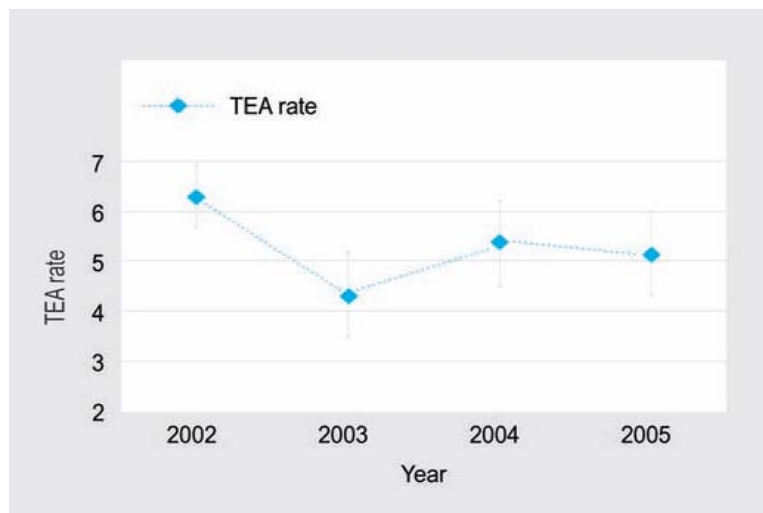
Empowerment is defined by the Department of Trade and Industry of South Africa (“DTI”) (2005, p. 5) as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities”.

The objective of BEE is to increase Black economic power through broader and meaningful participation. Government aims to alleviate poverty through broad-based economic empowerment policies and by redistributing income from the wealthier White community to the poorer Black communities (Klemz *et al.*, 2006).

Entrepreneurship is defined by Timmons and Spinelli (2007, p. 79) as “a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced”. Entrepreneurship is associated with change in economic systems, thereby contributing to national economic growth. Two key mechanisms for change in an economic system that can contribute to growth are the formation of new businesses by entrepreneurs and the realignment of existing businesses with entrepreneurial goals (Orford, Wood, Fischer, Herrington and Segal, 2003). Matlay (2005) is of the view that entrepreneurs contribute most to wealth generation, job creation and a superior quality of life. Therefore, the more entrepreneurs we have as a nation, the better our future.

The global level of entrepreneurship is measured annually by the Global Entrepreneurship Monitor (“GEM”). GEM is a global research study that conducts international comparisons of entrepreneurial activity and suggests policy measures to enhance the level of entrepreneurial activity. South Africa has participated in the GEM study since 2001. The South African GEM report provides empirical data on the level of entrepreneurship present in the country (Von Broembsen, Wood and Herrington, 2005). The total early stage entrepreneurial activity (“TEA”), the primary measure used to compare the rate of entrepreneurship amongst countries, includes start-up businesses (first three months) and new firms (three to 42 months) but excludes established firms (exist for more than 42 months) (Von Broembsen *et al.*, 2005). Figure 1 depicts South Africa’s TEA rates from 2002-2005 (Von Broembsen *et al.*, 2005).

Figure 1: South Africa’s TEA rates from 2002 - 2005



(Source: Von Broembsen *et al.*, 2005)

South Africa’s TEA has remained relatively constant but low over time. Of greater concern is the fact that South Africa’s position in the GEM rankings has deteriorated

despite improved macro-economic conditions. The TEA means that for every 100 adults in South Africa between the ages of 18 and 64, approximately five own and manage a start-up business (a business that has not paid salaries for three months or more) or a new business (a business that has paid salaries for between three and 42 months), either with others or by themselves. The average TEA for participating countries is 9.43% while that of South Africa is 5.1% for 2005 (Von Broembsen *et al.*, 2005). The TEA of South Africa for 2006 is a low 5.29% (Maas and Herrington, 2006).

According to Co and Mitchell (2006), Black South Africans constitute 90% of the potential labour force but only 4% of the entrepreneurial initiative. For the Black population to compensate for the economic imbalance arising from the proliferation of their labour force, disregarding the backlog of workers not in employment, their entrepreneurial spectrum will have to expand eleven times over the next twenty years in the formal sector.

Factors that limit entrepreneurial activity in South Africa identified by Maas and Herrington (2006) are:

- An education system that does not encourage entrepreneurship as a career. Entrepreneurship is seen as something you do when you cannot find a job or do not have a profession
- Lack of resources available to start a business
- Regulations that create huge administrative burdens and high costs
- Lack of entrepreneurial spirit amongst South Africans due to factors such as sanctions of the past and the education system that does not encourage entrepreneurship
- An environment that influences children to find employment

- The high risks involved in starting a business process that often involve cycles of failure. South Africa has a harsh attitude towards failure which inhibits many potential entrepreneurs
- Lack of infrastructure and the necessary skills required for the development of entrepreneurship
- Lack of entrepreneurial paradigm. The expectation is that corporate organisations and government should create jobs, rather than create one's own employment, and
- Lack of competencies such as management and entrepreneurial skills amongst entrepreneurs.

BEE has been viewed as a mechanism which displaces entrepreneurship as potential Black entrepreneurs are lured away from entrepreneurship by the ease with which money can be made under the BEE construct (BusinessMap Foundation, 2006).

BEE is also regarded as a short-term measure that cannot build durable Black-owned businesses. To achieve sustainable Black businesses, Black business people will have to go beyond BEE by starting their own businesses (Mangcu, 2007).

In contrast, Luhabe (2007) is of the opinion that both BEE and entrepreneurship are associated with new value creation and a shift in the behaviour of large corporations towards higher risk-taking.

The question arises whether BEE can close the divide between South Africa's dual economies namely, a first world economy and a third world economy by the creation of a Black middle class (Petersen, 2007). According to Petersen (2007), true empowerment should focus on Black entrepreneurs who build viable and sustainable businesses, thereby consolidating wealth and creating financial independence. Such

entrepreneurs will be in a position to empower others and will reap the advantages from the abundance of opportunities emerging in South Africa (Petersen, 2007).

Dyer (undated) is of the view that BEE may be an effective vehicle for the development of entrepreneurship. The author states that BEE could transpire into entrepreneurship, provided that BEE-originated businesses are themselves entrepreneurial in nature (Dyer, undated).

The purpose of this study is to investigate the relationship between BEE and entrepreneurship in South Africa.

1.4 Participants in the Study

The scope of this research is described by the definitions of the following relevant terms:

- Three Experts (“Experts”) that include male and female individuals who are consultants and/or journalists in the field of BEE and/or researchers, educators and practitioners in the field of entrepreneurship.
- Black people that include male and female Africans, Coloureds and Indians who are citizens of the Republic of South Africa.
- Ten Black Business Leaders (“BBL”) that include Black people who are shareholders and/or directors of large companies, and/or shareholders and/or directors of BEE Consortia with shareholding in large companies, hereinafter referred to as BEE transactions.

- Ten Black Entrepreneurs (“BE”) that include Black people who have founded a business which includes identifying opportunities in the market and taking risks with a view of being rewarded with profits (DTI, 2007). The BE have decision-making power and control over the day-to-day operations of the business with a minimum turnover of R5 million per annum.
- Large companies are defined as companies across all industries that were listed on the JSE Limited (“JSE”) in 2006. Excluded from this research are all entities listed under the AltX and the development and venture capital sectors.

1.5 Structure of the Study

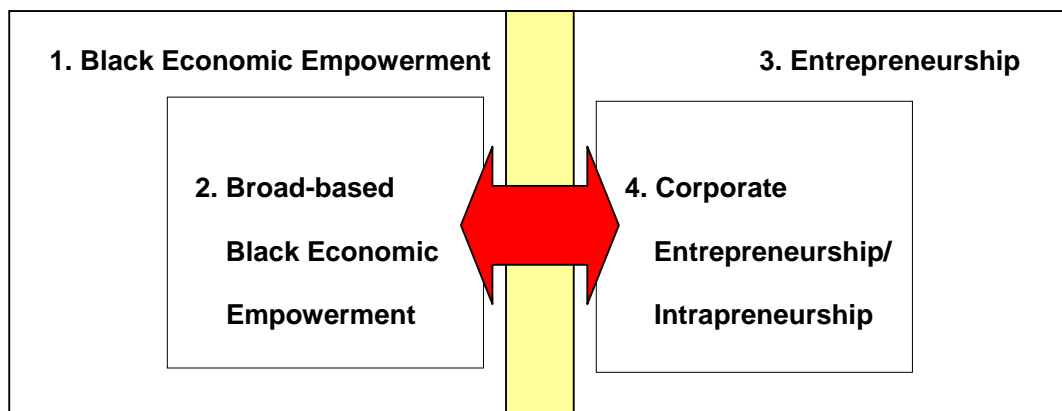
This study is divided into 7 chapters, with this introductory to the problem definition being the first chapter (Chapter 1). The following chapter (Chapter 2) presents a review of the literature on the concepts that are investigated in this study, namely BEE, broad-based BEE, small business, entrepreneurship and corporate entrepreneurship or intrapreneurship, as well as the relationship between these concepts. In Chapter 3 the specific research questions to be addressed in this study are postulated. Chapter 4 explains the research methodology employed with a detailed overview of narrative inquiry as a method of qualitative research that was used as the basis for data collection. Chapters 5 and 6 present the research findings and the discussion of the results, respectively. The study concludes in Chapter 7 with a model that explains the relationship between BEE and entrepreneurship in South Africa.

Chapter 2: Literature Review

In this literature review the concepts that are investigated in the study, namely BEE, broad-based black economic empowerment (“BBBEE”), small business, entrepreneurship and corporate entrepreneurship or intrapreneurship are explored, as well as the relationship between these concepts. Previous South African studies concerning the concepts are examined.

Figure 2 below is an illustration of how the above concepts and their respective theoretical bases have been assembled to depict the constructs of BEE, BBBEE entrepreneurship and corporate entrepreneurship that will be explored in this study. This conceptual model illustrates BEE and BBBEE, a reform of BEE, as a stand-alone concept. The model decomposes entrepreneurship to indicate that it may comprise of entrepreneurship and corporate entrepreneurship or intrapreneurship. A possible relationship between BEE and entrepreneurship is indicated where the concepts overlap.

Figure 2: Map of Concepts



2.1 Black Economic Empowerment (BEE)

The rise of empowerment can only be understood within a larger framework of the political economy, since without this wider view of context, there is a lack of sensible measures to explain how ideas such as empowerment originated. The government of South Africa's strategy towards BEE was developed to address the exclusion of the majority of South Africans from participation in the economy (DTI, 2005).

According to Innes (2007), the period of colonialism in South Africa provides the first example of BEE where, with the development of the Kimberley diamond field in the 1870's, Black entrepreneurs staked their claims alongside White entrepreneurs in the diamond fields so as to benefit from the global diamond market. Innes (2007) states that this form of BEE was self-driven as Black people spontaneously took advantage of opportunities for wealth creation and competed on equal terms with White people. The government soon put an end to the Black entrepreneurial initiatives. Innes (2007) is of the opinion that if this process of early BEE was allowed to continue naturally, the entrepreneurial role of Black people would have been significant to the economic development of the country.

Black businesses and Black people have experienced discriminatory legislation since the beginning of the twentieth century with the Natives' Land Act, 1913. For example, in terms of the Native Consolidation Act, 1945, Black businesses were restricted to selling essential products in urban Black townships. Restrictions on Black people intensified immensely during the 1950's with the creation of apartheid. Apartheid in South Africa was the official government policy that regulated social segregation of all citizens on the basis of race with White people having a superior standing to African, Indian and Coloured people who were regarded as second class citizens (Lucas-Bull, 2007).

The apartheid regime in South Africa restricted and controlled access to the economy by Black persons. It restricted wealth creation and imposed underdevelopment on Black communities, thereby ensuring a supply of cheap labour. By suppressing wealth and skill endowments in Black communities, Black people were prohibited from generating self-employment and entrepreneurship (DTI, 2005).

Black people were systematically deprived of viable business opportunities in the following ways:

- Apartheid confined the majority of Black people to homeland areas with poor living conditions, no economic infrastructure and few business opportunities.
- The Group Areas Act, 1934 which enforced the segregation of people by race resulted in many Black people being uprooted from their homes, large capital losses and the destruction of the fabric of Black small businesses.
- The restriction on property ownership rights of Black people made it impossible to acquire assets that could serve as collateral for loan financing, thereby excluding Black people from the process of capital accrual and growth (DTI, 2005).

The first democratic government of South Africa elected in 1994 had a clear mandate to redress the political, social and economic inequalities of the past. The government embarked upon a comprehensive program to provide a legislative framework for the transformation of the economy (DTI, 2005).

The Reconstruction and Development Program (“RDP”) served as a guideline for transformation and clearly encapsulated the vision and values of BEE. A central objective of the RDP was to de-racialise business ownership and control through policies focusing on BEE. The aim of these policies was to make it easier for Black people to gain access to capital for business development. The government and

parastatal institutions committed to provide capital for BEE objectives and introduced tendering procedures to facilitate BEE. The RDP emphasised training, upgrading and participation in ownership (Black Economic Empowerment Commission, 2001).

Ndedi (2004) divides the empowerment strategy into two elements. The first element is the breaking down of social barriers as the income of Black people increases, leading to changes in lifestyles. This will enhance communication between Black and White people and ease the process of political change. The second element is the creation of wealth within the Black community. This will provide Black people with opportunities and enable them to create a sustainable economy within their own community.

According to Jack (2007), South Africa has experienced two waves of BEE and a third wave is on the horizon. Historically, 1993 marked the beginning of the first wave of BEE in South Africa during which the private sector embarked on several BEE initiatives. In this year, Sanlam sold 10% of its stake in Metropolitan Life to a BEE consortium, which became New Africa Investments Limited, the first Black company to list on the JSE (Jack, 2007). A number of similar transactions followed. However, in most instances Black people did not have sufficient capital or adequate collateral to fund the BEE transactions. The sustainability of the funding mechanisms and problematic transaction structures should be questioned (Jack, 2007).

With the rise in interest rates and the stock market crash in 1998, BEE consortia were left highly indebted to government, parastatal institutions and previously White-owned companies, exposing BEE funding weaknesses. Black owners were still removed from the control, management and operations of the companies of which they were BEE partners, indicative of the superficial nature of many BEE transactions (Black Economic Empowerment Commission, 2001).

The number and total value of BEE transactions for the period 1995 – 2005 are listed in Table 3 (Ernest & Young, undated).

Table 3: Number and Total Value of BEE transactions

Year	Number of BEE transactions	Total value of BEE transactions
1995	23	R12.4bn
1996	45	R7bn
1997	52	R8.3bn
1998	111	R21.2bn
1999	132	R23.1bn
2000	126	R28bn
2001	101	R25.1bn
2002	104	R12.4bn
2003	189	R42.2bn
2004	243	R49.9bn
2005	238	R56.2bn

(Source: Ernest & Young, undated)

Although the first wave of BEE had many difficulties, it should not to be dismissed as having no impact as it profiled empowerment and brought forth a new generation of business leaders (DTI, 2005). The reflection on how to accelerate BEE in a constructive manner gave rise to the second wave of BEE.

A BEE Commission was established to develop a clear and coherent vision and strategy for BEE in South Africa. According to the Black Economic Empowerment Commission (2001), all sectors of the economy remained in the control of White companies and White skilled people. Black penetration in terms of ownership in most sectors of the economy remained minimal. Black companies dominated the lower end of the small business spectrum, particularly the survivalist and micro categories. An extremely low incidence of entrepreneurship estimated at approximately 1.4% was present in the Black community, while the incidence of entrepreneurship amongst White people was estimated at approximately 7.5% of the White population.

The overall approach to BEE lacked focus (DTI, 2005). For BEE to become a program of delivery in a meaningful sense, it required a uniform policy with guidelines and targets to encourage broader private sector participation in BEE (Black Economic Empowerment Commission, 2001).

2.2 Transition from BEE to BBBEE

The challenge in defining “black economic empowerment” was to find an appropriate balance between a broad definition such as BBBEE and an overly narrow one such as BEE (DTI, 2005). To define BEE too narrowly limits it to the entry and transaction activities of Black people in business, often being the passive ownership of shares, especially at the level of BEE investment companies (Black Economic Empowerment Commission, 2001).

The fundamental crisis in terms of the broader definition of BBBEE is that Black people remain excluded from financial and economic resources (Black Economic Empowerment Commission, 2001). In terms of the definition of BBBEE, new opportunities should be promoted for Black people and the levels of participation of Black people in ownership, management and control of economic activities should be increased (Black Economic Empowerment Commission, 2001).

The second wave of BEE saw the promulgation of the Mining and Petroleum Charters that introduced the concept of BBBEE in a practical manner for other sectors to follow (Jack, 2007). BEE was no longer a moral imperative but became a matter of policy. The BBBEE Act (2004) was promulgated in 2004. The DTI recommended a 25.1% Black ownership target, 40% Black management target and 50% Black workforce in companies within a period of 10 years (DTI, 2005).

According to Jack (2007), the ownership element would more than likely not be achieved due to the high debt leverage of BEE transactions. The author is of the view that a third wave of BEE is now starting to emerge.

From the above, it is apparent that Black business is not merely a post-1994 phenomenon. Black business history runs long and deep in South Africa. The political and economic environment in South Africa has become conducive to Black business in the past thirteen years.

2.3 Broad-based Black Economic Empowerment (BBBEE)

The Black Economic Empowerment Commission (2001, p. 2) first made reference to BBBEE and defined it as “an integrated and coherent socio-economic process. It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer the ownership, management and control of South Africa’s financial and economic resources to the majority of its citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity.”

BBBEE is described as the economic empowerment of all Africans, Indians and Coloureds through diverse but integrated socio-economic strategies (DTI, 2007). Government positions BBBEE beyond the redress of past imbalances as a powerful tool to broaden the country’s economic base and accelerate growth, job creation and poverty eradication (DTI, 2007).

The BBBEE Act (BEEA, 2004, p. 4) defines BBBEE in section 1 as “the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to —

- (a) increasing the number of black people that manage, own and control enterprises and productive assets;
- (b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- (c) human resource and skills development;
- (d) achieving equitable representation in all occupational categories and levels in the workforce;
- (e) preferential procurement; and
- (f) investment in enterprises that are owned or managed by black people;”

The BBBEE Act (2004) clarified three important topics namely, the definition of a Black person which includes Africans, Indians and Coloureds who are South African citizens; it initiated the Codes of Good Practice on BEE to provide more detail on the implementation thereof; and it provided for industry charters and sector codes (Outsourcing Innovations, 2006).

Innes (2007, p. 70-71) identifies the following five outlines required for a successful BBBEE policy in transforming the South African economy: “a land reform programme that ensures significant black ownership of productive land in the rural areas, black participation in ownership of the commanding heights of the economy, the development of black professionals and skilled people across all aspects of society, the growth of black-owned small businesses and entrepreneurs and more opportunities provided for workers to acquire a stake in the economy”. The emphasis is placed on diluting White ownership across all sectors by replacing it with Black and White partnerships.

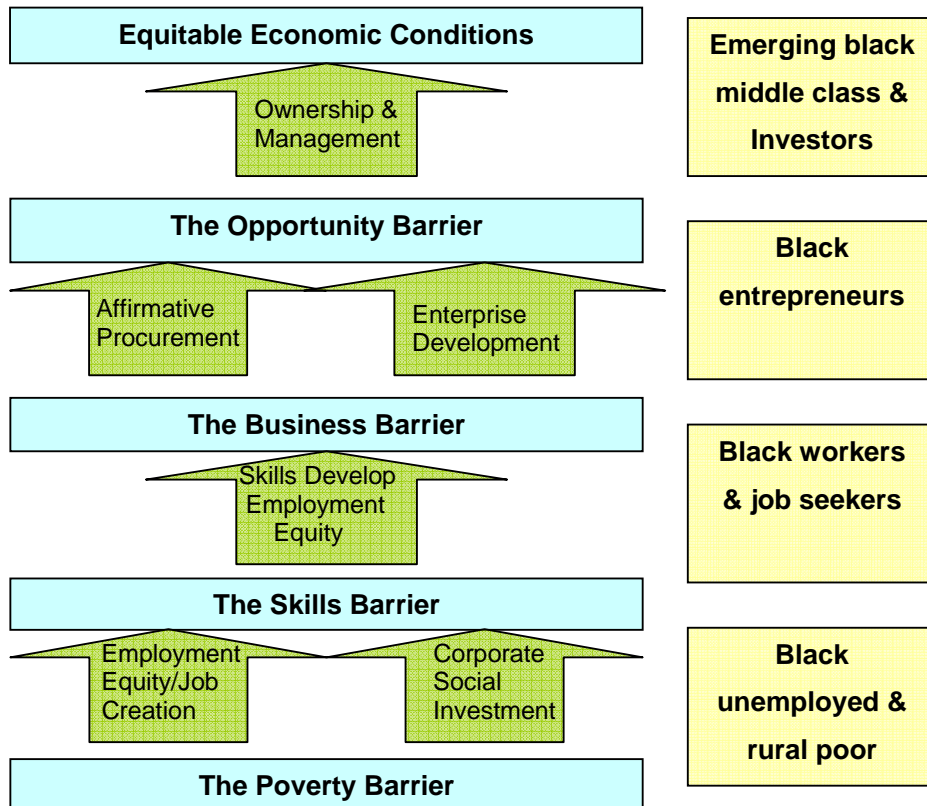
The DTI (2005) identified four key principles that underpin the BBBEE strategy namely, BBBEE must be broad-based; BBBEE must be an inclusive process as all South Africans will benefit from a more equitable economy; BBBEE must be associated with

and ensure the highest standard of corporate governance; and BBBEE must be part of the economic growth strategy of South Africa.

The purpose of BBBEE is to reach a broad beneficiary base thereby uplifting all classes of Black people. Black people must be developed through education and the transfer of knowledge and skills to pursue opportunities created and identified in the market. This process will address poverty and unemployment as Black people become equipped to overcome barriers and enabled to find employment, pursue entrepreneurial ventures and create sustainable Black businesses.

The broad-based beneficiary base of BBBEE is illustrated in Figure 3 below.

Figure 3: Broad-based Beneficiary Base



(Source: DTI, 2006)

The term BBEE is, therefore, more than just a company's equity ownership or shareholding. The Codes (DTI, 2007) provide clarity on the implementation of BBEE and the measurement of compliance by a business. BBEE is measured based on seven core elements namely ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. Each of the elements has a weighting attached to it and together these weightings add up to one hundred points (DTI, 2006). The overall performance in terms of the above scorecard is evaluated in accordance with a scoring matrix to provide BEE ratings.

Table 4 presents the generic scorecard applicable to all entities subject to measurement under the Codes, other than exempt micro enterprises and qualifying small enterprises (DTI, 2006).

Table 4: The Generic BEE Scorecard

Element	Definition	Weighting	Targets
Ownership	Measures effective ownership of enterprise by Black people	20 points	25% + 1
Management control	Measures effective control of enterprises by Black people	10 points	40% - 50%
Employment equity	Measures initiatives intended to achieve equity in the workplace	15 points	43% - 80%
Skills development	Measures the extent that employers carry out initiatives designed to develop the competencies of Black employees	15 points	3% of payroll
Preferential procurement	Measures the extent that enterprises buy goods and services from BEE compliant suppliers as well as Black-owned entities	20 points	70%
Enterprise development	Measures the extent to which enterprises carry out initiatives contributing to enterprise development	15 points	3% of NPAT
Socio-economic development	Measures the extent to which enterprises carry out initiatives contributing to socio-economic development	5 points	1% of NPAT
Total		100 points	

(Source: DTI, 2006)

Jack (2007) states that the third wave of BEE commenced with the preferential procurement strategy as it is preferential procurement that makes BBBEE a business imperative. Preferential procurement encourages transformation throughout the entire economy. It is done in the following manner: government, a large spender, will prefer to conduct business with companies that have a high BEE score. However, for a company to have a high BEE score, it must in turn do business with companies that have high BEE scores. This has a cascading effect putting pressure on all companies, including the companies that have no government business. It increases the market access of Black companies and ensures their sustainability by decreasing reliance on the public sector (Jack, 2007).

Jack (2007) confirms that this model is driven by the following factors namely:

- the immediate cash flow arising from procurement opportunities rather than cash flow from ownership transactions that could take a long period before it accrues to Black people
- the hands on involvement of Black people in the operations of the enterprises that they start which enables them to create their own cultures
- the increased ability to unleash the entrepreneurial potential of Black people who start and run their own enterprises, and
- the operational and financial assistance of new enterprises through opportunities during the start-up phase to become sustainable.

It is imperative that existing companies become receptive towards new Black enterprises during this phase of BEE. This phase should also contribute to job creation and the development of Black skills, especially for the younger Black generation who may not have business or political networks (Jack, 2007).

Luhabe (2007) summarises six values that should form the core of BBBEE:

- firstly, integrity, the value of ubuntu (loosely meaning “I am, because you are”) and a culture of dialogue to communicate the BBBEE strategy and goals
- secondly, the value of a social conscience to ensure that resources are distributed in a sustainable manner
- thirdly, the value of contributing to the lives of the less fortunate people
- fourthly, the sense of building towards a shared destiny and a shared understanding of the legacy we leave for our descendants
- fifthly, the fact that political freedom without full economic rights may ultimately result in civil unrest and political instability, and
- lastly, the importance of education to enable all citizens to become enterprising, responsible and independent.

Jack (2007, p. 111) states that “the ultimate test of the third wave of BEE is whether black entrepreneurs and business people will be able to replicate their experience of starting and/or running their own businesses anywhere else in the world. If the answer is no, then BEE would have failed in its objective of creating black enterprises and entrepreneurs able to operate competitively anywhere in the world.”

A trend of Black professionals leaving the corporate world for entrepreneurial, consulting and empowerment opportunities of their own, has started to emerge recently. It has been stated that for BBBEE to succeed, it must be infused with a strong element of entrepreneurship to expand from the existing economic base (Radebe, 2007).

2.4 Competing Arguments on BEE

The distortion of class formation amongst Black people is regarded as an outcome of the apartheid era. In liberalising South Africa from apartheid and its distortions, a multiplicity of social classes, including a Black business class, must be developed. BEE has been criticised for unjustly focusing on the creation of such a Black business class, thereby neglecting the poor (Shubane, 2007).

The broad thrust of much criticism is that BEE is creating an unjustifiably enriched Black elite. The increase in inequality amongst Black people due to BEE has also been criticised publicly. The South African Communist Party (“SACP”) is of the view that BEE can only be seen to be acceptable if it contributes to the development of the forces of production and to transformation benefiting the majority of the citizens (Nzimande, 2007).

A convergence exists between the Black politicians and Black elites who may become less overt as the Black entrepreneurial and Black business class expands. Currently, BEE constitutes Black investment into existing businesses rather than the creation of new business (Southall, 2006).

Shubane (2007) criticises BEE on the basis that it does not promote the real driver of economic growth namely, entrepreneurship. It is argued that BEE distracts entrepreneurs by creating opportunities to make money in a BEE environment without assuming the attendant risks involved in business ventures. In order to succeed economically, it may be politically dangerous to rely on people from a single race group; the energies of people across the race spectrum are required (Shubane, 2007).

Another view is that empowerment is concentrated in the hands of too few people. It is usually the politically, well-connected Black people that are party to and benefit from BEE transactions. Furthermore, although large BEE transactions are met with great

approval by the media, little is known about what will finally be owned by the Black people who are party to the BEE transactions (Shubane, 2007).

According to Mahabane (2007), government has been facing the challenge of building Black capitalism within the paradigm of a liberal market approach. A contradiction in government's approach is that it expects a broad-based outcome from a market environment where capital is centralised in a few hands. Mahabane (2007) is of the view that only the smartest and those with the most political power and intellectual capital are able to thrive on BEE in the manner that empowerment is currently structured.

From the above, it is apparent that BBBEE became a core driver of the social and economic transformation in South Africa. BBBEE may be an adequate short-term measure but over time, it cannot be relied upon to build sustainable Black-owned businesses. It is in the hands of the aspirant Black business leaders of South Africa to progress beyond BBBEE by starting their own businesses. It is this relationship between BEE and entrepreneurship and the resulting business outcomes in South Africa that the study seeks to explore.

2.5 Entrepreneurship and Small Business

Entrepreneurs are different from small business owners. Carland, Hoy, Boulton and Carland (1984) confirm that small business owners are primarily concerned with securing income and not usually engaged in innovation, whereas entrepreneurs have higher achievement motivation and risk-taking, and are inclined to innovation and change (Carland *et al.*, 1984).

Morris, Pitt and Berthon (1996) distinguish between small businesses and entrepreneurial ventures as summarised in Table 5 below.

Table 5: Entrepreneurial Firms vs. Small Businesses

Entrepreneurial Firms	Small Businesses
• Unstable	• Stable
• Change orientated	• Status quo orientated
• More aggressive	• Not aggressive
• Commercially orientated	• Socially orientated
• Separation of personal and professional activities	• Interaction between personal and professional activities
• Involvement of professionals	• Involvement of family members
• More formal	• More informal
• Strategic	• Tactical
• Future orientated	• Present orientated
• Preference for high-risk/high-return activities	• Preference for low-risk/low-return activities
• Externally orientated	• Internally orientated
• Growing employee base with high potential for conflict	• Steady number of employees
• Expanding resource needs with ongoing cash shortages	• Level resource needs
• Opportunity-driven	• Resource-driven
• Seek growth and appreciation of business value	• Seek profit, income substitution

(Source: Morris *et al.*, 1996)

Meggison, Byrd and Meggison (2000) also distinguish between small business and entrepreneurial ventures based on the rapidity of the business growth rate. The principle objectives of entrepreneurial ventures are profitability and growth. A small business is independently owned and operated; it is not a dominant player in its industry and does not engage in innovative practices (Meggison *et al.*, 2000).

Rwigema and Venter (2004) state that entrepreneurial ventures differ from small businesses as follows:

- a small business focuses predominantly on generating an income stream to replace employment whereas the entrepreneurial venture aims to create substantial wealth

- a small business may generate profits over the lifetime of the owner whereas the entrepreneurial venture focuses on generating substantial wealth in the short-term
- the risk of the entrepreneurial venture must be high for the return on the investment to be high, and
- entrepreneurship involves a higher degree of innovation than a small business, thereby creating a competitive advantage and wealth for the entrepreneur.

This study examines the concept of entrepreneurship itself, rather than that of the small business.

2.6 Entrepreneurship and Corporate Entrepreneurship

Entrepreneurship is an emerging and evolving field of inquiry and it has been defined in many different ways. Antoncic and Hisrich (2003, p. 8) citing Churchill (1992, p. 586) in defining entrepreneurship state: “Increased consensus has been attained on the concept of entrepreneurship as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regard to either resources (human and capital) or the location of the entrepreneur – in a new or existing company”.

According to Matlay (2005) entrepreneurship can take a number of forms namely, in new or established firms including micro, small, medium and large businesses; as a form of self-employment; or as members of virtual teams of e-entrepreneurs.

Based on previous research conducted in the field of entrepreneurship, Stevenson and Jarillo (1990, p. 23) adopt the following definition: “entrepreneurship is a process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control”. According to this approach,

entrepreneurs are found in start-up companies or existing companies whenever an opportunity is pursued; this approach also includes both individual and organisational entrepreneurship (Stevenson and Jarillo, 1990).

The concept of entrepreneurship must not be confused with corporate entrepreneurship or intrapreneurship. Entrepreneurship concerns founder driven firms, whereas corporate entrepreneurship or intrapreneurship usually refers to larger firms that behave in an entrepreneurial manner (Darling, Gabrielsson and Seristö, 2007).

This study will distinguish between entrepreneurship and corporate entrepreneurship or intrapreneurship as set out below.

2.7 What is Entrepreneurship?

The term entrepreneurship originates from the French verb 'entreprendre' and the German word 'unternehmen', both which literally mean 'to undertake' (Boxill, 2003).

Miller (1983) identified the propensity to risk-taking, proactivity and innovation as the key elements of entrepreneurship.

2.7.1 Theoretical Approaches to Entrepreneurship

Gartner (1989) views entrepreneurship as the creation of new organisations. When the creation stage of the organisation ends, entrepreneurship ends. Previous studies on entrepreneurship identified two approaches namely, the behavioural approach and the trait approach. In terms of the behavioural approach to entrepreneurship, it is regarded as a set of activities involved in the creation of an organisation. The trait approach views entrepreneurship as a set of personality traits and characteristics. Gartner (1989) favours the behavioural approach to the trait approach, as entrepreneurship is not a fixed state of existence but rather the constant creation of organisations.

Rwigema and Venter (2004, p. 5) citing Hisrich and Peters (1998, p. 9) refer to entrepreneurship as “the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary, personal satisfaction and independence”.

Rwigema and Venter (2004, p. 6) then adopt the following definition of entrepreneurship: “Entrepreneurship is the process of conceptualising, organising, launching and, through innovation, nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment”.

Entrepreneurship occurs in and outside the established organisation. The classic description of entrepreneurship is that of the individual entrepreneur who assumes financial and other risks in order to exploit a new idea or product possibility. He or she may be supported by a venture capitalist or a family member but the risks of failure devolve upon the entrepreneur (Brazeal and Herbert, 1999).

The characteristics of the effects of entrepreneurship are described by Stevenson and Jarillo (1990) as abstracting from the individual entrepreneur to focus on the process by which such actions affect the economic environment; recognising the entrepreneurial function responsible for economic improvement of the society; and creating a base for distinguishing between the roles of investor, manager and entrepreneur. The authors conceptualise entrepreneurship as a psychological characteristic of an individual that can be described as creativity, daring and aggressiveness.

Muzyka, de Koning and Churchill (1995, p. 352) define entrepreneurship as “a process that takes place in different environments and settings which causes changes in the economic system through innovations brought about by individuals who generate or

respond to economic opportunities that create value for both those individuals and society”.

According to Brazeal and Herbert (1999) entrepreneurship is enabled by the current or potential existence of something new (an innovation); which may have been developed by new ways of looking at old problems (creativity); or the lessened capability of prior processes or solutions to respond effectively to new problem parameters brought on by new or emerging external conditions (environmental change); which can substitute or be complementary to existing processes or solutions (a change); and when championed by one or more invested individuals (the innovator). This perspective highlights the central roles played by innovation, change and creativity.

At the heart of entrepreneurship is the creation and recognition of opportunities. Specific categories of entrepreneurial behaviour include the detection of opportunities, opportunity facilitation and the motivation to pursue opportunity (Echols and Neck, 1998).

Antoncic and Hisrich (2003, p. 8) citing Churchill (1992, p. 586) define entrepreneurship “as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regard to either resources (human and capital) or the location of the entrepreneur - in a new or existing company”.

Kuratko and Hodgetts (2004, p. 29) citing Ronstadt (undated, p. 28) refer to the following description: “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 or service itself may or may not be new or unique but value must

somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources”.

Kuratko and Hodgetts (2004, p. 30) define entrepreneurship as “a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks – in terms of time, equity or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally the vision to recognise opportunity where others see chaos, contradiction, and confusion”. The authors highlighted certain critical factors of entrepreneurship that will be adopted for purposes of this study.

Entrepreneurship is a creative act and an innovation whereby something is created that did not exist before (Zhao, 2005). Zhao (2005, p. 1) citing Johnson (2001, p. 138) defines entrepreneurship as follows: “Entrepreneurship, in its narrowest sense, involves capturing ideas, converting them into products and, or services and then building a venture to take the product to market”.

Darling *et al.* (2007, p. 5) describes entrepreneurship as “a way of thinking that bridges innovative discoveries with need fulfilment”.

Literature suggests that entrepreneurs function within a paradigm of three dimensions namely innovativeness, risk-taking and proactiveness (Miller, 1983; Darling *et al.*, 2007). Innovativeness includes the search for creative and meaningful solutions to individual and operational problems and needs. Risk-taking involves the willingness to commit resources to opportunities that may fail. Proactiveness refers to implementation and making things happen in an appropriate manner (Darling *et al.*, 2007).

According to Morrisette and Schraeder (2007) entrepreneurship is a way of thinking, reasoning and acting, driven by opportunity. The authors define entrepreneurship in terms of a two-stage approach. Firstly, entrepreneurship is described as a process which involves a way of thinking and reasoning that can be taught and learned. This enables entrepreneurs to look at the world differently. It focuses completely on opportunity, but not on ideas. Secondly, entrepreneurs must follow their visions i.e. opportunities with action. This, the authors argue, is what separates entrepreneurs from managers and leaders (Morrisette and Schraeder, 2007).

For purposes of this study, the wide definition of entrepreneurship proposed by Kuratko and Hodgetts (2004) will be adopted as it encapsulates the critical factors identified from prior research. The authors define entrepreneurship as a process of vision, change and creation which requires energy and passion towards the development and implementation of new ideas and solutions. The critical factors identified by Kuratko and Hodgetts (2004, p. 30) include “the willingness to take calculated risks; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally the vision to recognise opportunity where others see chaos, contradiction, and confusion”.

2.8 Entrepreneurship Theory

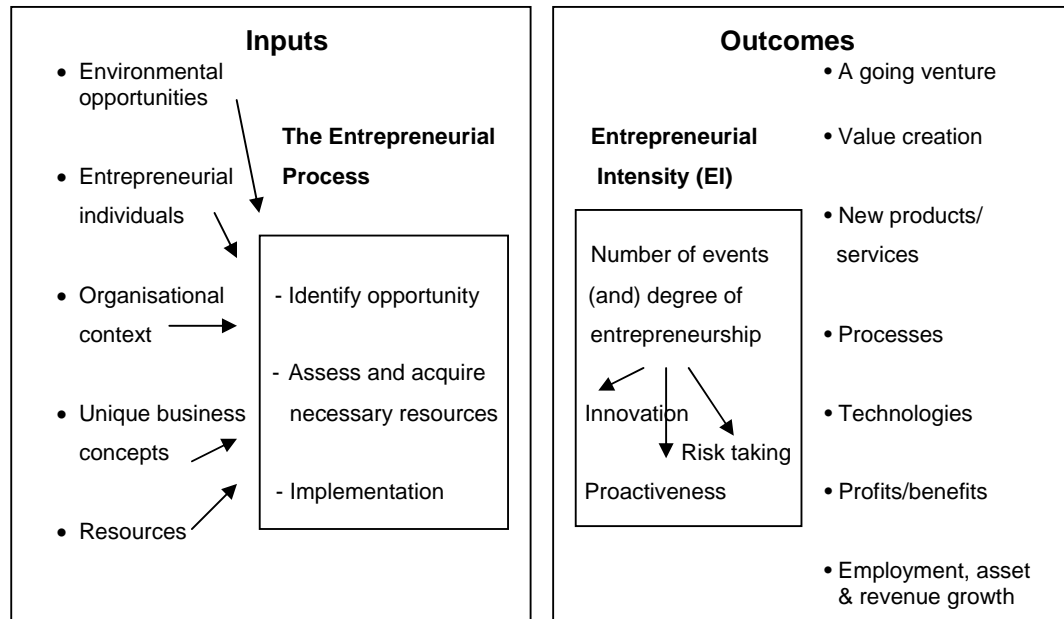
To understand the nature of entrepreneurship, it is important to consider the development of the theory of entrepreneurship which is defined by Kuratko and Hodgetts (2004, p. 33) as “a verifiable and logically coherent formulation of relationships, or underlying principles that either explain entrepreneurship, predict entrepreneurial activity or provide normative guidance”.

2.8.1 An Integrative Model of Entrepreneurial Inputs and Outcomes

Morris, Lewis and Sexton (1994) developed an integrative approach to the nature of entrepreneurship that can be applied at different levels namely, within an independent start-up company and within a division, or business unit of a large organisation.

This model includes the concepts of input to the entrepreneurial process namely environmental opportunities (i.e. demographic change, the development of a new technology, or a modification to current regulations); the individual entrepreneur; a business concept developed by the entrepreneur to pursue opportunities; the implementation of the business concept within an organisational framework; and financial and non-financial resources. The outcome component refers to the level of entrepreneurship achieved and includes ventures, value creation, new products and processes, new technologies, profits, jobs and economic growth (Morris *et al.*, 1994). The model of Morris *et al.* (1994) is depicted in Figure 4 below.

Figure 4: An Integrative Model of Entrepreneurial Inputs and Outcomes



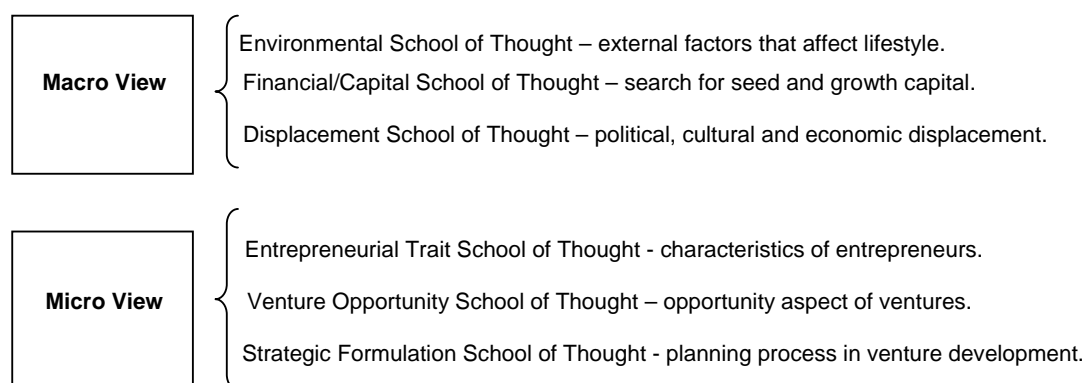
(Source: Morris *et al.*, 1994)

The model presented by Morris *et al.* (1994) indicates the entrepreneurial inputs and outcomes required in isolation based on the assumption that there is a one-way influence in the form of inputs resulting in certain predictable outcomes without the existence of possible feedback loops. The model can be applied at different levels of entrepreneurship i.e. the independent start-up company and within a division or business unit of a large organisation. It fails to recognise the impact of the external environment on entrepreneurial ventures. It also does not recognise the possibility of failure as an outcome and the consequent economic, psychic and social costs thereof.

2.8.2 Macro and Micro Approaches to Entrepreneurship

There are two major views on entrepreneurship namely a macro and micro view which can be divided into six schools of thought (Kuratko and Hodgetts, 2004). The macro view presents external processes beyond the control of the entrepreneur (external locus of control) that relate to the success or failure in entrepreneurial ventures. The micro view includes the factors that are specific to entrepreneurship and are part of the internal locus of control. The macro approach to entrepreneurship focuses on events from the outside looking in, whereas the micro approach views specifics from the inside looking out. Figure 5 depicts the Entrepreneurial Schools of Thought.

Figure 5: Entrepreneurial Schools of Thought



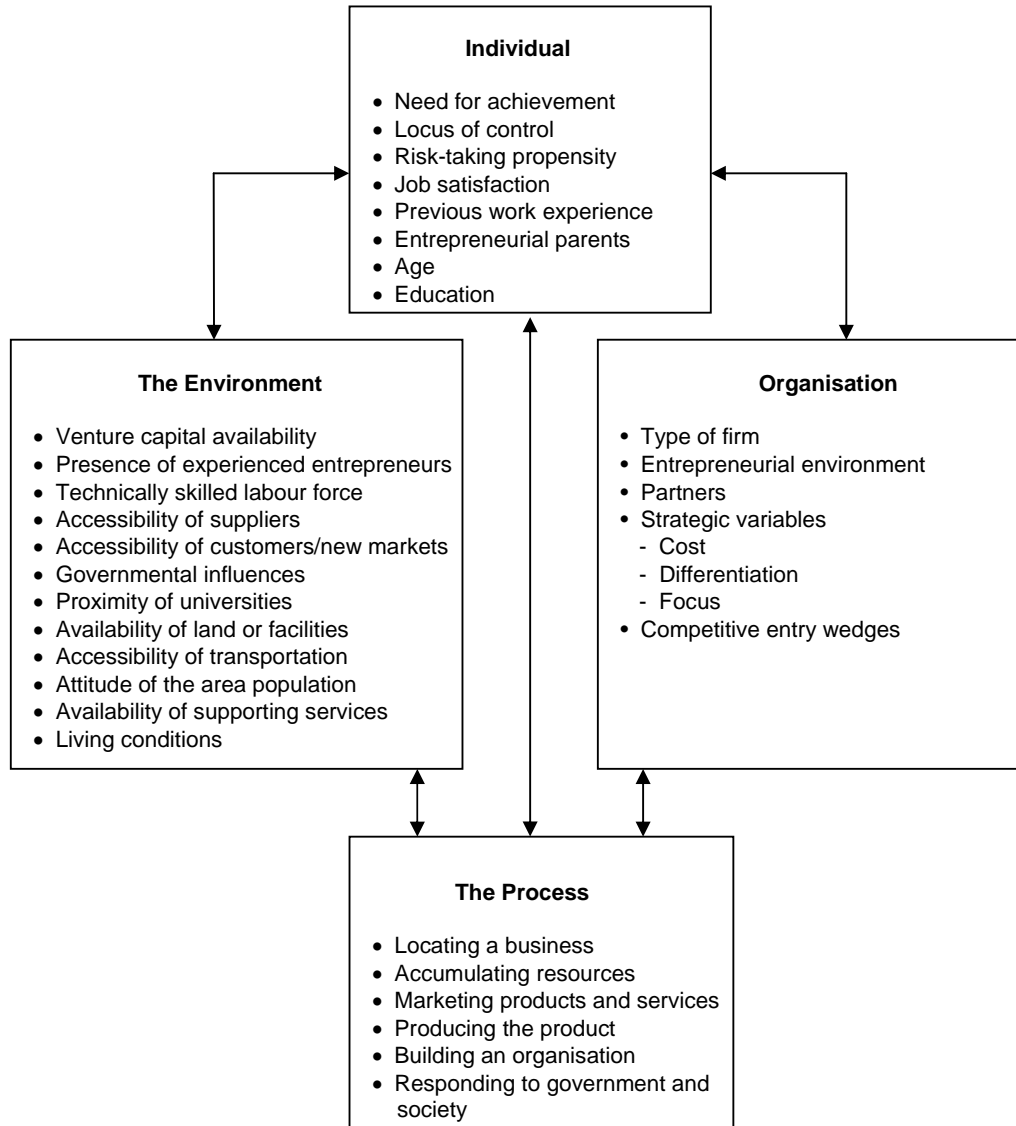
(Source: Kuratko and Hodgetts, 2004)

This model depicts the current schools of thought as a foundation to entrepreneurial theory. As theoretical knowledge and research on entrepreneurship are still in an emerging stage, these views are by no means conclusive.

2.8.3 A Multi-dimensional Approach to Entrepreneurship

Kuratko and Hodgetts (2004) depict entrepreneurship as a multidimensional framework. Figure 6 depicts the four major dimensions of the entrepreneurial venture.

Figure 6: Multi-dimensional Approach to Entrepreneurship



(Source: Kuratko and Hodgetts, 2004)

The multi-dimensional approach to entrepreneurship above, presented by Kuratko and Hodgetts (2004), illustrates entrepreneurship as a dynamic interactive approach rather than segmented schools of thought as indicated by the model on entrepreneurial schools of thought presented by the authors. It is more detailed than the integrative model of entrepreneurial inputs and outputs of Morris, *et al.* (1994).

The model is of great value to this study as it lists the variables present in the individual. It recognises the environment and its impact on business, it can be applied to different types of firms i.e. the independent start-up company as well as within a division or business unit of a large organisation and it lists the process of entrepreneurship and its variables.

2.9 What is Corporate Entrepreneurship?

The main traits generally believed to be associated with entrepreneurship namely, growth, innovation and flexibility were also deemed to be desirable traits for large organisations, resulting in the birth of corporate entrepreneurship as a field of study (Stevenson and Jarillo, 1990).

Barret and Weinstein (1998, p. 2) citing Schumpeter (1934, p. 155-156) distinguish between the entrepreneur as a person responsible for introducing new products and methods of production, opening new markets, exploiting new sources of materials and re-arranging markets, and the person who also manages an enterprise. With respect to the role of the entrepreneur in the economic system “the entrepreneurial function is ... the vehicle of continual reorganisation of the economic system”.

According to Kuratko and Hodgets (2004), the concept of corporate entrepreneurship was established by Pinchot in 1985. Kuratko and Hodgets (2004, p. 43) citing Pinchot (1985, p. 9) define an intrapreneur as “any of the dreamers who do...”. According to the authors, a strong relationship exists between innovation and employees taking on psychological ownership of the company’s growth, thereby manifesting entrepreneurial behaviour. Since this behaviour takes place within large organisations rather than autonomous entrepreneurs, the innovators must be considered as corporate entrepreneurs.

Corporate entrepreneurship is a term which describes entrepreneurial behaviour inside established organisations. Related terms include ‘intrapreneurship’ and ‘corporate venturing’ (Morris and Kuratko, 2002).

Miller (1983) argues that entrepreneurial firm-level behaviour implies the existence of product or process innovation; a propensity to risk-taking by the key decision-makers of the organisation; and proactiveness with regards to new product markets, administrative techniques or process technologies.

Echols and Neck (1998) suggest that a firm’s employees can be entrepreneurial and that the firm can also have an entrepreneurial structure that provides synergy. The authors list categories of entrepreneurial behaviour namely, the detection of opportunities (i.e. awareness of conditions for the organisation and individuals to develop something new and entrepreneurial); opportunity facilitation (i.e. the way in which the organisation and individuals seek to change); and the motivation to pursue opportunities.

In corporate entrepreneurship, individual or group entrepreneurship is fostered within an organisational setting, which provides support for the development and exploitation of innovations deemed strategically and financially aligned with the organisation's mission (Brazeal and Herbert, 1999).

Covin and Miles (1999) identified three forms of corporate entrepreneurship namely, an established organisation that enters a new business also referred to as corporate venturing; an individual or individuals who champion new product ideas within a corporate context also known as the concept of intrapreneurship; and the presence of an ‘entrepreneurial’ philosophy which permeates the outlook and operations of an entire organisation.

Brunaker and Kurvinen (2006) distinguish between two models of corporate entrepreneurship namely focused corporate entrepreneurship or corporate venturing and dispersed corporate entrepreneurship or intrapreneurship. Focused corporate entrepreneurship assumes that entrepreneurship and management are different processes which require different modes of organisation to take place. Consequently, all new initiatives are situated in separate divisions. Dispersed corporate entrepreneurship assumes that all individuals in an organisation have the capacity for both entrepreneurial and managerial conduct, manifested in initiative (Brunaker and Kurvinen, 2006).

Intrapreneurship is described by Antoncic and Hisrich (2003) as entrepreneurship within existing organisations regardless of their size. Intrapreneurship includes the creation of new business ventures as well as other innovative activities in the area of product development, services, technologies, administrative techniques, strategies and competitive positioning (Antoncic and Hisrich, 2003). The authors have summarised eight dimensions of intrapreneurship as listed in Table 6 below.

Table 6: Intrapreneurship Dimensions

Dimensions	Definitions
• New ventures	Creation of new autonomous or semi-autonomous units or firms.
• New businesses	Pursuit of and entering into new businesses related to current products and markets.
• Product/service	Creation of new products and services.

innovativeness	
• Process innovativeness	Innovations in production procedures and techniques.
• Self-renewal	Strategy reformulation, reorganisation and organisational change.
• Risk-taking	Possibility of loss related to quickness in taking bold actions and committing resources in the pursuit of new opportunities.
• Proactiveness	Top management orientation for pioneering and initiative taking.
• Competitive aggressiveness	Aggressive posturing towards competitors.

(Source: Antoncic and Hisrich, 2003)

According to Zahra (1991), corporate entrepreneurship refers to activities pursued to create new businesses in established organisations through product and process innovations and developments in the market. Zahra (1993) describes corporate entrepreneurship as a two-dimensional process of organisational renewal namely, innovation and venturing, and strategic renewal. Innovation and venturing activities refer to creating new businesses through developments in markets or by focusing on product, process, administrative and technology innovations. The strategic renewal activities enhance an organisation's ability to compete and take risks (Miller, 1983; Zahra, 1993).

Covin and Slevin (1991) describes entrepreneurship at organisational level as a dimension of strategic posture represented by an organisation's propensity to risk-taking, its tendency to act competitively aggressively and proactively, and its reliance on extensive product innovation.

Lumpkin and Dess (1996) identified five dimensions of entrepreneurial orientation which may be present within entrepreneurial firms namely autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness.

Sharma and Chrisman (1999) define corporate entrepreneurship as the process whereby an individual or a group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within an existing organisation. Under this definition, strategic renewal (which involves strategic changes and/or structural changes), innovation and corporate venturing (entrepreneurial efforts that may lead to the creation of new business within the corporate organisation) form part of the concept of corporate entrepreneurship.

According to Covin and Miles (1999), innovativeness is the common thread amongst all firms that could be described as entrepreneurial. It is, furthermore, their view that the objective of redefining organisations, markets or industries in order to create or sustain a competitive advantage must exist in conjunction with innovation. Kuratko, Hornsby, Naffziger and Montagno (2001) are of the view that corporate entrepreneurship possesses the critical components required for the future productivity of organisations.

Adonisi (2005) summarises the key factors that characterise corporate entrepreneurial environments as new business venturing; support for innovation; the availability of resources to undertake creative and innovative initiatives; proactiveness; a propensity towards risk-taking; a reward system to encourage entrepreneurial thinking and behaviour; and self-renewal, a process of transforming the organisation through the renewal of its foundation.

2.10 Corporate Entrepreneurship Theory

Various models on corporate entrepreneurship have been considered. The model by Guth and Ginsberg (1990) describes corporate entrepreneurship as comprising of the birth of new businesses within existing organisations and the transformation of organisations through renewal.

The model developed by Covin and Slevin (1991) relates a company's entrepreneurial posture to organisational performance and depicts the relationship between corporate entrepreneurship and its environment, strategy and internal factors.

2.10.1 Conceptual Framework of Firm-level Entrepreneurship

Both the models of Covin and Slevin (1991) and Zahra (1993) established an organisation-level orientation of corporate entrepreneurship.

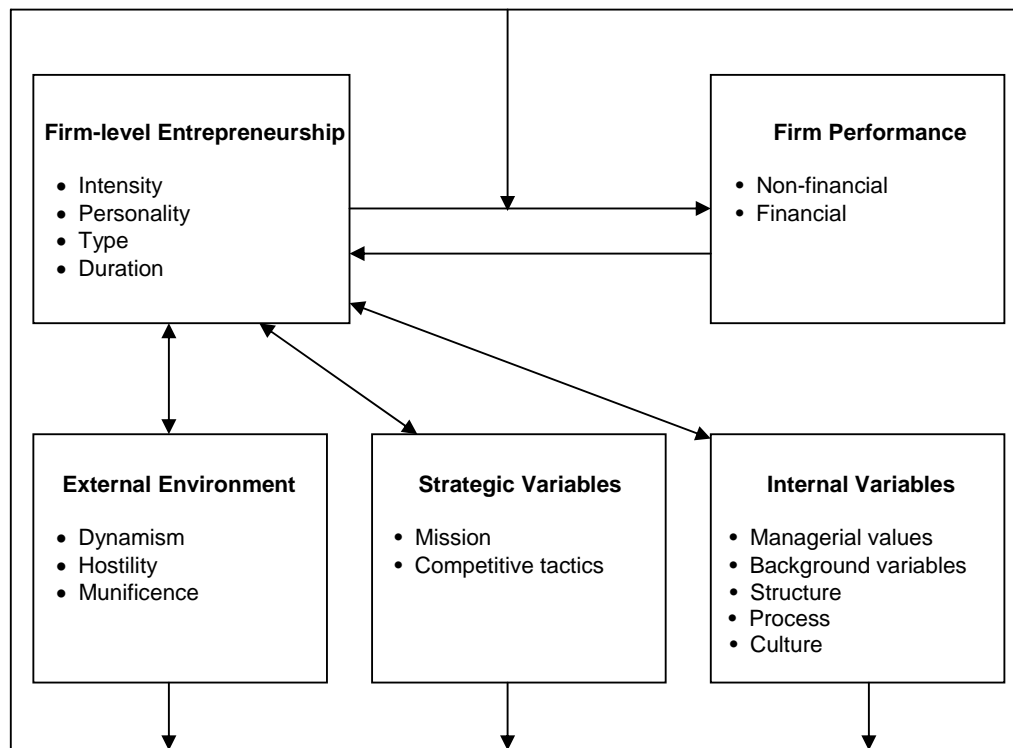
Zahra (1993) criticises the model of Covin and Slevin (1991) on the grounds that it does not, *inter alia*, clearly define 'entrepreneurial behaviour'. The model proposed by Covin and Slevin (1991) does not account for corporate entrepreneurship at multiple levels within a firm and it fails to recognise that different entrepreneurial postures may influence the different dimensions of performance in different ways over time.

Zahra (1993) proposed a revised model thereby introducing an additional element namely "munificence" which refers to opportunities available for innovation within the external environment. The model includes managerial values and background organisational structure, managerial process and organisational culture.

Zahra (1993) emphasises the need to take both domestic and international entrepreneurial activities into account in the study of corporate entrepreneurship.

The model of Zahra (1993) is illustrated in Figure 7 below.

Figure 7: Revised Conceptual Framework of Firm-level Entrepreneurship



(Source: Zahra, 1993)

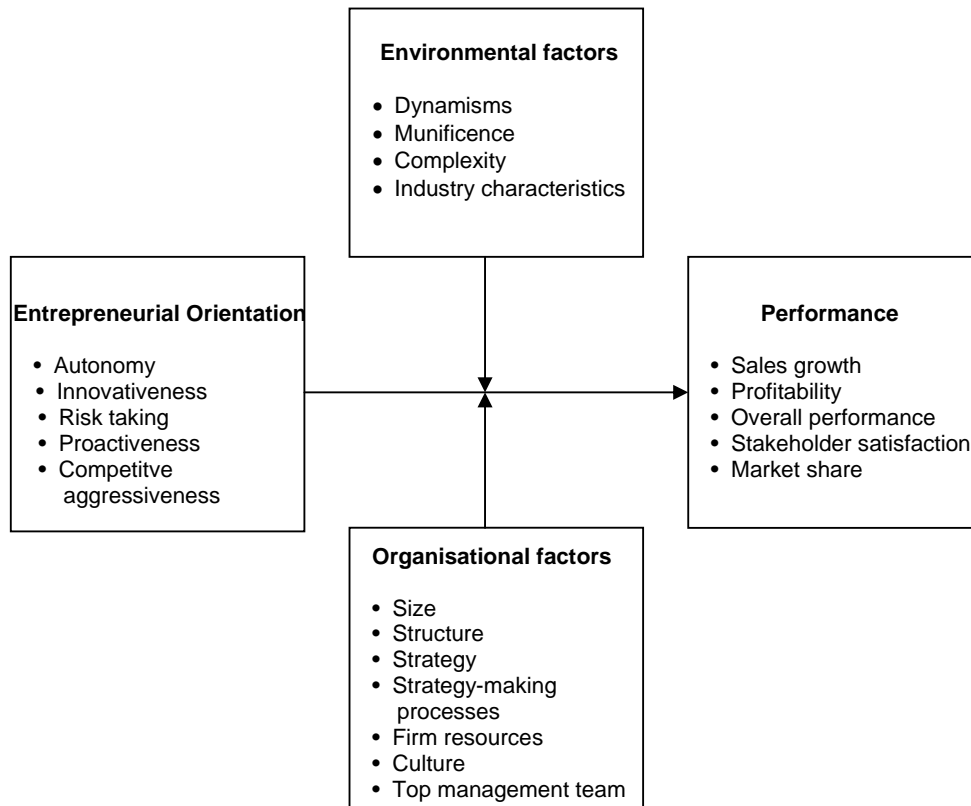
2.10.2 Corporate Entrepreneurship Model of Lumpkin and Dess

The model of Lumpkin and Dess (1996) describes entrepreneurial orientation (“EO”) in terms of autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness. EO refers to processes, practices and decision-making activities leading to a new entry. In this model, corporate entrepreneurship is depicted as entering new or existing markets with new or existing products (Lumpkin and Dess, 1996).

From the model of Lumpkin and Dess (1996), it is evident that environmental and organisational factors both influence the relationship between EO and firm performance, yet it is not recognised that firm performance influences EO.

The corporate entrepreneurship model of Lumpkin and Dess (1996) is illustrated in Figure 8 below.

Figure 8: Corporate Entrepreneurship Model



(Source: Lumpkin and Dess, 1996)

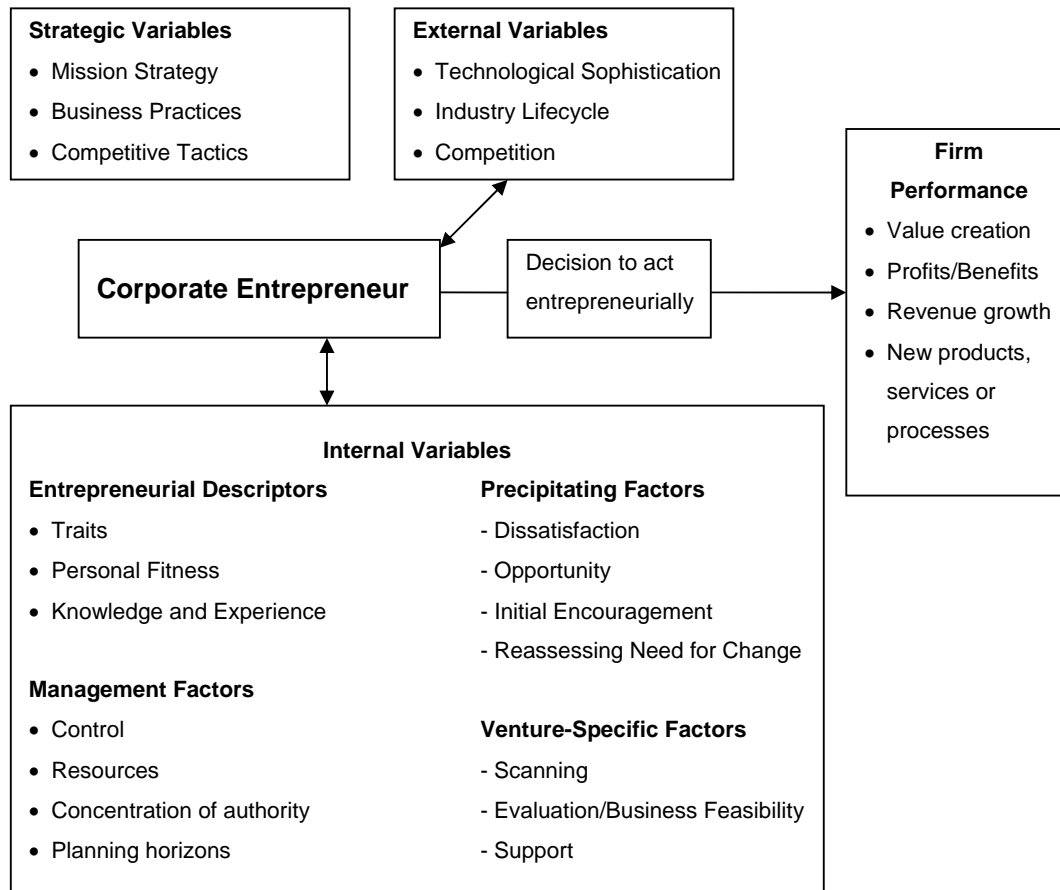
2.10.3 A Synthesised Model of Entrepreneurship

McFadzean, O'Loughlin and Shaw (2005) developed a synthesised model of entrepreneurship. This model is similar to the earlier model of Covin and Slevin (1991) in that it established an organisation-level orientation of corporate entrepreneurship as it illustrates external variables, strategic variables and internal variables.

The model proposed by McFadzean *et al.* (2005) also depicts an iterative process where there is a constant re-evaluation of the individual, opportunities, entrepreneurial actions, the internal and external environment and the potential need for change. Limited recognition is given to the relationship between entrepreneurship and innovation (McFadzean *et al.*, 2005).

The synthesised entrepreneurship model of McFadzean *et al.* (2005) is illustrated in Figure 9.

Figure 9: A Synthesised Model of Entrepreneurship



(Source: McFadzean *et al.*, 2005)

2.11 Types of Entrepreneurs

According to Ward (2005) the entrepreneur has been viewed from three perspectives namely:

- An economic perspective that considers the role of the entrepreneur in the economic development of a nation, region or location.
- A sociological perspective which sees the entrepreneur as a member of a societal system, from the family unit outwards, and who influences and is influenced by the social environment and the personality traits that the sociological system engenders.
- An idiosyncratic perspective that views the entrepreneur as an individual with a combination of personal characteristics and beliefs.

Alstete (2000) refers to two related explanations of motivation to pursue entrepreneurial activities, the 'push' theory and the 'pull' theory. The 'push' theory states that individuals are pushed into entrepreneurship by negative external forces, such as job dissatisfaction, difficulty in finding employment, unsatisfactory salary, or inflexible work schedule. The 'pull' theory contends that individuals are attracted into entrepreneurial activities seeking independence, self-fulfillment, wealth, and other desirable outcomes (Alstete, 2000).

Morrison (2006) distinguishes between opportunity entrepreneurs and necessity entrepreneurs. Opportunity entrepreneurs pursue business opportunities by taking advantage of a market opportunity or lifestyle opportunity. Necessity entrepreneurs pursue the best and possibly only option for work available to them.

A lifestyle entrepreneur is described as an alignment of entrepreneurial activity to fit with personal circumstances, thereby prioritising personal over business goals (Morrison, 2006).

According to Morrison (2006), entrepreneurs may be prompted to pursue entrepreneurial activities:

- to 'buy' a job for themselves and/or family members
- to avoid unemployment and by responding to economic necessity
- to earn sufficient income which will enable them to leave their host community in search of greener pastures
- as a solution to adversity
- to pursue intrinsic goals such as independence, to gain control over life and a flexible lifestyle, and
- to overcome hurdles towards upward mobility in the corporate environment.

According to Thompson (2004), entrepreneurs start successful businesses because they crave a degree of independence and freedom as they are uncomfortable in structured organisations with formal systems and discipline.

A review of the literature revealed five criteria for the decision between self-employment or being employed. They are income potential; financial security; independence; need for achievement; and escape from corporate bureaucracy (Segal, Borgia and Schoenfeld, 2005).

2.12 Personality Characteristics of Entrepreneurs

In studies on the characteristics of entrepreneurs, two schools of thought exist namely one based on the trait model and the other on the contingency model (Littunen, 2000). The trait model asks the question why certain individuals start firms and are successful as entrepreneurs. This model does not consider the personality traits of the entrepreneur in the prevailing situation. The contingency model combines the characteristics needed in entrepreneurship with the organisational environment and the prevailing situation. According to the contingency model, experiences and changes in

an individual's life can have an effect on the personality characteristics of an individual (Littunen, 2000).

Research conducted on entrepreneurship has yielded individual characteristics such as the need for achievement, an internal locus of control, a propensity towards risk and a tolerance of ambiguity (Alstete, 2002).

Littunen (2000) refers to McClelland's theory of the need for achievement and states that individuals with a high need for achievement often find their way to successful entrepreneurship. Economic risk, the power to make decisions due to economic commitment and personal income being dependent on the success of the business, are factors that distinguish the personal characteristics of an achiever from the entrepreneur. Littunen (2000) also refers to Rotter's theory of the locus of control of an individual that can be either internal (control over one's own life) or external (an attitude which focuses on the actions of other people or fate, luck, chance). An internal control expectation is associated with entrepreneurial characteristics. Findings from several studies indicate that a strong need to achieve is related to targets and the desire to reach them, while the locus of control is related to turning such thoughts into actions (Littunen, 2000).

According to Boxill (2003), the term entrepreneurship includes identifying opportunities as a result of change; taking risks rather than relying on fate; knowing and understanding customers and their needs; finding and managing resources; understanding the products or services and building a team with skills and talents.

Thompson (2004) describes an entrepreneur as a person who habitually creates and innovates to build something of value around recognised opportunities.

Rwigema and Venter (2004) state that no single set of entrepreneurial attitudes and behaviours exist for every opportunity. The authors list the following characteristics as attributable to successful entrepreneurs namely, commitment, self-reliance and tenacity; a need to achieve; opportunity drive; initiative; responsibility; problem-solving abilities; team-building abilities; internal locus of control; high ambiguity tolerance; integrity and consistency; and creativity and innovation.

Kuratko and Hodgetts (2004) refer to the following entrepreneurial qualities namely the ability to recognise and exploit opportunities; resourcefulness; creativity; visionary; independent thinker; energetic; optimistic; innovator; calculated risk-taker and leader. A comparison is drawn by Morris and Kuratko (2002, p. 87) between the characteristics and skills of traditional managers, start-up or independent entrepreneurs and intrapreneurs in Table 7 below.

Table 7: Comparison between the Characteristics and Skills of the Intrapreneur, the Entrepreneur and Traditional Managers

Characteristic	Traditional Manager	Entrepreneur	Intrapreneur
• Primary motives	Wants promotion and traditional corporate rewards; power motivated	Wants freedom; goal orientated; self-reliant and self-motivated	Wants freedom of access to corporate resources; goal orientated and self-motivated; responds to corporate rewards
• Tendency to action	Delegates action; supervising and reporting take most energy	Gets hands dirty; may upset employees by suddenly doing their work	Gets hands dirty; may know how to delegate, when necessary, does what is required
• Skills	Professional management; uses abstract analytical tools, people-management and political skills	Know business intimately; strong business acumen; may have had formal profit and loss responsibility	Similar to entrepreneur; requires help with ability to prosper within organisation;
• Attitude towards risk	Cautious	Likes moderate risk; invests heavily but expects to succeed	Likes moderate risk; not afraid of being fired;
• Attitude to failure and mistakes	Strives to avoid mistakes and surprises	Deals with mistakes and failures as learning experiences	Wants to learn from mistakes without cost of failure



• Attitude towards the system	Sees system as nurturing and protective; seeks position within it	May rapidly advance in a system; when frustrated may reject the system and form his own company	Dislikes the system but learns to manipulate it
• Family history	Family members worked for large organisations	Entrepreneurial small business; professional; or farm background	Entrepreneurial small business; professional; or farm background
• Socio-economic background	Middle class	Lower class in early studies; middle class in recent studies	Middle class

(Source: Morris and Kuratko, 2002)

In addition, Hisrich and Peters (1998) stress that the development of particular skills, namely inner control, risk-taking, innovativeness, being change oriented, persistence and visionary leadership, differentiates an entrepreneur from a manager.

Timmons and Spinelli (2007) list six core entrepreneurial attributes which have emerged from consensus in this field of research namely commitment and determination; leadership; opportunity obsession; tolerance of risk, ambiguity and uncertainty; creativity, self-reliance and adaptability; and the motivation to excel.

It is clear that an entrepreneur is an individual with certain attributes who typically identifies an opportunity to be pursued and then surrounds himself with individuals to make it happen. Darling *et al.* (2007) state that it is not intelligence, education, lifestyle or background that makes a truly successful entrepreneur. The principal factor that determines the success of an entrepreneur seems to be the ability to effectively deal with opportunities through the dynamics of an organisational setting, including people who are actively and enthusiastically involved and successful (Darling *et al.*, 2007).

In a study conducted by Alstete (2002), potential benefits identified of becoming an entrepreneur include greater control, greater satisfaction, more money and the ability to leave a legacy. Consequently, entrepreneurs also have an aptitude for the potential benefits to be derived from successful entrepreneurial activities.

2.13 The South African Environment

The key to initiating a process of entrepreneurship lies within the individual members of society and the degree to which a spirit of entrepreneurship exists or can be initiated (Morrison, 2000). Culture is broadly defined as the way in which things are done (Deal and Kennedy, 2000). An entrepreneurial culture grows partly out of the current business environment of the country (Deal and Kennedy, 2000; Morrison, 2000). Entrepreneurship is also regarded as an instrument to change the culture of an era (Morrison, 2000).

Demographic factors including population group, gender and age are important influences on entrepreneurial activity (Orford, Herrington and Wood, 2004). According to Von Broembsen *et al.* (2005) South Africa is one of a few countries where the difference between male and female entrepreneurial activity is statistically insignificant. According to the GEM 2004 report, TEA rates for Whites are nearly double those for black Africans. The differences between the TEA rates for Coloureds, Indians and Whites are less significant (Orford *et al.*, 2004).

Orford *et al.* (2004) state that entrepreneurial activity rates are relatively low in the 18-24 year age group, peak amongst 25-44 year olds and decline sharply as age increases above 44. Few entrepreneurs over the age of 64 years were recorded.

According to Orford (2004, p. 12) "Start-up activity is marginally higher amongst Africans than Whites. However, new firm rates and established firm rates are significantly higher amongst Whites. Higher established firm activity rates amongst Whites suggest a legacy effect of apartheid. Higher Black start-up rates suggest that this legacy effect could be overcome. However, Black start-ups have a much lower survival rate". Consequently, empowerment within the entrepreneurial context should aim to increase the survival rate of Black start-ups and new firms.

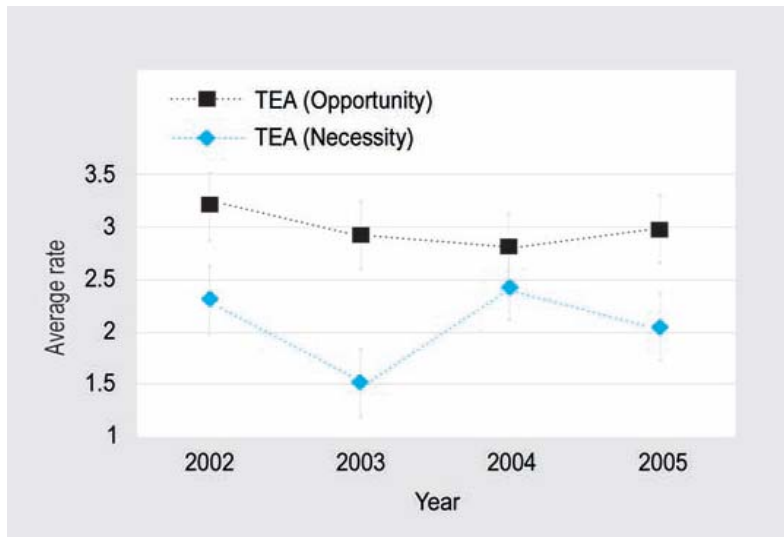
South Africa has the lowest success rate of new ventures by comparison with most other developing countries (Von Broembsen *et al.*, 2005). New firms are significant contributors to employment in many countries. In South Africa, new firms annually employ approximately 320 000 people. Across the forty countries that have participated in GEM, new firms account for between 2-15% of total employment. In South Africa, only 3% of jobs are provided by new firms. Low rates of TEA represent a significant opportunity cost to the economy (Maas and Herrington, 2006).

According to the GEM 2005 report, between 0.88% and 1.72% of South African adults between the ages of eighteen and sixty-four own and manage, either on their own or with others, a business that is older than three and a half years. In Brazil, Thailand, Greece, New Zealand and China, more than 10% of the adult population own and manage established businesses (Von Broembsen *et al.*, 2005).

South Africa has the lowest entrepreneurial activity rate of all the developing countries. This can be attributed to the low rate of necessity entrepreneurship of 2.05% (Von Broembsen *et al.*, 2005). Necessity entrepreneurship occurs when a business is started as a result of no other way of earning a living (Von Broembsen *et al.*, 2005). According to Orford *et al.* (2003), 34% of entrepreneurs are motivated by necessity. The low entrepreneurial activity rate is also attributable to the low opportunity entrepreneurship activity rate of 2.95%, also the lowest of all the developing countries (Von Broembsen *et al.*, 2005). Opportunity entrepreneurship occurs when a business is started in response to an opportunity in the market; to lead a different life style or to earn more money (Von Broembsen *et al.*, 2005).

Figure 10 depicts South Africa's opportunity and necessity rates for 2002 – 2005 (Von Broembsen *et al.*, 2005).

Figure 10: South Africa's Opportunity and Necessity rates for 2002–2005



(Source: Von Broembsen *et al.*, 2005)

The GEM 2006 report isolates the factors contributing to the TEA deterioration as the lack of mindset and skills to become entrepreneurs, low levels of educational qualifications and poor resource and access to information (Maas and Herrington, 2006).

In order to effectively address unemployment and revitalise the economy, the entrepreneur who takes risks, breaks new ground and innovates should be rediscovered. However, the vast majority of Black people in South Africa have grown up with little home experience of business innovation or entrepreneurship (Co and Mitchell, 2006). The authors emphasise the need for training and education of young people in the field of entrepreneurship to encourage job-creators i.e. entrepreneurs rather than job-seekers. Furthermore, the problem is not only the need to create large numbers of new jobs but also to find ways of achieving BEE (Morris *et al.*, 1996).

The challenge in South Africa is to build businesses with sustainable competitive advantage. Entrepreneurship at individual level as well as corporate entrepreneurship at organizational level is important for creating an innovative culture (Adonisi, 2005). Adonisi (2005) is of the view that South Africans are not equipped with sufficient levels of entrepreneurial skills and knowledge. If people are retrenched, they are unable to launch sustainable businesses that can create innovative products or services due to insufficient training and low levels of education (Adonisi, 2005).

A number of cultural attitudes and structural barriers to entrepreneurship exist. These include, *inter alia*, the unintended consequences of BEE, the real skills shortage and a nascent culture of entrepreneurship. The three main inhibitors of entrepreneurship have been identified as government policies, access to finance and poor education (Von Broembsen *et al.*, 2005).

Education and training systems should be improved to enable the increase of the supply of people equipped to become entrepreneurs. The regulatory environment should be improved to reduce the cost of compliance to businesses. Small enterprises should receive greater support from government and financial support should become more accessible to entrepreneurs with an aptitude for risk (Orford *et al.*, 2004).

Approximately 52% of privately owned businesses in South Africa expect a change in ownership over the next ten years, ranking South Africa amongst one of the countries with the highest churn. The expected churn can be ascribed to BEE. Business owners expect the change in ownership to take place predominantly through a sale to employees followed by a management buy-out. Consequently, South Africa offers great opportunities for a new generation of business leaders (Temkin, 2007).

Too much dependency on the BEE premium for survival and growth of organisations will undermine the building of a culture of entrepreneurship and innovation. A policy and regulatory environment that nurture competent risk-taking Black entrepreneurs are required (Dyer, undated).

BEE and BBBEE are a reality in South Africa. The true innovation and employment creation will come from entrepreneurs who take new risks in new markets, with new customers and unique value propositions. Consequently, an ecosystem must be established to nurture these entrepreneurs of all backgrounds.

Chapter 3: Research Questions

Given that the phenomenon of BEE remains unexplored in the context of academic studies on entrepreneurship, it is important to gain an understanding of the relationship between BEE and entrepreneurship, if any, and the resulting business outcomes in South Africa.

Further, for purposes of this study, BEE is inclusive of a broad-based approach to BEE, thereby including BBBEE in the reference to BEE.

The objectives of this study are to:

- Investigate whether the variables identified from the literature review that would indicate the presence of entrepreneurship such as the ability to recognise opportunities, the motivation to pursue opportunities, a propensity to risk-taking, innovativeness, proactiveness, the determination to create value and wealth and the inclination to follow a vision are present amongst BBL and BE.
- Identify common variables present amongst entrepreneurs in South Africa that have not been identified elsewhere.
- Investigate what drives and motivates BBL and BE to pursue entrepreneurial opportunities.
- Explore the relationship between BEE and entrepreneurship in South Africa.

- Develop a model that explains the relationship between BEE and entrepreneurship in South Africa.

Three research questions are proposed to address the objectives outlined above namely:

Research Question 1:

Before entering into BEE transactions, do BBL and BE possess entrepreneurial attributes/skills such as the ability to recognise opportunities, the motivation to pursue opportunities, a propensity to risk-taking, innovativeness, proactiveness, the determination to create value and wealth and the inclination to follow a vision?

Research Question 2:

Do BBL and BE develop entrepreneurial attributes/skills whilst part of a BEE transaction?

Research Question 3:

Do BBL and BE exit BEE corporations to pursue entrepreneurial opportunities?

Chapter 4: Research Methodology

4.1 Introduction

The purpose of this study was to investigate whether certain variables, identified in the literature on entrepreneurship as indicating the presence of entrepreneurship, are present amongst BBL and BE in South Africa.

The variables identified in the literature review included the ability to recognise opportunities, the motivation to pursue opportunities, a propensity to risk-taking, innovativeness, proactiveness, the determination to create value and wealth and the inclination to follow a vision (Kuratko and Hodgetts, 2004).

This study further explored the relationship between BEE and entrepreneurship. As far as could be established, no studies have been conducted in South Africa to investigate the relationship between the concepts of BEE and entrepreneurship.

4.2 Research Design

Research design is the plan and structure specifying the methods and procedures in terms of which the data for the study was collected and analysed (Zikmund, 2003).

4.2.1 Phenomenology

Patton (2002, p. 482) citing Van Manen (1990, p. 10) states: "Phenomenology asks for the very nature of a phenomenon, for that which makes a some- "thing" what it is – and without which it could not be what it is."

Phenomenology includes the capturing and describing of the essence of a phenomenon and how it is experienced to gain a deeper understanding of the nature and meaning of experiences from the respondent's own frame of reference (Patton,

2002). Merriam (1998, p. 16) states that the task is “to depict the essence or basic structure of experience”.

As the focus of the study was on the experience of the phenomena of BEE and entrepreneurship by BBL and BE and its impact on their life journeys, a phenomenological approach was adopted to investigate the meaning, implications and essence of the lived experience of BEE and entrepreneurship for BBL and BE.

4.2.2 Qualitative Approach

Marshall and Rossman (2006) recommend a qualitative research approach when the objectives of the research are to discover new ideas and insights. The authors recommend this design for its richness and the ability of the researcher to focus on the importance of context, setting and the respondents' frames of reference.

The aim of qualitative research is to search for meaning and significance. It requires an attempt to understand the complexity of social reality by analysing and interpreting data from various sources (Irvine and Gaffikin, 2006).

According to Zikmund (2003), the value of a qualitative design lies in producing data rich in insight, explanation and depth of information. Human actions cannot be understood unless the meaning assigned thereto is understood. A qualitative design enabled the researcher to understand the deeper perspectives including feelings, thoughts, beliefs, values and assumptions that were captured through face-to-face interaction (Marshall and Rossman, 2006).

A study that aims to explore social reality lends itself to the evolving nature of qualitative research and requires an in-depth face-to-face exploration (Merriam, 1998). In this exploratory research, the respondents relived certain personal experiences through the stories they told. They commented on periods of their lives with particular emphasis on their entrepreneurial journeys and opportunities pursued. Since the aim

of this study emphasised discovery over confirmation, the researcher selected an exploratory qualitative approach to gain greater insight and a deeper understanding of the research problems in terms of a phenomenological analysis of life history through narrative enquiry.

4.2.3 Narrative Inquiry

Jabri and Pounder (2001) describe narrative as the expression of a human experience by way of personal stories. Jabri and Pounder (2001, p. 682) cite Carter's (1993, p. 7-8) definition of narrative as follows: "...story is a mode of knowing that captures in a special fashion the richness and nuances of meaning in human affairs ... [which] can not be expressed in definitions, statements of fact, or abstract propositions. It can only be demonstrated or evoked through story. From this perspective, story is a distinctive mode of explanation characterised by an intrinsic multiplicity of meaning ... [It] accommodates ambiguity and dilemma as central figures or themes ... [It] is a suitable form for expressing the knowledge that arises from action.

Yolles (2007, p. 1) defines a story as "an account or recital of an event or a series of events or incidents that are either true or fictitious". According to Yolles (2007), narratives provide the method by which thinking processes are structured to permit stories to emerge.

Life stories are described by Rae (2000) as being subjectively, socially constructed accounts by the respondent which have no absolute truth but through which reality is constructed. The author confirms that the study of narratives through a life story approach has been recognised as an acceptable research method in the field of entrepreneurship (Rae, 2000).

Narrative studies are influenced by phenomenology's emphasis on understanding lived experiences and perceptions of experiences. It is clear that a narrative inquiry through

storytelling combined with a phenomenological analysis was an appropriate technique to achieve the objectives of the study as:

- Phenomenology aimed to identify and describe the experience from the respondent's point of view (Patton, 2002).
- Qualitative research explored the experience and its interpretation through a phenomenological analysis (Merriam, 1998).
- The data collected through storytelling provided rich insights into how a phenomenon was experienced during the respondent's journey (Jabri and Pounder, 2001).

4.3 Triangulation

The study adopted triangulation to explore the relationship between BEE and entrepreneurship. The researcher investigated whether a parallel could be drawn in this study between the views of Experts and the lived experiences of BBL and BE regarding the relationship between BEE and entrepreneurship in South Africa.

Methodological and data triangulation were employed and included the use of multiple data collection methods and a variety of data sources to study a single problem. Data was collected by way of in-depth interviews as well as questionnaires (Patton, 2002). Merriam (1998) states that data triangulation in the form of multiple sources of data and multiple methods of obtaining the data can be used to confirm the findings that emerge from the study.

Although different kinds of data might yield different results, the benefit of triangulation was that it tested for consistencies. Inconsistencies in findings across different data sources might provide rich insights to the researcher (Patton, 2002).

4.4 Participants

Participants in this study were divided into three groups. They were Experts, BBL and BE.

The key issue in selecting and making decisions about the appropriate unit of analysis, defined as the members or elements of a population, was to decide on what the research study should aim to state upon completion (Potter, 2002). This study aimed to investigate the relationship between BEE and entrepreneurship in South Africa. The unit of analysis was male and female Africans, Indians and Coloureds who were citizens of the Republic of South Africa.

4.4.1 Experts

Experts were approached to complete open-ended questionnaires in order to create a deeper understanding of the research problems. The aim was to obtain the views of Experts on the relationship between BEE and entrepreneurship in South Africa and determine whether or not BEE could lead to the pursuing of entrepreneurial activities.

4.4.1.1 Nature of Sample and Sampling Method

Experts comprised of male and female individuals who were consultants and/or journalists in the field of BEE and/or researchers, educators or practitioners in the field of entrepreneurship (“Experts”). The size of the sample comprised of three Experts.

The strategy employed for the selection of the Experts was judgment sampling. According to Zikmund (2003), judgment sampling should be used when people are selected for a specific purpose such as certain appropriate characteristics.

4.4.1.2 Procedures for Data Collection

Data from Experts was collected by way of written responses to questionnaires comprising of open-ended questions (Patton, 2002).

According to Marshall and Rossman (2006), Experts respond well to open-ended questionnaires as this method allows them freedom to apply their knowledge, experience and imagination.

Six Experts were contacted telephonically to explain the nature of the study and to request their permission to complete the questionnaires. Three Experts agreed to partake in this study. The questionnaires were distributed to the three Experts via electronic mail for completion and returned electronically. A list of names and designations of the Experts is attached as **Appendix 1**. The questionnaire is attached as **Appendix 2**.

The questionnaire was designed to extract the views of the Experts on the separate constructs of this study namely, BEE and entrepreneurship. The funnel technique was used in the design of the questionnaire which allowed for broad questions on the phenomena of BEE and entrepreneurship and then narrowed down to focus on the relationship between BEE and entrepreneurship (Zikmund, 2003).

4.4.2 BBL and BE

According to Marshall and Rossman (2006), a study exploring an individual-lived experience should take the form of an in-depth interview strategy. The study involved conducting in-depth, face-to-face individual interviews with BBL and BE. Semi-structured interviews in the form of a narrative inquiry were conducted in order to obtain in-depth qualitative data. The respondents were prompted to tell the story about their corporate and/or entrepreneurial journeys.

The study aimed to uncover and describe the respondents' subjective perspectives on BEE and entrepreneurship.

4.4.2.1 Nature of Sample and Sampling Method

In-depth, face-to-face interviews were conducted with ten Black Business Leaders (“BBL”) and ten Black Entrepreneurs (“BE”). BBL comprised of male and female African, Indian and Coloured South African citizens who were shareholders and/or directors of large companies, and/or shareholders and/or directors of BEE Consortia.

BE comprised of male and female African, Indian and Coloured South African citizens who founded a business/businesses or joined a new business in its early stages. It included identifying opportunities in the market and taking risks with a view of being rewarded with profits. The BE had decision-making power and control over the day-to-day operations of the businesses with a minimum turnover of R5 million per annum.

Patton (2002) emphasises the importance of selecting an appropriate sampling strategy to fit the purpose of the study, the resources available to the researcher, the questions to be asked and the constraints faced.

Convenience sampling was used to select the BBL and BE to conduct in-depth, face-to-face interviews. This sampling technique was selected for practical considerations and due to resource constraints (Zikmund, 2003). Furthermore, the snowball sampling method was employed to respondents identified by the convenience sampling method who acted as informants for the researcher by identifying other individuals who would be good interview participants for inclusion in the samples (Patton, 2002).

Convenience sampling and snowball sampling are types of non-probability sampling methods where respondents are selected based on judgment. It is, therefore, not possible to evaluate the extent to which the samples are representative of the population (Zikmund, 2003).

4.4.2.2 Procedures for Data Collection

Data was collected by way of in-depth interviews using open-ended questions and probes to obtain data about the respondents' experiences, perceptions, knowledge and feelings (Patton, 2002). This form of data collection was appropriate to the research study as it is the subjective views of the respondents that the researcher is seeking (Marshall and Rossman, 2006).

The interviews offered the researcher a unique opportunity to explore the lives of the respondents through their views by entering into their social worlds. The manner in which the interviews are conducted is vital in attempting to understand the views of respondents (Irvine and Giffiken, 2006). The authors recommend a semi-structured interview approach as this offers great opportunities to explore realities beyond that of the interview context (Irvine and Giffiken, 2006).

BBL and BE were interviewed during this phase to extract their views on BEE in general and the impact of BEE on their corporate careers and/or entrepreneurial journeys to ascertain if they perceived any relationship between BEE and entrepreneurship.

The first contact with the respondents was made telephonically to solicit willingness to participate in an in-depth interview. Thereafter, the date and time of the interview was confirmed by electronic mail. Respondents were interviewed individually for approximately 1.5 to 2 hours. The interviews took place at coffee shops conveniently located to the respondents.

The interview guide, attached as **Appendix 3**, comprised of a structured and unstructured section. During the structured part of the interview, the researcher captured certain demographic data such as the respondent's name, age, race, qualifications, the company that he/she works for, the position held in the company, the

number of business opportunities that the respondent is involved in currently and the number of business opportunities that was persuaded during his/her life time.

The interview guide was designed from the research questions and the literature review. The funnel technique was used in the design of the unstructured part of the interview guide which comprised of open-ended questions. This allowed for broader questions to be asked initially that allowed the researcher to understand the respondent's frame of reference. The researcher then narrowed the focus into more specific questions about the respondent's views and personal experiences (Zikmund, 2003). The funnel technique was applied to the construct of entrepreneurship (questions 1 – 4) and thereafter to the BEE construct (questions 5 – 8). The same interview guide was used throughout all the interviews for consistency and comparative purposes. Respondents were provided with a discussion guide, attached as **Appendix 4**, which contained the questions to be explored during the interview process.

The researcher facilitated the interview process and was focused on allowing the respondents to offer their interpretations of reality. The respondent was requested to describe his/her corporate and/or entrepreneurial journey. The respondent was then asked to describe the entrepreneurial opportunities that he/she had explored. Factors that drive and motivate the respondent were then sought. The respondent was also requested to list the characteristics of an entrepreneur and to share with the researcher which of the characteristics he/she believes have contributed to his/her success.

The interview proceeded to explore the respondent's view on BEE. Expectations regarding BEE were discussed and the respondent was probed to share the extent to which he/she has participated, benefited or been affected by BEE. From this basis, opportunities presented by BEE were discussed as well as the impact of BEE on the career and/or business of the respondent. Lastly, the respondent was asked to present his/her views on whether BEE could promote entrepreneurship in South Africa. To

conclude, the viability of BEE and its potential future impact on the South African business environment were discussed.

Twenty in-depth, face-to-face interviews were conducted over a period of six weeks. In order to encourage openness on the part of the respondents and to enhance quality, confidentiality and anonymity of the respondents was guaranteed. The interviews were recorded manually by the researcher as this enabled the researcher to capture observations about body language and emotional state. For analysis, the hand-written notes were entered manually into an Excel spreadsheet.

4.5 Data Analysis

According to Irvine and Giffiken (2006) an analysis of data comprise of the collection, organisation and interpretation of the data. Data analysis in qualitative research is described by Zikmund (2003, p. 73) as “the application of reasoning to understand and interpret the data that has been collected. It may involve determining consistent patterns and summarising the appropriate details revealed in the investigation”.

4.5.1 Experts

The methods of analysis of the data obtained from Experts included a combination of constant comparative analysis and content analysis:

- Constant comparative analysis enabled the comparison of each new set of data with data previously collected (Merriam, 1998). This method was applied to the Expert responses to the questionnaires.
- Content analysis according to (Zikmund, 2003) involves systematically and objectively, and through observation, identifying similar characteristics in the content of responses. This analysis was also applied to extract meaning from the Expert responses to the questionnaires.

The responses captured in an Excel spreadsheet were organised on a question-by-question basis and responses to similar questions were grouped together. The standardised open-ended questionnaire facilitated the analysis by making responses easy to find and compare (Patton, 2002). The Expert responses to the questionnaires were analysed in terms of the constant comparative method where each new set of data was compared with data previously collected on a question-by-question basis (Patton, 2002).

4.5.2 BBL and BE

A phenomenological analysis of the data was conducted as it emphasised and provided insights into the BEE and/or entrepreneurial experiences of the respondent.

The narratives of the corporate and/or entrepreneurial journeys enabled the researcher to focus on dimensions of the respondents' lives, the impact of BEE on their lives and the respondents' characteristics and adaptability to circumstances (Marshall and Rossman, 2006).

The first step in the analysis was to read through the whole text in order to get an overview of all the respondents under study. Secondly, those parts of the text that contained the descriptions of the phenomena of BEE and entrepreneurship in the course of the participants' corporate careers and/or entrepreneurial journeys were identified and separated for the analysis.

The data was analysed in terms of the four stage phenomenological model of Moustakas proposed by Patton (2002) as follows:

- *Epoch* which means that the researcher eliminated all forms of perception, judgment and knowledge (personal bias) by revisiting the phenomenon to obtain a clear sense and neutral view to distinguish and describe it. Patton (2002, p. 485) states "Rigor is reinforced by a 'phenomenological attitude shift' accomplished through *epoche*".

- Phenomenological reduction through bracketing which, according to Patton (2002), involved the following steps:
 1. Locating keywords and phrases and statements that speak directly to the phenomenon in question from the lived experience.
 2. Interpreting the meanings of these keywords and phrases as an informed researcher.
 3. Obtaining the respondent's interpretation of the keywords and phrases.
 4. Inspecting the meanings of keywords and phrases for what they reveal about the essential, recurring features of the phenomenon.
 5. Providing a statement or definition of the phenomenon in terms of the essential recurring features identified in step 4.
- Imaginative variation, by identifying the invariant themes within the data to enhance or expand versions of the invariant themes.
- Structural synthesis, by searching beyond the surface of the experience to derive deeper meaning for the respondents. Patton (2002, p. 486) states that structural description "contains the 'bones' of the experience for the whole group of people studied".

Finally, the themes and deeper meanings were integrated to provide the essence of the experiences.

In summary, data triangulation and methodological triangulation were employed as a variety of data sources and multiple methods of data collection were included in this study. The outcome of this analysis was reported in a manner which indicated the range of views expressed, with some indication of whether the views were strongly held and supported. It is hoped that the results conveyed the insights into the respondents' views on and feelings about the phenomena of BEE and entrepreneurship.

4.6 Data Management

The researcher adopted a process, proposed by Marshall and Rossman (2006), by which data transcription, organisation and analysis were combined in a single operation after each response or interview.

Data received in electronic format in the form of Expert responses to the research questionnaire was organised on a question-by-question basis to facilitate the analysis. The life stories of BBL and BE were captured manually during the interview and in an Excel spreadsheet immediately after the interview for analytical purposes. This ensured data quality and the preservation of the exploratory value of the qualitative research.

4.7 Data Validity and Reliability

Qualitative research needs to convince the reader that the study makes sense, unlike quantitative research that has to convince the reader that procedures have been followed systematically (Merriam, 1998). The credibility of a qualitative study rests on its validity. Validity refers to whether the study accurately measures what it was designed to measure (Zikmund, 2003).

Narrative analysis required trust and openness between the researcher and respondents (Marshall and Rossman, 2006). However, respondent errors and researcher bias were inevitable. Marshall and Rossman (2006) recommend introducing rigour to a qualitative study by stating the complexities of processes and interactions, defining clear parameters of the theoretical framework, setting and population as well as the limitations of the framework and design.

The use of an interview guide ensured that specific lines of enquiry were pursued with each person interviewed on a consistent basis. It, furthermore, made the interviewing

process more systematic and comprehensive by precisely stating in advance the issues to be explored (Patton, 2002).

Informant bias has been a major criticism of qualitative research, but the triangulation of data assisted in overcoming this obstacle. The use of multiple sources of evidence assisted in achieving construct validity in qualitative research (Patton, 2002).

Reliability assumes that the inquiry could be logically replicated although qualitative research does not claim to be replicable due to the changing environment (Marshall and Rossman, 2006). The researcher preserved thorough records of design decisions and the rationale behind the decisions to enable future inspection of the procedures and decisions. Data was stored in a reliable, well-organised retrievable format for re-analysis by future researchers.

In order to mitigate researcher bias, inevitable in a study of this nature, the findings from the interviews conducted with BBL and BE were compared with the views obtained from the Experts. Triangulation strengthened the reliability and validity of the study (Merriam, 1998).

4.8 Research Limitations

Limitations of this study include the following:

- Only BBL were interviewed. To gain a better understanding of the entrepreneurial attributes of African, Coloured and Indian people in large companies and why they would potentially exit organisations to pursue entrepreneurial opportunities, it would be advisable to interview African, Coloured and Indian people at lower levels in large companies.

- Only BBL in companies listed on the JSE were interviewed. It would be advisable to interview African, Coloured and Indian people across all types of organisations.
- The samples of ten BBL and ten BE were limited in size and naturally not representative of the population. However, as an exploratory sample, it allowed understanding of the relationship between BEE and entrepreneurship in South Africa. Future research could look to wider samples to establish externally valid results.
- The non-probability sampling methods applied in this study were inherently subjective and therefore also not representative of the population.

The lack of South African research relating to the relationship between BEE and entrepreneurship and the fact that comparable data did not exist, made it impossible to judge whether the findings were generalisable to the African, Coloured and Indian population in South Africa. Furthermore, the appropriateness of extrapolating the findings to Black people who have not benefited or been affected by BEE was questionable.



Chapter 5: Results

5.1 Introduction

This chapter describes the results of the findings in an attempt to address the research objectives that underpin this study. The results of the data analysis of the Experts, BBL and BE are presented as follows:

- **Experts**
 - Demographic profiles of Experts.
 - Results specific to questions.
 - Key phrases,
 - Coding of phenomena, and
 - Keyword/code Frequencies.

- **BBL and BE**
 - Demographic profiles of BBL and BE.
 - Psychographic profiles of BBL and BE.
 - Results specific to interview questions.
 - Key phrases through bracketing,
 - Coding of phenomena, and
 - Keyword/Code Frequencies.

5.2 Results of Experts

5.2.1 Demographic Profiles of Experts

As previously mentioned, six Experts were approached to partake in this research study. Three Experts were available to complete and return the questionnaires.

Experts Gender Group

All three Experts that participated in this study (100%) are male.

Experts Race Group

The Experts comprise of one Coloured, one Indian and one African male. Consequently, Black races are represented equally in this study.

5.2.2 Results specific to Questions

Responses to the open-ended questions 1 and 2 as per the questionnaire (Appendix 2) are presented below. The sample excerpts from the Experts' responses will provide the reader with a summary of the views of the Experts in respect of the phenomena of BEE and entrepreneurship.

Question 1: BEE in South Africa

The purpose of this question is to obtain the views of Experts on BEE in South Africa. The raw data content is analysed in terms of the bracketing process and key phrases are identified which provide insights into the phenomenon of BEE. Similar characteristics of key phrases are coded, grouped together and counted to determine the frequency of the characteristics. The codes are augmented by excerpts from the

Experts' responses to create a greater understanding of the deeper meaning of the codes to the BEE phenomenon.

Table 8 below presents a summary of the views of the Experts on the BEE phenomenon in South Africa. It is evident from Table 8 that the Experts agree that BEE currently enriches a minority group of individuals. Experts are also of the view that BEE is a necessary process, a greater emphasis should be placed on BBBEE, that the implementation of BEE is not adequate, funding of BEE transactions remain a challenge, a greater emphasis should be placed on the transfer of skills, the corporate environment is still teeming with racial prejudice and citizens should be educated on the mechanics of BEE. The Experts state that certain people are sought after to form partnerships with and confirm that BEE creates value. They refer to increased opportunities created by BEE and indicate that such opportunities must filter through to all levels of the society.

Table 8: Summary of the Views of Experts on BEE in South Africa

Code	Excerpts	Count	Percent
Enriching minority	"There is a concentration on a certain group of individuals. We must plan to focus on a broader black community."	3	100%
Necessary	"It is a necessary process to level the playing field which has been distorted by a lengthy period of institutionalised and systematic exclusion of black people from partaking in the mainstream economic activity."	2	66.67%
Implementation	"If the policy is criticised, the shortfall lies with the implementation thereof."	2	66.67%
Funding	"Funding of these transactions is another big problem."	2	66.67%
Lack of transfer of skills	"The development and transfer of skills can contribute tremendously to BEE. We will only then start seeing the expected results from BEE."	2	66.67%
Cultural change	"Many corporations are led by individuals who were brought up under the apartheid regime and benefited from the practices of this regime. It is naïve to expect these individuals to have suddenly dumped their racial prejudice at the inception of the democratic dispensation in 1994. A combination of stick and carrot approach is	2	66.67%

	required to foster change in attitude.”		
Education	“BEE should be legislated through the education of citizens as well as an approach to ‘colour blind’ entrepreneurial development in South Africa.”	2	66.67%
Broad-based	“BEE comprises of seven elements in terms of the scorecard. The focus has been on ownership up to now. This has been a weakness up to now as the policy is not only about ownership.”	1	33.33%
BEE premium	“White people are conscious as to who they get into bed with as some BEE players can be more valuable than others and hence a premium is also attached to them.”	1	33.33%
Value creation	“Is value created with BEE or is it merely unproductive entrepreneurship?”	1	33.33%
Opportunities	“In the employed market people are getting opportunities as a result of BEE. It is necessary to expand these opportunities to reach the bottom of the pyramid to participate in the economy.”	1	33.33%

Question 2: Entrepreneurship in South Africa

The purpose of this question is to obtain the views of Experts on entrepreneurship in South Africa. The raw data content is analysed in terms of the bracketing process and key phrases are identified which provide insights into the phenomenon of entrepreneurship. The characteristics are coded and augmented by excerpts in the manner referred to in Question 1 above to create a deeper understanding of the phenomenon of entrepreneurship.

Table 9 below presents a summary of the views of the Experts on entrepreneurship in South Africa. It is evident from Table 9 that the Experts all agree that historical background is a stumbling block to entrepreneurship amongst Black people. Most Experts are also of the view that access to funding remains a problem and difficulty is experienced in turning opportunities into viable businesses. The Experts confirm that a culture exists where Black people are encouraged to find jobs rather than to pursue entrepreneurial ventures. Reference is made to the high prevalence of survivalist

entrepreneurship amongst Black people. Experts are concerned that the development of entrepreneurship is a time consuming process and that our education system should focus on encouraging entrepreneurship. Furthermore, infrastructure and support systems should be created which embrace entrepreneurship.

Table 9: Summary of the Views of Experts on Entrepreneurship in South Africa

Code	Excerpts	Count	Percent
Entrepreneurial characteristics	"Entrepreneurship amongst black people in South Africa, despite the lack of funding and skills, also lacks a psychological component i.e. the propensity to take risks and the confidence to start new businesses. Black people have not developed this yet - it is mainly prevalent amongst white people."	3	100%
Lack of funding	"Funding should be more readily available to entrepreneurs with innovative ideas."	2	66.67%
Entrepreneurial opportunities	"Entrepreneurship activity in South Africa is at unacceptably low levels. That is partly because the economic landscape is dominated by large corporations which translate into a situation where the entry barriers for independent and small to medium sized firms are high."	2	66.67%
Culture	"It is also a matter of a non existent entrepreneurial culture where graduates are trained to be workers as opposed to be employers."	2	66.67%
Survivalist entrepreneurship	"Disadvantaged communities can be characterised by survival businesses and not the creation of sustainable enterprises falling within this definition of entrepreneurship."	1	33.33%
Time factor	"It will take some time for the development of black people with regards to their history, education and other soft factors before such businesses will start to emerge naturally."	1	33.33%
Nature of entrepreneurship	"Entrepreneurship can be productive, unproductive and destructive."	1	33.33%
Lack of education	"Poor education is also a contributing factor."	1	33.33%
Lack of support	"There is also poor infrastructure to support entrepreneurs."	1	33.33%

Question 3: Entrepreneurial Characteristics

Question 3 relates to the presence of certain characteristics identified from the theory and literature review amongst Black people prior to entering into BEE transactions that may indicate the presence of entrepreneurship. Experts are requested to comment on the presence of the entrepreneurial characteristics amongst Black people in South Africa.

Table 10 below provides a summary of the concurring views of the Experts in respect of the entrepreneurial characteristics listed in the questionnaire. The Experts are in agreement that, generally, Black people do possess these entrepreneurial attributes prior to entering BEE transactions.

Table 10: Entrepreneurial Characteristics

Characteristics	Excerpts from Experts
Ability to recognise opportunities	"Present opportunities are coming easily for black people."
Propensity to risk-taking	"Lower level of risk-taking, not as high as with white people."
Innovative	"It is about the psychological impact of the past on black people. Survival mode does not afford people time and money to be innovative. However, some black people in the private equity industry are highly innovative which leads to new business opportunities."
Proactive	"This is a weakness amongst black people. This can also be ascribed to lack of exposure, historical factors, education and the socio-economic situation of black people in South Africa."
Focussed on creating value	"This is a weakness amongst black people. This can also be ascribed to lack of exposure, historical factors, education and the socio-economic situation of black people in South Africa."
Focussed on creating wealth	"This is a weakness amongst black people. This can also be ascribed to lack of exposure, historical factors, education and the socio-economic situation of black people in South Africa."
Follow visions	"This is prevalent amongst black people."
Committed and determined	"This is prevalent amongst black people."
Leaders	"This is prevalent amongst black people."
Creative	"This is prevalent amongst black people."
Self-reliant and Adaptable	"This is prevalent amongst black people."
Motivation to excel	"This is prevalent amongst black people."

The Experts' responses to three pertinent questions that this study seeks to address namely questions 4 - 6 are presented below. The sample excerpts from the Experts' responses will provide the reader with a summary of the views of the Experts in respect of the relationship between the phenomena of BEE and entrepreneurship.

Question 4: Do Black People develop Entrepreneurial Attributes/ Characteristics whilst part of a BEE Transaction?

Table 11 below presents a summary of the views of the Experts on whether Black people develop entrepreneurial attributes/characteristics whilst part of a BEE transaction.

Table 11: Summary of the Views of Experts on whether Black People develop Entrepreneurial Attributes/Characteristics whilst part of a BEE Transaction

Experts	Excerpts
Expert 1	"Definitely for the future. Black people are exposed to business by buying shares, obtaining funding and the level of risk involved. If they are not entrepreneurial today, the BEE transactions will certainly create an entrepreneurial sense amongst black people. It will grow their confidence to pursue entrepreneurial activities in future. The kids (at school) and families (business environment) are getting exposed to entrepreneurial behaviours - we will see the positive impact in the next generation in South Africa."
Expert 2	"Black people acquire more knowledge about the transaction and its mechanics; they acquire broader business knowledge as a new world opens up."
Expert 3	"I'm of the view that some Black people enter BEE transaction with these skills and others without, while others will develop the entrepreneurial nose from within."

It is apparent from Table 11 that the Experts are of the view that exposure to business through participation in BEE transactions should develop a greater awareness of entrepreneurship and the characteristics/attributes required to pursue entrepreneurial ventures amongst Black people.

Question 5: Do Black People exit BEE transactions to pursue Entrepreneurial Activities?

Table 12 below presents a summary of the views of the Experts on whether or not Black people exit BEE transactions to pursue entrepreneurial ventures.

Table 12: Summary of the Views of Experts on whether Black People exit BEE transactions to pursue Entrepreneurial Activities

Experts	Excerpts
Expert 1	"Sophisticated entrepreneurs take their money to develop businesses, acquire more assets or start new businesses."
Expert 2	"Black people do not exit BEE transactions consistently."
Expert 3	"Black people exit BEE transaction for a number of reasons including unsustainable funding structures and unworkable relationships. Yes, they also exit to pursue other opportunities. That is what Mzi Khumalo and many others have been doing."

It is evident from Table 12 that the Experts are of the view that a limited number of Black people exit BEE transactions to pursue entrepreneurial activities. This behaviour cannot be described as a trend amongst Black people. It is, furthermore, apparent that exits to BEE transactions can also be ascribed to a number of other factors such as inappropriate transaction funding mechanisms and destructive relationships; referred to as the unintended consequences of BEE.

Question 6: Does BEE promote Entrepreneurship in South Africa?

Table 13: Summary of the Views of Experts on whether BEE promotes Entrepreneurship in South Africa

Experts	Excerpts
Expert 1	"BEE is contributing to entrepreneurship in SA. The caveat is the quality of entrepreneurship that is not good enough. BEE is contributing towards investing in shares. From individual gains due to affirmative action, people

	should gain the confidence to start their own businesses. The second issue is timing.”
Expert 2	“The development of entrepreneurship and BEE represent two key policy trends in SA. Both are regarded as critical drivers of economic growth and political stability. Both are rich in theory and concept but encounter difficulties in execution. Conceptually, BEE offers a feasible model for developing a range of black entrepreneurs and businesses – from micro and rural enterprises to large investment houses and industrial corporations. Over time, the free market environment will drive the convergence between entrepreneurship and BEE.”
Expert 3	“Ideally and by design, BEE should promote entrepreneurship in South Africa. The question is how effective is BEE achieving this in real terms. There are good and bad examples.”

According to summary of the views of the Experts presented in Table 13 above, BEE by its nature may result in promoting entrepreneurship in South Africa. BEE can be described as a mixed bag; certain BEE transactions do promote entrepreneurship whereas the typical equity BEE transactions do not encourage entrepreneurial behaviour amongst black people. Consequently, the manner in which people are leveraging off the BEE opportunities becomes vital in the quest for pursuing entrepreneurship.

5.3 Results of BBL and BE

5.3.1 Demographic Profiles of BBL and BE

As previously mentioned, the researcher was able to secure ten face-to-face interviews with BBL and ten face-to-face interviews with BE. The demographic profiles of the BBL and BE interviewed are presented below.

Respondents Gender Group

The gender profiles of the BBL and BE are presented in Figures 11 and 12 below. The number of respondents (count) for each sample and the respective percentages are superimposed on the chart.

Figure 11: BBL by Gender

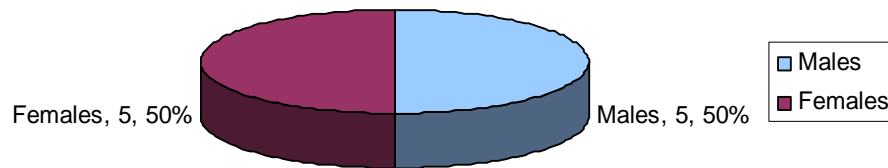


Figure 11 illustrates that the sample of BBL comprise of 5 (50%) males and 5 (50%) females.

Figure 12: BE by Gender

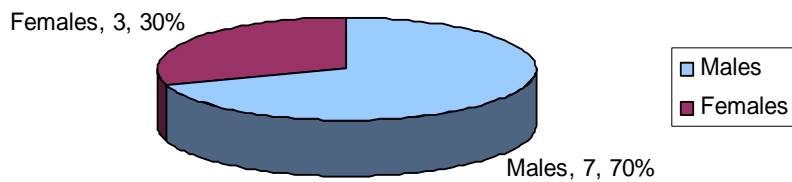


Figure 12 illustrates that the sample of BE comprise of 7 (70%) males and 3 (30%) females.

Respondents Race Group

The profiles of the BBL and BE by race group are depicted in Figure 13 below.

Figure 13: BBL and BE by Race Group

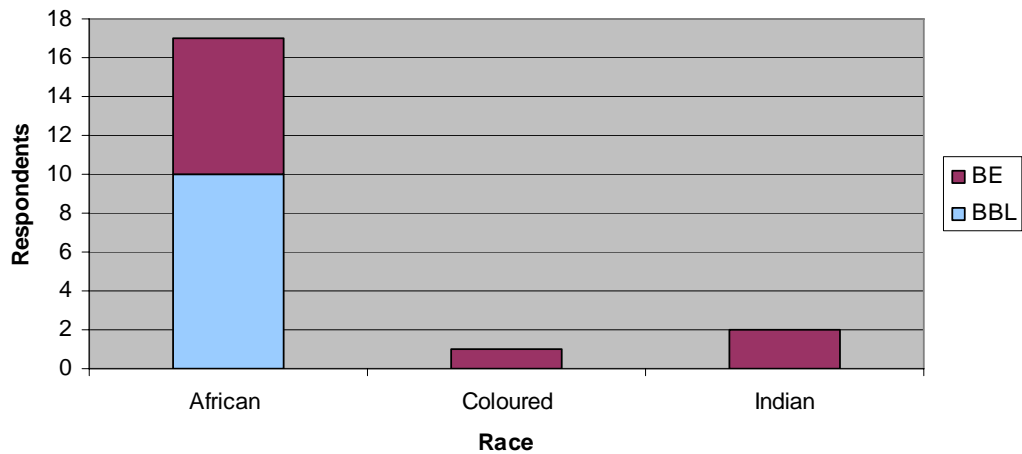


Table 14: BBL and BE Race Count and Percentage

Race Group	BBL		BE	
	Count	Percent	Count	Percent
African	10	100%	7	70%
Indian	0	0%	2	20%
Coloured	0	0%	1	10%

Table 14 indicates that all (100%) of the BBL are African. It also indicates that the majority (70%) of the BE are African, followed by Indians who constitute 20% and Coloureds 10%.

Respondents Age Group

The age group count and percentage are listed in Table 15 below.

Table 15: BBL and BE by Age Group Count and Percentage

Age Group	BBL		BE	
	Count	Percent	Count	Percent
20 – 29	1	10%	0	0%
30 – 39	8	80%	6	60%
40 – 49	1	10%	4	40%

The mean age of all the respondents is 35.8 years comprising of the mean age of the BBL being 33.9 years and the BE being 37.8 years. The majority of the BBL (80%) and BE (60%) range between the ages of 30 – 39 years. The minimum age for BBL is 29 and the maximum age 45 years. The minimum age for BE is 33 and the maximum age also 45 years.

5.3.2 Psychographic Profiles of BBL and BE

In this section, the number of business opportunities pursued (past and current) by the respondents, the motivational factors and drivers of entrepreneurship and the characteristics present in entrepreneurs, derived from the interviews with the respondents, are presented.

Interview Question 2: The Number of Business Opportunities Pursued and Currently Involved

The business opportunities that BBL and BE have pursued and are currently involved in are presented in Table 16 below.

Table 16: Business Opportunities Pursued and Currently Involved in by BBL and BE

Respondent	Count	Min	Max	Mean	Median	Mode
BE	30	1	8	3	2	2
BBL	15	0	3	1.5	1	1

From Table 16, it is apparent that BBL have pursued and are involved in a total number of 15 business opportunities, whereas BE in a total number of 30 business opportunities. The minimum number of opportunities that a BBL is involved in, is zero and the maximum three. The minimum number of opportunities that any one BE is involved in, is one and the maximum eight. The average opportunities involved in for

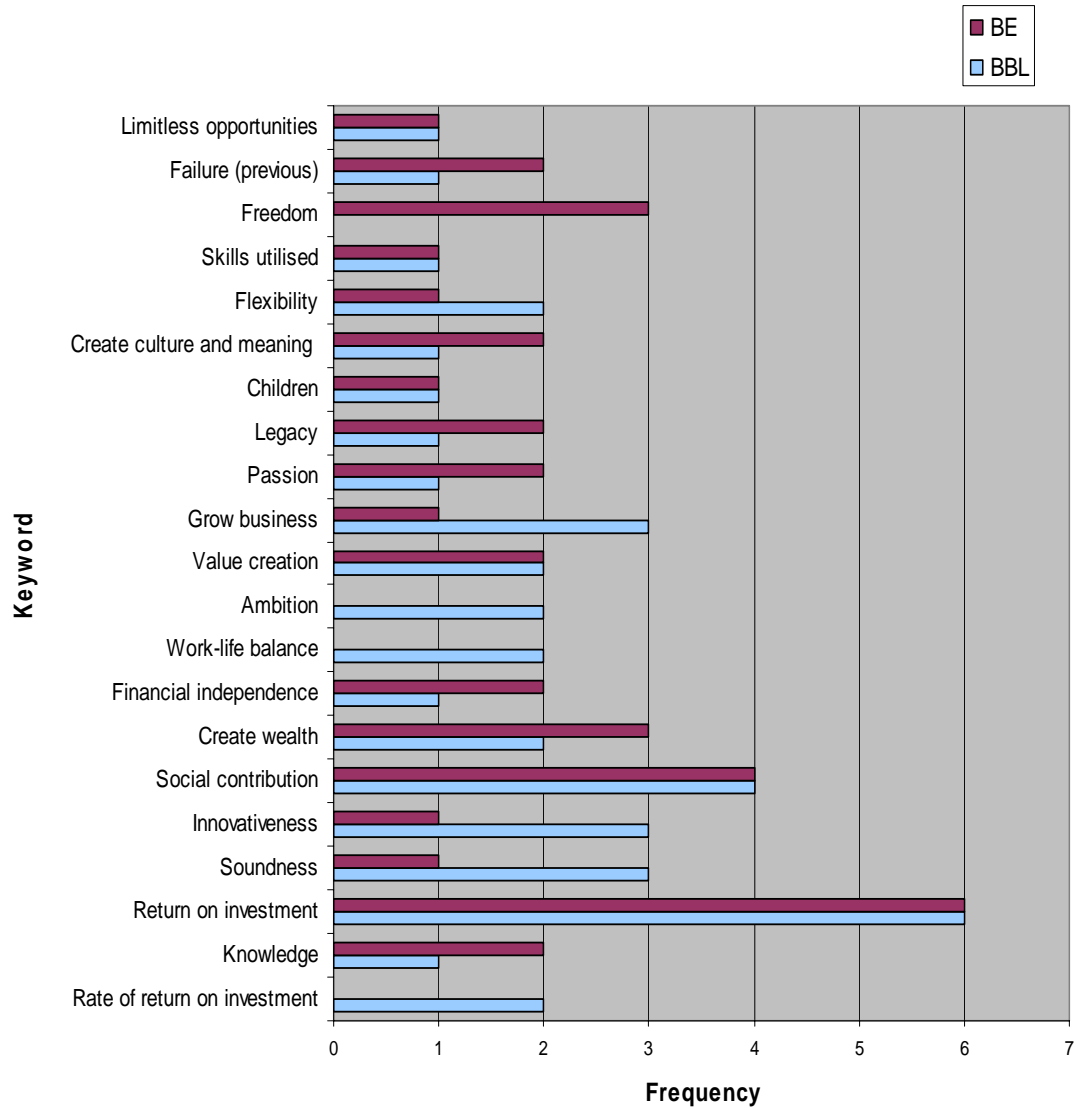
BBL is 1.5 opportunities and for BE three opportunities. Most BBL are involved in 1 opportunity and BE in 2 opportunities. Respondents also indicate that they have business opportunities in mind that they wish to pursue in future.

Interview Question 3: Drivers and Motivational Factors of Entrepreneurship

This question relates to the drivers and motivational factors that encourage respondents to pursue entrepreneurial opportunities. The raw data is analysed for keyword and phrase frequencies. Where keywords and phrases are mentioned more than once by either the BBL and/or the BE, it is recorded individually as referred to in Figure 14 below. The drivers and motivational factors are shown on the y-axis and the keyword frequencies on the x-axis.

From Figure 14, it is apparent that return on investment is the strongest motivator for both BBL and BE to pursue entrepreneurial opportunities. BBL and BE are also driven by a contribution to society. The soundness of a business, its growth potential and innovative ways to unlock value motivate BBL to pursue entrepreneurial opportunities. BBL who pursue entrepreneurial opportunities are not driven by the freedom of not having a boss. The possibility of freedom and the opportunity to create wealth impact BE. BE who pursue entrepreneurial opportunities are not driven by ambition, the rate of return on investment and work-life balance.

Figure 14: Drivers and Motivational Factors of BBL and BE – Distribution of Keywords (Frequency)



Keywords are coded as shown in Table 17 below to create a deeper understanding of the key factors that drive and motivate entrepreneurs.

Table 17: BBL and BE by Drivers and Motivational Factors Count and Percentage

Codes	Keywords	BBL Count	BE Count	Total Count	BBL %	BE %	Total %
Financial	Return on investment	6	6	12	60%	60%	60%
	Create wealth	2	3	5	20%	30%	25%
	Financial independence	1	2	3	10%	20%	15%
	Rate of return on investment	2	0	2	20%	0%	10%
Total:		11	11	22	28%	28%	28%
Value Creation	Value creation	2	2	4	20%	20%	20%
	Grow business	3	1	4	30%	10%	20%
	Create culture and meaning	1	2	3	10%	20%	15%
	Legacy	1	1	2	10%	10%	10%
Total:		7	6	13	18%	15%	16%
Intellectual Capital	Soundness	3	1	4	30%	10%	20%
	Knowledge	1	2	3	10%	20%	15%
	Failure (previous)	1	2	3	10%	20%	15%
	Skills utilised	1	1	2	10%	10%	10%
Total:		6	6	12	15%	15%	15%
Personal	Innovativeness	3	1	4	30%	10%	20%
	Passion	1	2	3	10%	20%	15%
	Ambition	2	0	2	20%	0%	10%
	Limitless opportunities	1	1	2	10%	10%	10%
Total:		7	4	11	18%	10%	14%
People	Social contribution	4	4	8	40%	40%	40%
	Children	1	1	2	10%	10%	10%
Total:		5	5	10	25%	25%	25%
Lifestyle	Freedom	0	3	3	0%	30%	15%
	Flexibility	2	1	3	20%	10%	15%
	Work-life balance	2	0	2	20%	0%	10%
Total:		4	4	8	13%	13%	13%

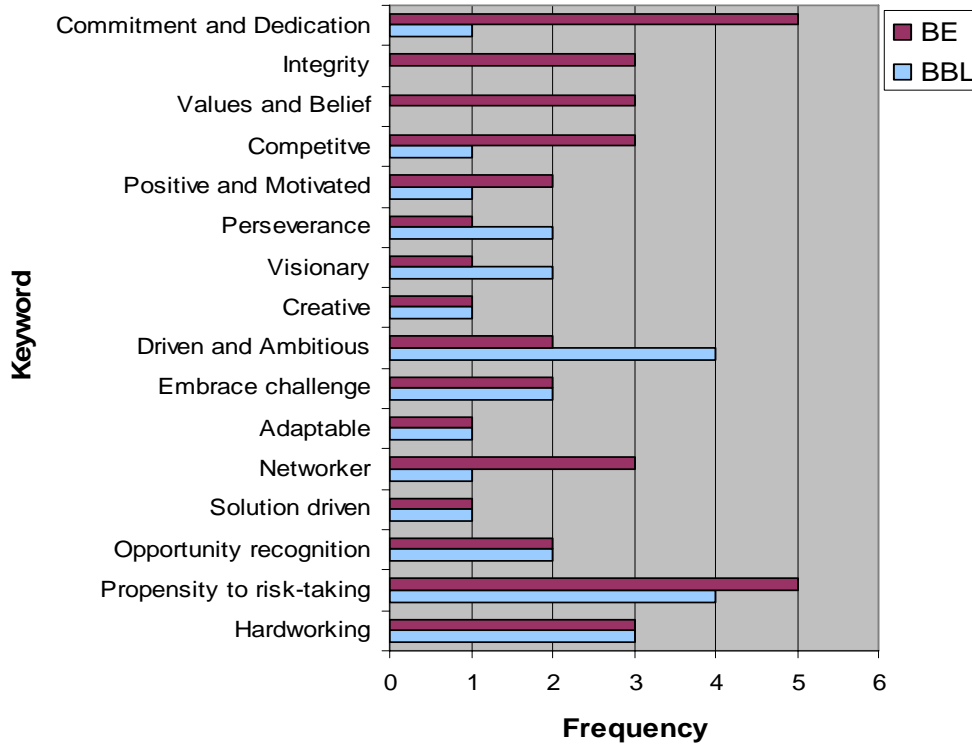
Table 17 shows the drivers and motivational factors categorised into five codes (in descending order) namely the financial factor which has the highest ranking, thereafter value creation, followed by the personal factor, people and lastly lifestyle. BBL and BE provide similar counts for most codes. However, BBL and BE differ in their emphasis placed on the personal factor; BBL being much higher than BE.

Interview Question 4: Characteristics of Entrepreneurs

Question 4 requests the respondents to describe the characteristics present in an entrepreneur or required to be an entrepreneur. It requires respondents to list the characteristics which they believe enable them to be entrepreneurial. The raw data is analysed for keyword frequencies. Where keywords are mentioned more than once by either the BBL and/or the BE, the characteristics are recorded individually as referred to in Figure 15 below. The characteristics are shown on the y-axis and the keyword frequencies on the x-axis.

Figure 15 below shows that BE identify the propensity to risk-taking and commitment and dedication to be the most important characteristics. BBL agree with BE on the importance of the propensity to risk-taking and list drive and ambition as equally important. BE also list hardworking, networking capabilities, competitiveness, values and belief and integrity as important characteristics of entrepreneurs. BBL do not refer to the presence of values and a belief system and integrity as characteristics of entrepreneurs.

Figure 15: Characteristics of Entrepreneurs – Distribution of Keywords (Frequency)



5.3.3 Results specific to Interview Questions

Responses to the open-ended questions 1 and 5 - 9 are presented below as narrated by the BBL and BE. The sample excerpts from the responses will provide the reader with a summary of the views of the BBL and BE in respect of BEE and entrepreneurship.

Interview Question 1: Entrepreneurial Journeys of BBL and BE

The purpose of this question is to prompt the respondents to share their entrepreneurial journeys. The raw data content is analysed by locating key phrases and statements that speak directly to the phenomena of BEE and entrepreneurship. The researcher focuses on interpreting the phrases and statements to create a greater understanding of the phenomena.

Similar characteristics of the phenomena are identified in the content of the responses. The characteristics are coded and grouped together. The codes are augmented by excerpts from the Experts' responses to create a greater understanding of the deeper meaning of the codes to the BEE and entrepreneurship phenomena.

Tables 18 and 19 below present summaries of the journeys of the BBL and BE.

Table 18: Summary of the Journeys of BBL, Count and Percentage

Code	Excerpts from BBL	BBL Count	BBL %
Corporate entrepreneurship	"I have always sought entrepreneurial opportunities within corporate institutions."	5	50%
Opportunity recognition	"I am always exploring new opportunities."	3	30%
BEE transactions	"I am a managing director of a BEE company" [name withheld].	3	30%
Financial security	"I am happy in a corporate environment as it provides me with the required financial means."	3	30%
Equity transactions	"I have subscribed in a number of shares earmarked for BEE/previously disadvantaged groups."	2	20%
Innovation and continuous improvement	"When all goes well I get bored, I need radical innovation to move forwards. The tipping point in my career would be to become an entrepreneur."	2	20%
Propensity to risk-taking	"I thought that if I followed my corporate career I would make more money and generate more wealth to take risks to be in a position to do it all."	2	20%

Table 19: Summary of the Journeys of BE, Count and Percentage

Code	Excerpts from BE	BE Count	BE %
Freedom	"I was born to be an entrepreneur. I do not like working for others and want the freedom to do my own thing."	6	60%
Opportunity recognition	"I saw these opportunities in the market."	5	50%
Social responsibility	"I wanted to give back to society."	2	20%
Financial independence	"I did not want to work like my parents. I wanted to be in a position where my money works for me."	2	20%
Entrepreneurial support	"BEE does not create space for entrepreneurs to emerge. There are not sufficient opportunities for entrepreneurs."	2	20%
Necessity entrepreneur	"Finding a job was difficult after I had been retrenched. I was almost forced to become an entrepreneur."	2	20%
Creation of environment	"I learnt how to help others, to create business minds; I saw the magic of people working together."	2	20%
Implementation	"I have the ideas. I need people to execute my thoughts."	2	20%

It is evident from Table 18 that BBL make conscious decisions to pursue entrepreneurial opportunities within large organisations. Table 19 shows that BE emphasise the importance of freedom and indicate they have the ability to recognise opportunities. BBL are also of the view that recognising opportunities are important. BBL refer to their involvement in BEE transactions and the value placed on financial security. Mention is made by BBL of participation in equity transactions, the striving towards continuous improvement and the lower propensity to risk. BE mention a number of important considerations on their journeys including social responsibility, financial independence, lack of support for entrepreneurs, the pressure of being an entrepreneur and the joy of creating an entrepreneurial platform for the implementation of ideas.

Interview Question 5: BEE in South Africa

The purpose of this question is to obtain the views of BBL and BE on BEE in South Africa. The raw data is analysed in terms of the phenomenological analysis as described in interview question 1 above.

Tables 20 and 21 below present summaries of the views of BBL and BE on BEE in South Africa.

Table 20: Summary of the Views of BBL on BEE in South Africa

Code	Excerpts from BBL	BBL Count	BBL %
Necessary	"Conceptually, BEE is a noble and necessary idea."	10	100%
Enrichment of minority	"BEE created a number of super rich players in the economy."	6	60%
Economic impact	BEE will not only significantly contribute to redressing the economic injustices of the past but will also be a catalyst for driving growth of the SA economy."	6	60%
Implementation	"The problem lies with the implementation. Companies are forced to implement the policy and it becomes a numbers game". "Window-dressing and fronting is still a problem."	5	50%
Political impact	"Without BEE we would have had huge uprising in South Africa and not the stable society of today".	4	40%
Lack of buy-in	"BEE should be implemented because people see the value in implementing the policy and how it can improve companies. People must also buy into the implementation of BEE".	3	30%
Community development	"There should be a greater focus on communities."	3	30%
Racial tension	"BEE should not be a zero sum game. It should not take away from whites. As black people progress, whites should also progress."	3	30%
Lack of skills transfer	"The purpose of BEE is to transfer skills and knowledge. This is not happening."	3	30%
Attitude of entitlement	"Some people have an attitude of entitlement as they do not develop themselves but sit back and expect to benefit."	2	20%
Creates role models	"It also creates black role models who show other black people that it is possible to obtain wealth in South Africa through hard work."	2	20%
Benefits disadvantaged people	"BEE has done a lot for many people. BEE also educates historically disadvantaged people."	2	20%

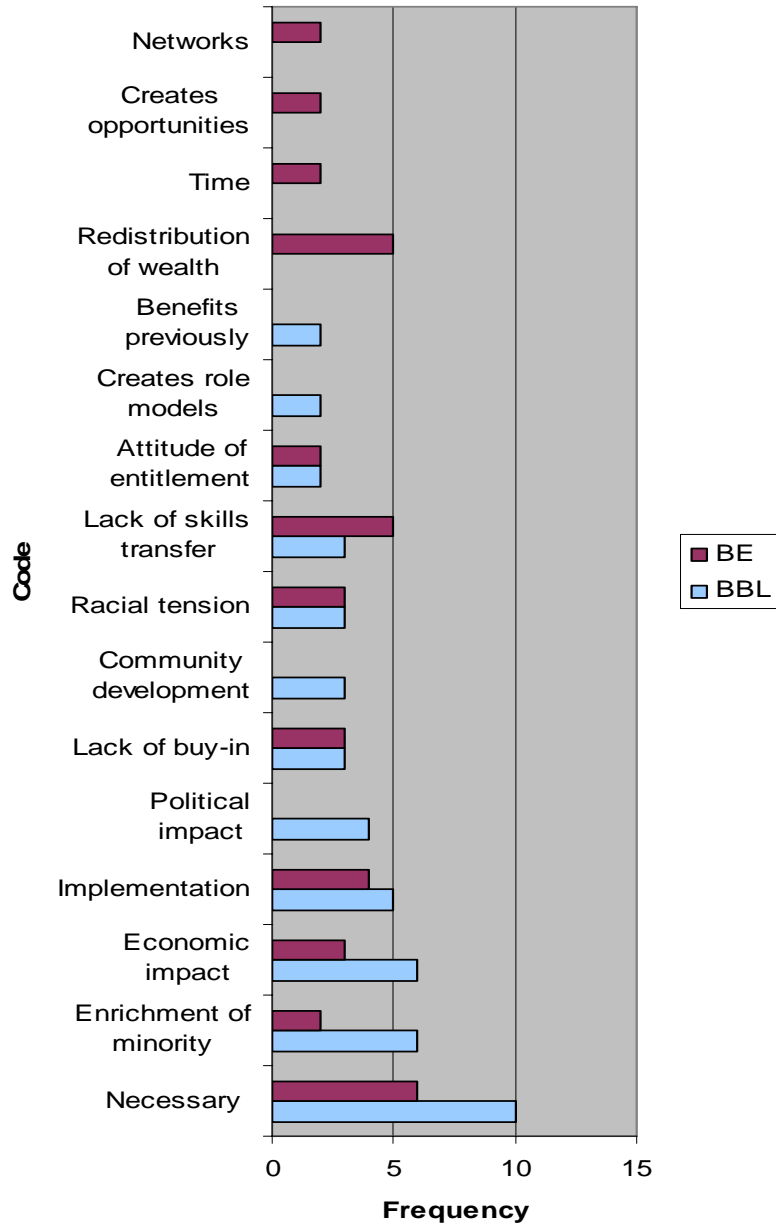
Table 21: Summary of the Views of BE on BEE in South Africa

Code	Excerpts from BE	BE Count	BE %
Necessary	"BEE is a critical intervention in South Africa. It is the most strategic and safest way to encourage integration at all levels in society."	6	60%
Redistribution of wealth	"It is a one dimensional move of what was white to black people."	5	50%
Transfer of skills	"BBBEE should empower and it should transfer skills. This is not happening."	5	50%
Implementation	"It is not acted out in the way it was intended." "The outcome is manipulated by powerful politicians and integrity is suppressed for money and power."	4	40%
Economic impact	"I would rather have economic freedom than political freedom." "BEE must be used as a catalyst to improve our economy."	3	30%
Racial tension	"Racism is rife in corporate South Africa. Change is not what it should be."	3	30%
Lack of buy-in	"Ninety percent of white people still embrace BEE in a patronising manner."	3	30%
Time	"BEE lacks patience. This integration will take time."	2	20%
Enrichment of minority	"BEE is enriching only a few people, thereby crowding out lucrative opportunities".	2	20%
Creates opportunities	"There are real equal opportunities for our kids."	2	20%
Networks	"It is always the usual suspects due to their connections."	2	20%
Attitude	"Too many blacks are too selfish and not living the true spirit and intent of BEE. People have not lived up to the true intent of BEE." "BEE has given people an attitude of entitlement."	2	20%

Views of BBL and BE on BEE in South Africa are presented in Figure 16 below. The codes are shown on the y-axis and the keyword frequencies on the x-axis.

Figure 16 indicates that when requested to provide their views on BEE in South Africa, the most common response of both BBL and BE is that BEE is necessary to level the playing fields from a racial perspective. BBL criticise the phenomenon for enriching only a small number of people but comment that it should assist to redress the economic imbalances of the past. BE criticise the phenomenon for resulting in a transfer of wealth into black hands and on the basis that skills are not being transferred adequately due to the ineffective implementation of BEE.

Figure 16: Views of BBL and BE on BEE in South Africa – Distribution of Codes (Frequency)



Interview Question 6: Impact of BEE on BBL and BE

The purpose of interview question 6 is to determine to what extent BBL and BE have participated in BEE transactions or have benefited from or been affected by BEE. The results are illustrated in Figures 17 and 18 below.

Figure 17: Impact of BEE on BBL

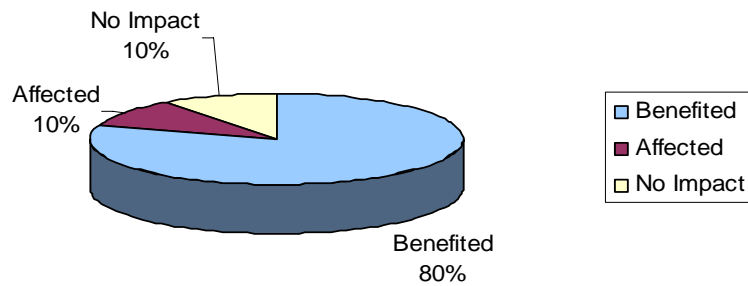


Figure 17 illustrates that the majority of BBL (80%) have benefited from BEE, BEE has affected 10% of the BBL and had no impact on 10% of BBL.

Figure 18: Impact of BEE on BE

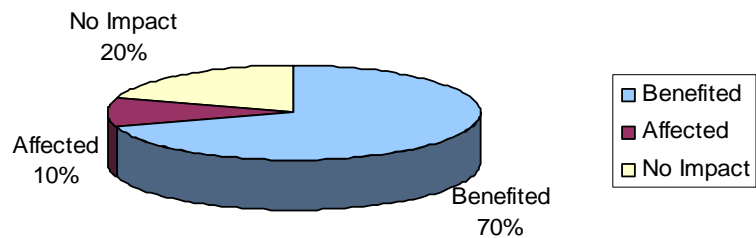


Figure 18 illustrates that the majority of BE (70%) have benefited from BEE, 10% have been affected by BEE and it had no impact on 20% of BE.

Interview Question 7: Opportunities arising from BEE for BBL and BE

The purpose of interview question 7 is to determine to what extent BEE has created or resulted in opportunities for BBL and BE. The results are illustrated in Figure 19 below.

Figure 19: Opportunities arising from BEE for BBL and BE

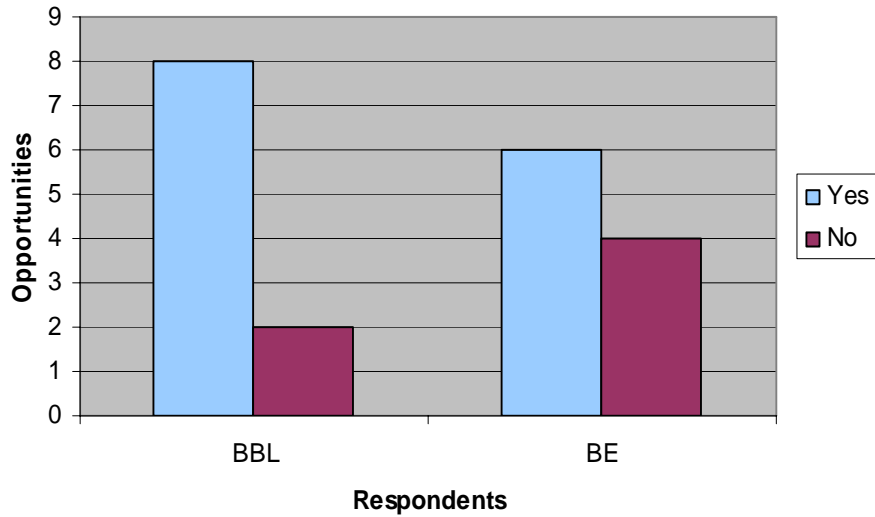


Figure 19 above and Table 22 below show that the majority of BBL (80%) and BE (60%) confirm that opportunities increased as a result of BEE.

Table 22: BBL and BE by Opportunities Count and Percentage

Opportunities	BBL		BE	
	Count	Percent	Count	Percent
Yes	8	80%	6	60%
No	2	20%	4	40%

Interview Question 8: Effect of BEE on Careers and/or Businesses

Interview question 8 refers to the effect of BEE on BBL and BE as respondents were requested to describe how BEE has assisted or antagonised their careers and/or businesses. Respondents in this instance revert to their responses to interview question 6. A detailed discussion of the impact of BEE on the careers and/or businesses of BBL and BE will follow in Chapter 6.

Interview Question 9: Views of BBL and BE on whether BEE could promote Entrepreneurship

The purpose of this question is to obtain the views of BBL and BE on whether BEE could promote entrepreneurship in South Africa. The phenomenological analysis approach as described in interview question 1 is followed to create a greater understanding of the relationship between the phenomena of BEE and entrepreneurship.

Figure 20 below depicts that the majority of BBL and BE (80%) confirm that BEE could promote entrepreneurship in South Africa.

Figure 20: BEE as a Vehicle to Promote Entrepreneurship

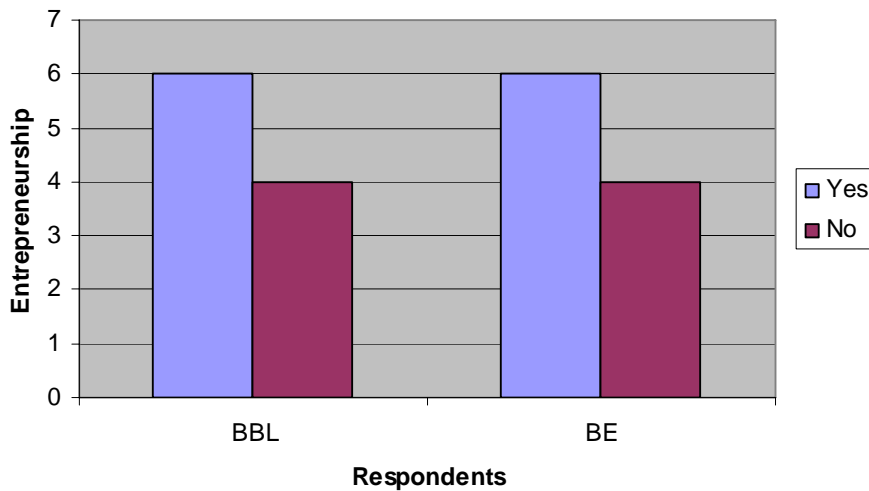


Table 23 presents a summary of the views of BBL on whether BEE could promote entrepreneurship in South Africa.

Table 23: Summary of the Views of BBL on the use of BEE to promote Entrepreneurship

Code	Excerpts from BBL	BBL Count	BBL %
Natural progression	“Corporates give senior black people a base to jump out to run their own businesses.”	5	50%
Support entrepreneurs	“We need to ensure that these businesses are being built in a sustainable manner as they will contribute significantly to the creation of employment.”	4	40%
Culture	“Until such time as a culture develops among people who have benefited from BEE to create wealth for others, BEE will not promote entrepreneurship.”	3	30%
Improvement	“BEE requires further streamlining in order to create entrepreneurship.”	3	30%
Opportunities	“Through the creation of BEE opportunities we need to drive growth of businesses, create employment and develop communities.”	3	30%
Funding	“Entrepreneurship will be stimulated by making funding available to more people from the previously disadvantaged racial groupings”.	3	30%
Implementation	“We are still in the stage where we are trying corporates to buy into implementing BEE into the corporations.”	3	30%

Innovation	“BEE which supports the drive for innovation will always be seen as a tool to help people. There is a responsibility and an obligation on BEE to innovate to make a difference and not just be a policy to comply with.”	3	30%
Reallocation	“BEE has only changed the allocation of the pie and has not increased the overall size of the pie.”	2	20%

When requested to provide their views, most BBL are of the opinion that BEE transpires into entrepreneurship. However, BBL emphasise the importance of support for entrepreneurs. BBL also refer to the importance of a culture where people who have benefited from BEE strive to assist others, thereby contributing to communal development. BBL confirm the lack of funding and insist that the BEE policy must be improved to align it closer with entrepreneurial development.

Table 24 presents a summary of the views of BE on whether BEE could promote entrepreneurship in South Africa.

Table 24: Summary of the Views of BE on the use of BEE to promote Entrepreneurship

Code	Excerpts from BE	BE Count	BE %
Transfer of knowledge and skills	“People should also be inspired to be entrepreneurs in a corporate environment. We need people in jobs, the transfer of skills which will then drive the responsibility to train people. BEE should play a pivotal role in the transfer of skills and knowledge by helping others grow.”	4	40%
Culture	“We should build a new culture in corporates and everyone has to change. They must have the right attitude and face up to the challenges.” “Beneficiaries of BEE have the responsibility to find synergies with others who are not yet empowered.”	4	40%
Networks	“The usual suspects are the exception – they are entrepreneurial in nature and can spot opportunities due to their networks. It is still easier for whites to be entrepreneurial due to their networks and support structure.”	4	40%
Support entrepreneurs	“Black entrepreneurs should grow to become bigger than just survivalist entrepreneurs.”	3	30%
Unintended consequences	“People are chasing equity deals and are directed away from being entrepreneurs.”	2	20%



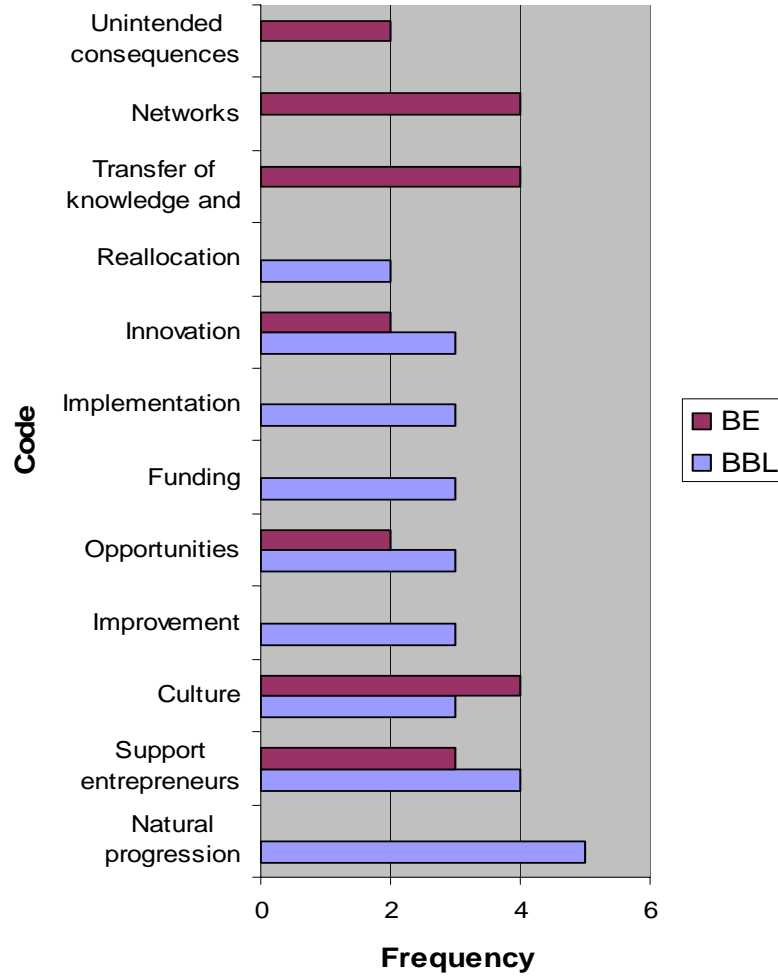
	"People exit corporates because they cannot take the white people any longer; they are not leaving for the right reasons."		
Innovation	"BEE forces creative and innovative thinking to form an enterprise which qualifies for BEE purposes."	2	20%
Opportunities	"BEE is not about taking the opportunities because the doors are open. The true meaning of empowerment is hard work at opportunities, time, being selective in what you can do and real participation and value-add in a company." "It is all about respecting the opportunity."	2	20%

BE state that BEE should be the catalyst in driving the transfer of skills within the corporate environment. However, BE warn against the lack of social networks amongst the majority of black people and the lack of support structures for black entrepreneurs that contribute to the low levels of entrepreneurship in South Africa.

The researcher focuses on interpreting the excerpts to create a greater understanding of the phenomena of BEE and entrepreneurship. Similar characteristics of the phenomena are identified and coded.

The characteristics are depicted in Figure 21 below. The characteristics are shown on the y-axis and the code frequencies on the x-axis.

Figure 21: BEE as a Vehicle to promote Entrepreneurship - Distribution of Codes (Frequency)



Chapter 6: Discussion of Results

6.1 Introduction

In this Chapter, the results of the study are evaluated and interpreted with respect to the research problems. The purpose is to discuss the findings from the three groups that participated in this study namely Experts, BBL and BE.

Firstly, the demographic profiles of the Experts, BBL and BE are discussed. Thereafter, a discussion regarding the psychographic results of BBL and BE will follow and lastly, the specific research questions are addressed. Views from BBL and BE are compared with the views obtained from the Experts through a process of data triangulation in an attempt to strengthen the research findings (Merriam, 1998).

6.2 Demographic Profiles of Experts

6.2.1 Gender Group

As shown before, all the Experts are male, leading to homogeneity. This can be a function of the judgment sampling process employed through which the researcher selected Experts due to the nature of their characteristics (Zikmund, 2003).

6.2.2 Race Group

The three Experts represent the race groups equally as per the population of this study and comprise of one Coloured, one Indian and one African person.

6.3 Demographic Profiles of BBL and BE

According to Orford *et al.* (2004) demographic factors including population group, gender and age are important influences on entrepreneurial activity.

6.3.1 Gender Group

The BBL interviewed are a heterogeneous sample, equally represented by males and females (Figure 11). The BE indicate a level of homogeneity (Figure 12). This can be ascribed to the convenience and snowball sampling techniques followed by the researcher. According to Von Broembsen *et al.* (2005) the difference between male and female entrepreneurial activity is statistically insignificant in South Africa.

6.3.2 Race Group

As the African population is in the majority at 79.5% of the total population, it can be expected that for purposes of this study, a high percentage of BBL will be African (Figure 13). Although the BE constitute a heterogeneous sample, more Indians were interviewed than Coloureds, whilst the Coloured population at 8.9% of the total population exceeds the Indian population of 2.5% (Statistics South Africa, 2006a).

6.3.3 Age Group

The majority of both the BBL and BE range between the ages of 30 to 39 years. The mean age of BBL is 33.9 years and 37.8 years for BE. According to Orford *et al.* (2004) the entrepreneurial activity rates peak amongst 25-44 year olds and decline sharply as age increases above 44 years. This can indicate that the age groups of the BBL and BE interviewed are sufficiently heterogeneous.

6.4 Psychographic Profiles of BBL and BE

BBL and BE were requested to provide the number of business opportunities pursued (past and current), the factors motivating and driving them to pursue entrepreneurial activities and to identify the characteristics present in entrepreneurs. A discussion of the key findings follows.

6.4.1 Number of Business Opportunities Pursued and Currently Involved

The total number of business opportunities pursued and/or currently involved in are twice as high at thirty business opportunities amongst BE as the fifteen opportunities of BBL. The average opportunities for BE is 3 and 1.5 opportunities for BBL (Table 16). Most BBL are involved in 1 opportunity and BE in 2 opportunities.

Von Broembsen *et al.* (2005) state that at 2.95%, South Africa has the lowest opportunity entrepreneurship activity rate of all the developing countries. South Africa also has the lowest success rate of new ventures (Von Broembsen *et al.*, 2005).

Although the samples of BBL and BE represent black people who are already in business, it can be argued that the respondents are predominantly opportunity entrepreneurs as they typically take advantage of opportunities in the market (Morrison, 2006). The opportunity entrepreneurship rate of the BBL and BE are much higher with all the BE interviewed having pursued or currently involved in at least one business opportunity and a mean of 3 opportunities.

This can be ascribed to the nature of the samples selected i.e. Black people who founded a business/businesses or joined a new business in its early stages and included identifying opportunities in the market, taking risks with a view of being rewarded with profits and having decision-making power and control over the day-to-day operations of the businesses with a minimum turnover of R5 million per annum. The samples will, therefore, naturally reflect entrepreneurs who have succeeded in pursuing a number of opportunities.

Interestingly, respondents indicate their commitment to develop Black people; thereby including them in their social networks and exposing them to opportunities in the market. A BE #3 describes the importance of commitment to societal development:

“Entrepreneurial thinking is required to inspire the youth. What is missing in BEE is the pivotal role that should be played to transfer skills and knowledge by helping others grow – through doing that you grow as well. If you create wealth for others, it becomes significant for you too.” BE #3

and having the right attitude when opportunities arise:

“BEE is not about taking the opportunities because the doors are open. The true meaning of empowerment is hard work at opportunities, time, being selective in what you can do and real participation and value-add in a company. It is all about respecting the opportunity.” BE #3

Co and Mitchell (2006) state that the current group of Black entrepreneurs will have to expand 11 times in the next twenty years to compensate for the economic imbalances of the past. As approximately 52% of private businesses in South Africa expect a change in ownership in the near future as a result of BEE, many opportunities are becoming available for Black people to create a culture of Black business leaders (Temkin, 2007). It is vital that Black people embrace these opportunities with the right mindset and set of skills in order to succeed in building sustainable Black-owned businesses.

6.4.2 Drivers and Motivational Factors of Entrepreneurship

The drivers and motivational factors are coded in Table 17 into five codes (in descending order) namely, the financial factor, value creation, personal factor, people

and lifestyle. Most BBL and BE indicate that they are driven and motivated to pursue entrepreneurial activities by the return on their investment and the contribution made to society.

Financial drivers for both BBL and BE include return on investment, the creation of wealth and financial independence. This is consistent with the theory base which identifies earning sufficient income and the future income potential of entrepreneurial activities as the motivation to pursue entrepreneurial activities (Alstete, 2002; Segal *et al.*, 2005; Morrison, 2006). Segal *et al.* (2005) also identify financial security as a factor influencing the decision to pursue entrepreneurial activities and Morris and Kuratko (2002) refer to the need of entrepreneurs to be self-reliant.

Value creation for both BBL and BE include growing businesses, creating value to society, creating a culture and meaning and a legacy for their descendants. This driver is described as follows:

“You cannot create a culture in a company unless it is your own. I don't want to die without making a mark.” BBL #3

and

“Being able to leave a legacy for the next generation by breaking the cycles in my family drives me. I am raising the bar as being a successful entrepreneur has not been done before in my family”. BBL #7

These drivers also correspond to the theory. Thompson (2004) identifies the habit of creating and building something of value as a main driver of entrepreneurship. The ability to leave a legacy is also confirmed as a motivational factor (Alstete, 2002). Luhabe (2007) presents the sense of a shared destiny and understanding the legacy we leave as a core value that should underpin BEE.

The interviews reveal the importance to BBL and BE of having the required knowledge and skills to pursue activities as well as being convinced of the soundness and viability of the business opportunity. BBL and BE emphasise the importance of being in a position to add value and involvement in the operations of the business as key to the entrepreneurial decision-making process.

The views of BBL and BE can be attributed to the first wave of BEE transactions during which Black owners were removed from the control, management and operations of the companies of which they were BEE partners (Black Economic Empowerment Commission, 2001). The second wave of BEE driven by the broad-based approach emphasises the importance of meaningful participation at all levels of organisations (Black Economic Empowerment Commission, 2001). McFadzean *et al.* (2005) refer to knowledge and experience as entrepreneurial descriptors of the corporate entrepreneur.

A history of previous failure also inspire BBL and BE to pursue entrepreneurial activities as indicated below:

"I have tried many businesses but it is the failure that motivates me to try again and to do things right the second time". BE #9

It is not apparent from the theory that the soundness of a business and previous failures drive and motivate people to pursue entrepreneurial activities.

The research findings indicate that the personal factors are slightly more prevalent amongst BBL than the factors regarding intellectual capital although intellectual capital rank higher for BE than the personal factors. The literature also confirms the personal factors identified by BBL and BE such as innovativeness (Thompson, 2004), ambition (Morris and Kuratko, 2002; Segal *et al.*, 2005) and passion (Kuratko and Hodgetts, 2004). BBL and BE also cite the unlimited opportunities for Black people as a

motivational factor. This can be ascribed to the policy of BEE in terms whereof opportunities are provided to Black people to redress the imbalances of the past (DTI, 2007). As the literature does not mention unlimited opportunities as a motivational factor, it may be a motivational factor specific to Black people in South Africa.

Furthermore, BBL and BE have a tremendous sense of “wanting to give back to society” and “ensuring that my children lead a better life”. This is illustrated below:

“Realising the impact that one can have on society made me cry. It is not about power; it is about realising the responsibility that you have.” BE #3

Black people strive to create the opportunities for their children that were not available to them. This can be attributed to the apartheid regime which suppressed wealth in the black communities (DTI, 2005). It can also indicate awareness amongst Black people that the creation and spread of wealth to all levels of the society through entrepreneurship will significantly contribute to economic growth and political stability in South Africa (Klemz *et al.*, 2006). This factor is also specific to the South African culture as contributing to society and children are not identified from the theory as motivational drivers of entrepreneurship.

The lifestyle factor refers to the importance of flexibility, freedom and having a work-life balance to BBL and BE. Literature confirms independence, (Thompson, 2004; Segal *et al.*, 2005; Morrison, 2006), freedom (Morris and Kuratko, 2002; Thompson, 2004) and having a flexible lifestyle (Morrison, 2006) as motivational factors to pursue entrepreneurial activities. From the literature, greater control (Alstete, 2002) and escape from corporate bureaucracy (Segal *et al.*, 2005) are also identified, although not prevalent in this study.

Necessity entrepreneurship and the lack of scope for growth/upward mobility in the corporate environment (Morrison, 2006) do not transpire from the research findings. This can be ascribed to the nature of the samples selected. The samples of BBL and

BE represent Black people who are already in business and it can be argued that the respondents are predominantly opportunity entrepreneurs, as they typically take advantage of opportunities in the market (Morrison, 2006).

6.5 Results specific to Research Questions

The study proceeds to answer the following research questions.

6.5.1 Before entering into BEE transactions, do BBL and BE possess entrepreneurial attributes such as the ability to recognise opportunities, the motivation to pursue opportunities, a propensity to risk-taking, innovativeness, proactiveness, the determination to create value and wealth and the inclination to follow a vision?

From the study, certain entrepreneurial characteristics are identified by Experts, BBL and BE to be present amongst Black people.

Both BBL and BE rank the propensity towards risk-taking as the highest characteristic present amongst entrepreneurs. Experts, however, are of the view that Black people have lower levels of risk-taking than White people. The propensity towards risk is also identified from the literature as a key characteristic of entrepreneurship (Miller, 1983; Brazeal and Herbert, 1999; Kuratko and Hodgetts, 2004; Timmons and Spinelli, 2007).

BE emphasise the importance of commitment and dedication, networking, competitiveness, and positive outlook and motivation although these characteristics rank much lower by BBL. Literature confirms the presence of commitment and dedication (Timmons and Spinelli, 2007), competitiveness (Lumpkin and Dess, 1996) and, positive outlook and motivation (Echols and Neck, 1998; Kuratko and Hodgetts,

2004; Timmons and Spinelli, 2007) amongst entrepreneurs. However, the importance of a networking ability is not evident from the theory.

BBL identify drive and ambition, perseverance and vision as important characteristics. Experts confirm that Black people follow their visions, they are committed and determined, creative, motivated, leaders and self-reliant and adaptable. From the theory, drive and ambition (Kuratko and Hodgetts, 2004) and following a vision (Kuratko and Hodgetts, 2004; Morrisette and Schraeder, 2007) are identified as entrepreneurial characteristics.

Experts, BBL and BE refer to hard work, opportunity recognition, challenges, creativity, solution-driven and adaptability as characteristics prevalent amongst Black people. The literature identifies opportunity recognition (Stevenson and Jarillo, 1990; Kuratko and Hodgetts, 2004; Timmons and Spinelli, 2007), creativity (Stevenson and Jarillo, 1990; Kuratko and Hodgetts, 2004; Timmons and Spinelli, 2007) and leadership (Kuratko and Hodgetts, 2004; Timmons and Spinelli, 2007) present amongst entrepreneurs.

Interestingly, BE confirm the importance of integrity and values and belief as characteristics of entrepreneurs. However, these characteristics are not mentioned by BBL and also not evident from the theory.

Value creation (Brazeal and Herbert, 1999; Rwigema and Venter, 2004; Muzyka *et al.*, 1995) and the creation of wealth (Kuratko and Hodgetts, 2004) identified from the literature review have a high presence amongst BBL and BE as factors motivating and driving them to pursue entrepreneurial activities. Experts label the lack of creation of value and wealth as a weakness amongst Black people due to “lack of exposure, historical factors, education and the socio-economic situation of black people in South Africa”.

Although lack of proactiveness has been identified as an entrepreneurial characteristic (Miller, 1983), BBL, BE and Experts agree that proactiveness is a weakness amongst Black people.

Interestingly, innovativeness does not rank as one of the characteristics identified by BBL and BE. Experts are also of the view that Black people are generally not innovative as “survival mode does not afford people time and money to be innovative”. Innovativeness is confirmed as a key characteristic of entrepreneurs (Miller, 1983; Brazeal and Herbert, 1999; Kuratko and Hodgetts, 2004; Zhao, 2005; Co and Mitchell, 2006). Co and Mitchell (2006) also identify innovation as one of the key attributes required to build a sustainable business.

The study indicates a high prevalence of entrepreneurial orientation amongst BBL. This can be substantiated by the number of business opportunities that BBL have pursued or are currently involved in, as indicated in paragraph 6.4.1.

It is surprising to discover the similarities between the characteristics present amongst BBL and BE, and the theory from the results of the study. The similarities indicate the enormous potential for entrepreneurship once the obstacles could be overcome.

The Experts conclude that Black people possess entrepreneurial characteristics as indicated below.

“Black people do possess the entrepreneurial attributes prior to entering BEE transactions.” Expert #2

and

“All in all, I believe that the few black individuals who are able to tap the benefits of BEE equity transactions come with a dose of entrepreneurial touch.” Expert #3

However, findings also reveal the following:

“Possession of entrepreneurial characteristics has nothing to do with racial categorisation. Some Black people enter BEE transactions with entrepreneurial skill and some may enter without. Not every White Afrikaans speaking person was able to take maximum advantage of the Afrikaner empowerment programme in the early years of the past century.” Expert #3

The above view is also evident from the following:

“Black people are not any more or any less entrepreneurial than others. It is a realisation that the political landscape and economic environment have become friendlier towards Black people. Black people will take their rightful place as entrepreneurs.” BE #8

Experts, BBL and BE confirm the impact of culture and roots on Black people namely, the lack of funding and skills as a well as the lack of confidence to start new businesses. An entrepreneurial culture grows from the business environment of a country (Dean and Kennedy, 2000; Morrison, 2000). The impact of apartheid on Black people cannot be ignored (DTI, 2005). Consequently, historical background presents a stumbling block to entrepreneurship in South Africa.

Co and Mitchell (2006) comment that the vast majority of Black people in South Africa have grown up with little home experience of business innovation or entrepreneurship and recognise the need to encourage entrepreneurship through training and educating

Black people. Adonisi (2005) confirms that people in South Africa are not equipped with sufficient levels of entrepreneurial skills and knowledge and emphasises the need to train and develop Black people.

It is apparent that not all the characteristics identified from the theory are present amongst BBL and BE.

A few respondents verbalise it as follows:

“Black people are not entrepreneurial in nature. They are more communal in existence. They are more focused on helping another – this is the principle of ubuntu.” BE #9

and

“Black people are not necessarily entrepreneurial but they become entrepreneurs as they are lured into BEE deals.” BBL #7

From the study, certain attributes of entrepreneurs are found to be present amongst Black people such as the propensity to take risks, opportunity recognition, drive and ambition, commitment and dedication, hardworking and competitive, embracing challenge, integrity and being positive and motivated.

According to Co and Mitchell (2006) Black people constitute 90% of the labour force; however, they account for only 4% of the entrepreneurial initiative. This indicates the need to place a greater emphasis on the development of potential Black entrepreneurs in South Africa.

6.5.2 Do BBL and BE develop entrepreneurial attributes/skills whilst part of a BEE transaction?

The research verifies that there is not consensus amongst BBL, BE and the Experts who participated in this study that BBL and BE develop entrepreneurial attributes/skills whilst part of BEE transactions.

Experts illustrate their insights as follows:

“Black people are exposed to business by buying shares, obtaining funding, the level of risk involved. If they are not entrepreneurial today, the BEE transactions will certainly create an entrepreneurial sense amongst Black people. It will grow their confidence to pursue entrepreneurial activities in future.” Expert #1

“Black people acquire more knowledge about the transaction and its mechanics, they acquire broader business knowledge as a new world opens up.” Expert #2

It becomes apparent that BEE transactions may serve to educate Black people on business matters. Adonisi (2005) emphasises the need for training and developing Black people to increase entrepreneurship at individual level as well as corporate entrepreneurship at the level of the organisation.

In contrast to the above, one Expert remarks:

“The profile of a BEE-originated venture may be portrayed as the antithesis of an entrepreneurial venture: it is dependent on regulatory support rather than

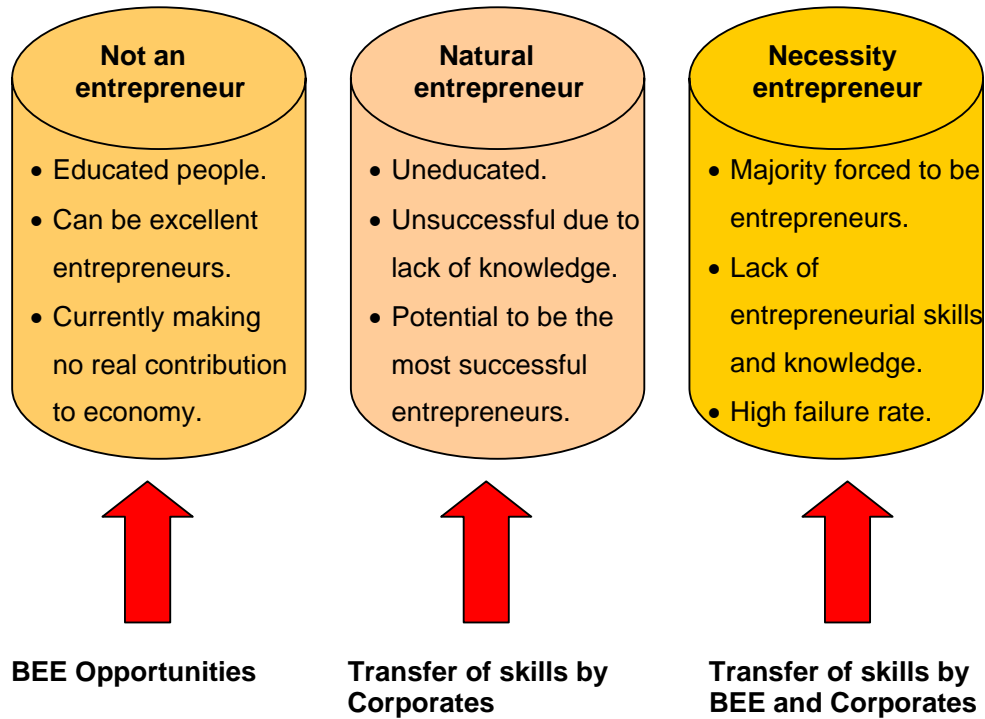
capable of surviving in a free market system; reliant on financial handouts from government and White business rather than characterised by innovative acquisition of own resources; emphasising colour, race and good political connections, rather than knowledge, business skills and a good business plan; and perpetuating a rent-seeking and entitlement mindset rather than encouraging risk-taking and self reliance. One may therefore question the extent to which BEE players and ventures are, in classic terms, entrepreneurial.” Expert #2

The aim of BEE is to increase Black economic power through encouraging participation by Black people in the economy (Klemz *et al.*, 2006). However, the BEE opportunities can negate the entrepreneurial attitudes of Black people.

Shubane (2007) argues that BEE distracts Black entrepreneurs as opportunities linked to BEE may seem more attractive and less risky. It has also been stated that BEE is a mechanism that displaces entrepreneurship due to the wealth attached to BEE transactions (BusinessMap Foundation, 2006).

From the interviews with BBL and BE, three groups of Black people are identified in South Africa. The Black groups identified are depicted in Figure 22 below.

Figure 22: Groups of Black People



An entrepreneurial culture grows partly out of the current business environment of the country (Dean and Kennedy, 2000; Morrison, 2000).

“Many corporations are led by individuals who were brought up under the apartheid regime and benefited from the practices of this regime. It is naïve to expect these individuals to have suddenly dumped their racial prejudice at the inception of the democratic dispensation in 1994. A combination of stick and carrot approach is required to foster change in attitude.” Expert #2

Practically, transformation must be driven by BEE in order to change the culture within corporate organisations. It is also of vital importance that BEE enables the business environment in a manner to develop Black entrepreneurs. There is a clear

understanding that BEE is dependent on the private sector to be successful in its drive to change the economic landscape.

Results from the research highlight the sensitivity towards the fact that BEE currently only enriches a small group of players who are either politically connected and/or who have already benefited tremendously from BEE (Nzimande, 2007). Shubane (2007) has also raised the enrichment of a minority group to the detriment of the majority of the citizens as a concern. The individuals who fall in the “not an entrepreneur” category in Figure 22 above, should be encouraged to step out of the corporate environment into an entrepreneurial space where they can contribute to the economy through skills development and uplifting of the disadvantaged communities.

The objective of BEE is to correct the injustices of the past. BEE should enhance the sustainability of the economy, promote participation by all cultures and increase the skills transfer and access to financial resources (DTI, 2007). However, the implementation of BEE is criticised by the BBL, BE and Experts. One respondent eloquently describe the situation as follows:

“BEE must be separated into two components: 1) the intentions and 2) how it is executed. It is not acted out in the way it is intended. It should redress the imbalances of the past. BBBEE should create entrepreneurs, it should remove the ceilings in corporates; it should facilitate the transfer of skills and create new companies and opportunities. The outcome is manipulated by powerful politicians; integrity is suppressed for power and money. Too many Blacks are too selfish and not living the true spirit and intent of BEE. Over 80% of listed companies, land and CEO positions are still in White hands. People have not lived up to the true intent of BEE”. BE #7

From the research conducted, it can be deduced that the first most glaring issue is to address the implementation of BEE. Nzimande (2007) argues that BEE is only acceptable if it contributes to developing people resulting in transformation that benefits the majority. As a result of apartheid, we live in a country where the majority of its citizens are either illiterate or have low literacy levels (DTI, 2005). A targeted approach is required to avail opportunities for education and development of Black people in South Africa (Adonisi, 2005; Co and Mitchell, 2006). It is, therefore, important to educate and transfer skills to the natural entrepreneurs and necessity entrepreneurs depicted in Figure 22 above. The natural entrepreneurs have an enormous appetite for risk and the potential to become the most successful entrepreneurs from the three groups identified. Necessity entrepreneurs pursue entrepreneurial activities in order to survive. If this group of entrepreneurs can be developed, the rates of failure will decline and start-up businesses could become sustainable enterprises over time.

The second issue is to create a culture in which Black people have access to an environment conducive to growth and development in corporate South Africa. The respondent points out:

“BEE is persuasive, it is a letter of spirit, a gentlemen’s agreement - both partners have not lived up to this agreement. On the equity side it is not good if black people are politically connected and not involved in the operations of the business.” BE #7

BBL, BE and Experts display the view that BEE should be implemented in corporate South Africa in a manner which ensures the actual transfer of skills to Black people and enable Black people to participate in the day-to-day operations of the business.

“Skills are not transferred especially in the publicised BEE transactions. Black people merely come onto the boards of these companies but do not get involved on the operational side and the running of the business.” BBL #8

An interesting observation from the findings of the research is the racial tension experienced by both BBL and BE. This can be due to the lack of buy-in from White people, especially in the corporate environment in South Africa expressed by BBL and BE.

It can be concluded that:

- Black people do acquire entrepreneurial attributes through their involvement in BEE transactions. This can be ascribed to the exposure to business and its challenges as well as the increase in networks amongst Black people.
- The implementation of BEE is criticised for not transferring skills at the requisite pace, thereby lowering the levels of exposure of Black people.
- Black business leaders who have benefited from BEE should play a more active role in skills development and transformation.

6.5.3 Do BBL and BE exit BEE corporations to pursue entrepreneurial opportunities?

From the research conducted, it can be deduced that BEE has created an excellent burning platform. BEE has created the space for Black people to pursue entrepreneurial opportunities. A few respondents verbalise it as follows:

“BEE has availed a number of opportunities to me that were previously not available. I play a very influential role in certain companies that we are invested in because of BEE.” BBL #6

“I am proud to say that the policy of BEE created huge opportunities for me in the corporate environment; positions previously not available due to artificial barriers. These positions gave me the experience required and enabled me to exploit opportunities in a different way and be able to contribute at board level.”

BE #8

It is evident from the findings that the majority of BBL and BE have benefited from BEE as a result of the creation of equal playing fields. Furthermore, the majority of BBL and BE confirm that opportunities to participate actively in the economy are increasing due to BEE. One respondent eloquently describes the situation as follows:

“Black people do leave corporates to become entrepreneurs. I have many friends who have done this. Black people are leaving corporates all the time enabling corporates to constantly bring new people in. This creates opportunities for everyone. It also frustrates corporates due to the lack of skills.” BBL #8

However, the following is also stated:

“Black people exit BEE transaction for a number of other reasons including unsustainable funding structures and unworkable relationships. They also exit to pursue other opportunities.” Expert #3

and

“People become entrepreneurs because of the BEE trigger. White empowerment is still pushing BEE. This is wrong. It should be that BEE is pushing Whites to enter into BEE transactions. It should be about creating

strategic partnerships with Whites. BEE is a White economically driven policy which is not having the desired effects on the transformation of our society.”
BBL #7

Orford *et al.* (2003) identify two mechanisms to change an economic system namely, the formation of new businesses by entrepreneurs and the realignment of existing businesses with entrepreneurial goals. It becomes evident that BEE can assist both in the formation of new black businesses as well as realigning existing corporate organisations.

“BEE also has unintended consequences of Whites leaving corporates too as they believe that they have no scope for career growth. This results in White people starting their own ventures which creates employment and contributes to the economy of South Africa.” BBL #8

BEE is perceived by every BBL and BE as critical to the future growth of our economy. Economic growth is impossible without unlocking the human potential of the majority of the people.

“For SA to prosper and to grow, we need to grow the black participation in the economy.” BBL #8

Forty-three percent of entrepreneurs are motivated by necessity in South Africa (Orford *et al.*, 2003). Against this backdrop, it is important to consider the following:

“Disadvantaged communities can be characterised by survival businesses and the creation of sustainable enterprises falling within this definition of

entrepreneurship. It will take some time for the development of Black people with regards to their history, education and other soft factors before such businesses will start to emerge naturally.” Expert 1

According to Orford (2004), empowerment within the entrepreneurial context should aim to increase the survival rate of Black start-ups and new firms. Matlay (2005) confirms that entrepreneurs contribute most to wealth generation, job creation and an improved quality of life. It is, therefore, imperative that BEE promotes entrepreneurship as one respondent remark:

“Through the creation of BEE opportunities we need to drive growth of businesses, create employment and develop communities such as rural areas and townships. Entrepreneurship is key to achieving this.” BBL #6

It is evident from the findings of this study that:

- There is an obligation on our society to ensure that BEE is more than just a policy.
- The manner in which BEE is implemented should embrace entrepreneurship.
- In the past thirteen years the government and to a lesser extent the private sector have been implementing BEE. Government cannot drive BEE without the commitment from the private sector in driving BEE towards economic growth and social development.
- BEE does create opportunities for Black people.
- Corporate organisations do not drive the creation of employment; hence the importance of entrepreneurship.
- There is a positive correlation between BEE and entrepreneurship.

6.5.4 Does BEE promote Entrepreneurship in South Africa?

The emergence of a number of Black-owned businesses as a result of BEE is evident. Mangcu (2007) states that Black people should progress to start their own sustainable businesses. An Expert comments as follows:

“BEE is contributing to entrepreneurship in SA. The caveat is the quality of entrepreneurship that is not good enough. BEE is contributing towards investing in shares. From individual gains due to affirmative action, people should gain the confidence to start their own businesses.” Expert #3

The following words summarise the views of the majority of respondents interviewed:

“We see BEE transpiring into entrepreneurship on a small scale. People are exiting corporates to pursue their own ventures. People must learn as much as possible from corporates and then go out and set up their own businesses.” BE #9

“It is important to create a path - people should have worked for someone else and learnt the principles and knowledge. BEE should encourage people to pursue their ideas and be passionate about what they are currently doing. People should be inspired to be an entrepreneur in a corporate environment. We need people in jobs, the transfer of skills which will then drive the responsibility to train people and to move on.” BE #3

However, the following is also presented:

“My view is that BEE has thus far only changed the allocation of the pie and is still to increase the overall size of the pie. I don’t think entrepreneurship will increase as in its current format, BEE is a pie reallocation.” BBL #1

According to Petersen (2007), it is vital that Black businesses are built in a sustainable manner to ensure that they can contribute significantly to the creation of employment. Dyer (undated) confirms that BEE-originated business should be entrepreneurial organisations in order to develop entrepreneurship. The success of new Black-owned businesses is of vital importance to the ANC government (Klemz *et al.*, 2006).

According to Jack (2007), the third wave of BEE transpires into the starting of new enterprises by Black people who then grow such enterprises through the procurement and enterprise development opportunities arising from BBBEE. The author confirms that this phase should contribute to job creation and the development of Black skills, especially for the younger black generation who may not have business or political networks.

“Entrepreneurship will be stimulated by making funding available to more people from the previously disadvantaged racial groupings. Unfortunately there are still a large number of barriers and obstacles for these groupings with regarding to funding. BEE requires further streamlining in order to embrace entrepreneurship.” BBL #2

“BEE creates opportunities for Black people to go to government and apply for contracts. These people in many instances do not have financial and management experience or skills. They cannot make good decisions. Therefore, it is the duty of government to assist these people by way of

consultants and not just to hand out contracts and leave them on their own.

This taints the BEE policy and results in negative publicity in the media.” BBL

#5

The following challenges derived from this study, are faced by entrepreneurs namely:

- access to finance and advice on appropriate funding instruments
- advise on business plans and how to fund the growth of a business to ensure sustainability
- networking opportunities
- the implementation of corporate governance and other business systems, and
- access to adequately skilled resources.

The above challenges are also confirmed as factors limiting entrepreneurial activity in South Africa (Maas and Herrington, 2006). Von Broembsen *et al.* (2005) identify government policies, access to finance and poor education as inhibitors of entrepreneurship.

Morrison (2002) states that individual members of a society possess the key to unlock the spirit of entrepreneurship. It is evident from the interviews with BBL and BE that in order to promote entrepreneurship it should be encouraged and opportunities should be presented to Black people. BEE should operate in an entrepreneurial space by creating an environment that supports the drive for innovation and leverage diversity.

“BEE should promote entrepreneurship. However, we are still at the stage where we are trying to get corporates to buy into implementing BEE into the corporations. Only in the next phase where BEE is fully present in our private sector will it serve to promote entrepreneurship in South Africa. The BEE policy

should be implemented correctly and not result in a mere window dressing exercise." BBL #4

Entrepreneurship is described as an instrument to change the culture of an era (Morrison, 2000). It is also associated with change in economic systems, thereby contributing to national economic growth (Orford *et al.*, 2003).

The importance of a relationship between BEE and entrepreneurship is depicted in Figure 23 below.

Figure 23: The importance of a relationship between BEE and Entrepreneurship

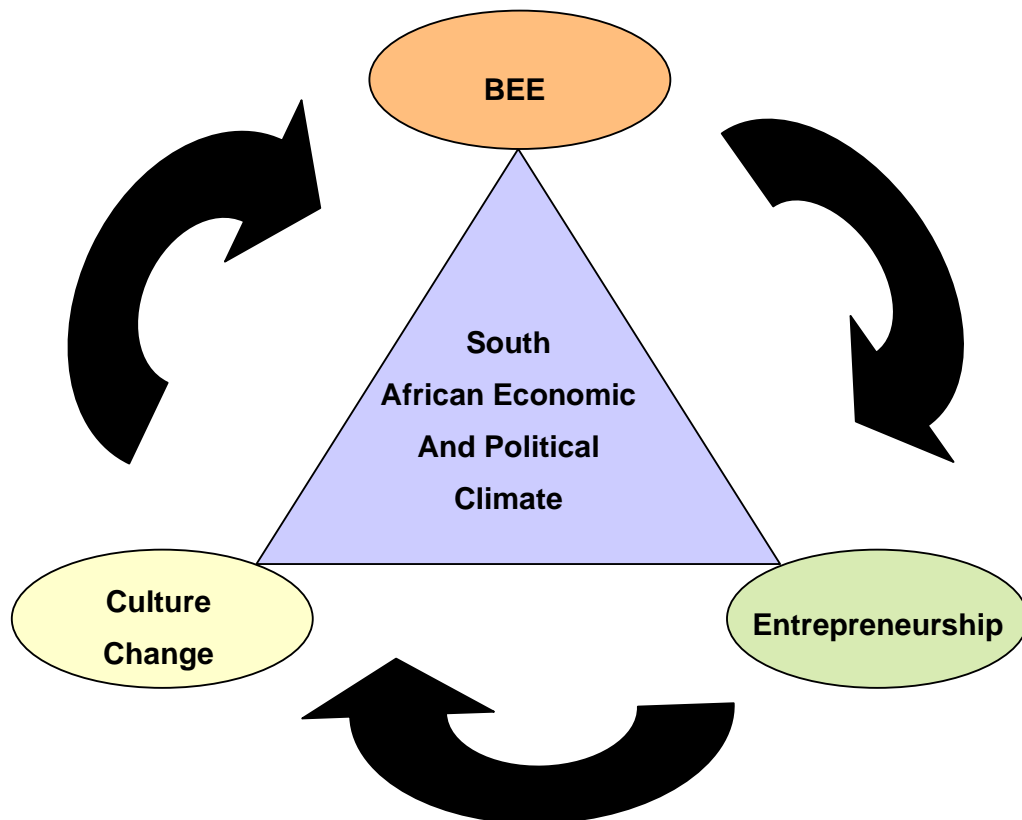


Figure 23 is discussed with reference to BEE, entrepreneurship and the change of culture below.

Figure 23 illustrates BEE as a key policy and a critical driver of economic growth and political stability (Klemz *et al.*, 2006). BEE offers a feasible model for developing BE and Black businesses. In execution, BEE through legislation has become a major catalyst for the development of entrepreneurial initiatives and ventures. The BEE scorecard has led to the shifting of behaviour of major corporations, resulting in a wave of BEE transactions and the formation of major black consortia. For BEE to succeed, it must be underwritten by entrepreneurship to expand from the existing economic base (Radebe, 2007).

BEE is, therefore, an effective vehicle for the development of entrepreneurship in South Africa.

“BEE is an imperative which should be evaluated in a few years time. It is still too early to see the effects of the policy. It should redistribute wealth by giving shares to Black people so that they can use the money to do something else. This should equal the playing field. It is easier for Whites to progress in life due to starting platform and social networks. The time limit of BEE results in the fact that we cannot see the effects now but if we look at our kids we see the difference. There are real equal opportunities for our kids.” BE #4

The development of entrepreneurship is also regarded as a key policy and a critical driver of economic growth and political stability (Klemz *et al.*, 2006). Orford *et al.* (2004) emphasise the need to improve education and training systems to increase the supply of people equipped to become entrepreneurs, reduce the cost of compliance to businesses, and to provide financial support to entrepreneurs with an aptitude for risk.

Entrepreneurship should create new employment and be sustainable in the long-term. Success in entrepreneurship should be defined as the creation of employment in South Africa. This would lead to a change in the culture of society and, over time a transformed society would emerge. BEE should result in a greater number of Black entrepreneurs and Black-owned businesses. It is important to realise that this process would take time and that the fruits of BEE would only be evident in a number of years. In order to secure transformation, leaders of BEE companies should step forward as drivers of change.

Chapter 7: Conclusion

This Chapter presents a diagrammatic presentation of the relationship between BEE and entrepreneurship from the findings of the study. Based on the results, recommendations are proposed for the implementation of the BEE policy in corporate South Africa in a manner whereby the entrepreneurial spirit of the Black people can be unlocked. Finally, recommendations for future research are presented.

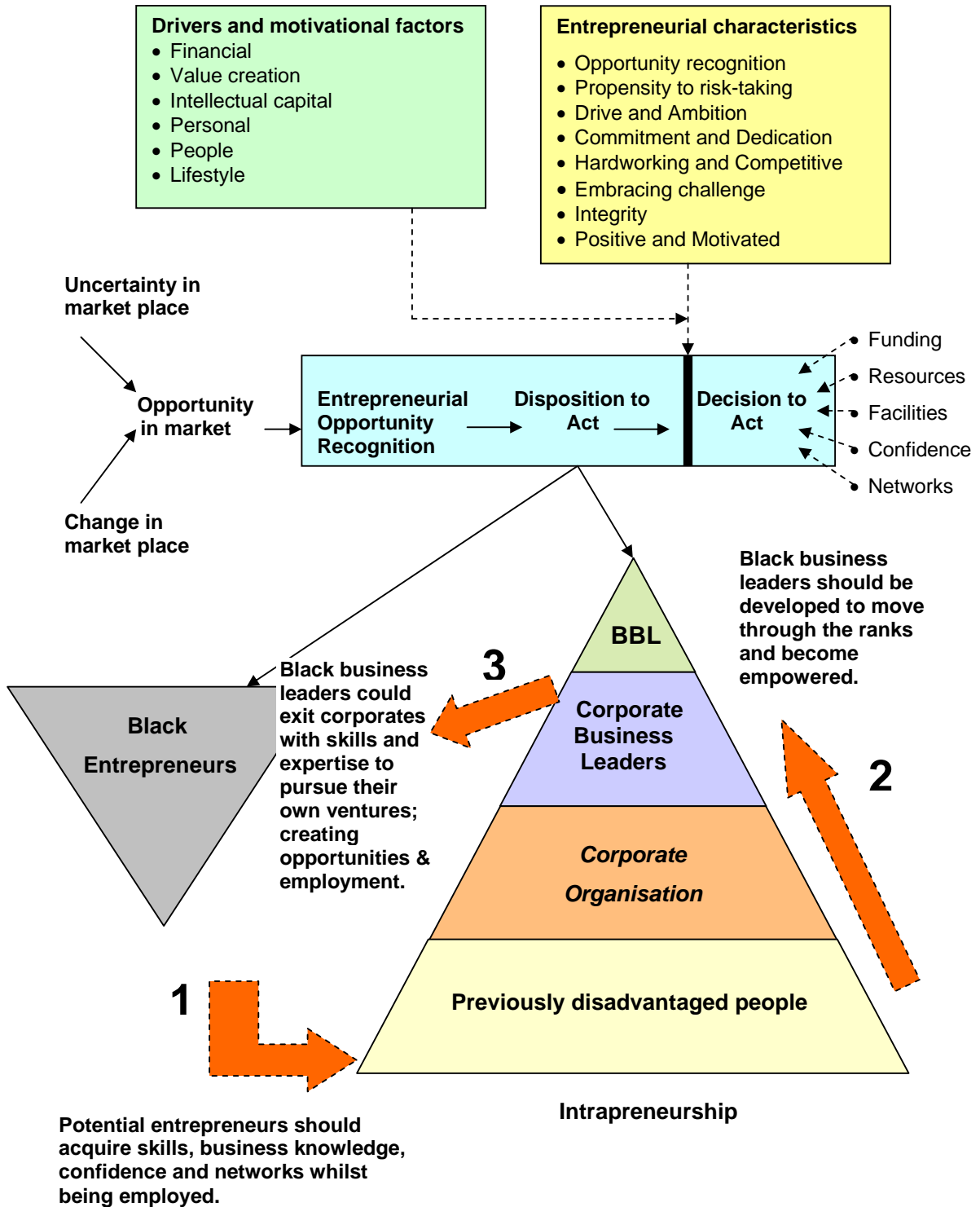
7.1 Diagrammatic Presentation of the Relationship between BEE and Entrepreneurship

The key findings of this research study are illustrated in the diagrammatic presentation of the relationship between BEE and entrepreneurship below. This model indicates the importance and relevance of a relationship between BEE and entrepreneurship in South Africa. The findings are consolidated and presented in the context of the South African business environment.

The purpose of this model is to provide corporate organisations and Black people with an approach to develop people within organisations in a manner compliant with BEE and thereby stimulating entrepreneurship.

Figure 24 below depicts the relationship between BEE and entrepreneurship. Solid line arrows are used to indicate the flow/sequence of the process. Dotted lines indicate influencing factors. The arrows are presented in a certain sequence; however, it may not be the only flow path.

Figure 24: Diagrammatic Presentation of the Relationship between BEE and Entrepreneurship



The model starts with uncertainty or change in the market place. This can be attributed to BEE. BEE provides opportunities in the market place due to the very nature of its elements. These opportunities arise within the corporate environment such as BEE transactions and as independent entrepreneurial ventures such as start-up Black businesses. Opportunity-recognition is required as an individual characteristic in order for Black people to identify and consider entrepreneurial opportunities.

From the entrepreneurial opportunity, the model enters a more personal process that is divided into the disposition to act and the decision to act. The disposition to act can be described as a bridge for an individual to cross in order to transform an opportunity to reality.

Black people with the required entrepreneurial characteristics/skills such as opportunity recognition, the propensity to risk-taking, drive and ambition, commitment and dedication, hardworking and competitive, embracing challenge, displaying integrity and being positive and motivated are able to cross the bridge.

The decision to cross the bridge to transform an opportunity into reality is influenced by the five drivers and motivational factors of entrepreneurship. These include a financial factor (comprising of return on investment, wealth creation, financial independence and rate of return on investment), value creation (comprising of creating value, growing a business, creating culture and meaning and leaving a legacy), intellectual capital (comprising of the soundness of the business opportunity, knowledge of the business, previous failure and having the required skills to contribute to the business), personal factor (comprising of innovativeness, passion, ambition and unlimited opportunities), people factor (comprising of social contribution and a better future for children) and lifestyle (comprising of freedom, flexibility and work-life balance).

If the individuals have the disposition to act and cross the bridge deciding to act on the opportunity, they will either move into an entrepreneurial or intrapreneurial space, depending on their levels of confidence, access to funding, networks, access to resources and facilities in the environment.

Potential entrepreneurs identified by arrow 1 in Figure 24, should acquire skills, business knowledge, confidence, access to funding and a social network whilst in the employment of corporate organisations. It is, therefore, important for the unskilled, Black people who wish to acquire skills to become entrepreneurs and necessity entrepreneurs to broaden their skills, business knowledge, confidence, access to funding and a social network by spending time being employed. BEE should provide them with developmental opportunities whereby knowledge and skills can be acquired to advance through the ranks of organisations, thereby becoming empowered.

Arrow 2 in Figure 24 indicates that these people can be developed into BBL. BBL may choose to remain within a corporate environment thereby driving entrepreneurship within the corporate organisation. The BBL may influence and be able to transform the culture of corporate organisations as well as the economic landscape of South Africa.

As indicated by arrow 3 in Figure 24, BBL could exit corporate organisations with the required skills and expertise to pursue their own ventures, thereby creating further opportunities and employment for previously disadvantaged Black people. Black people who have benefited from BEE should play an active role in the development of individuals and disadvantaged communities.

The outcome of the model results in increased opportunities, skills transfer, social networks and employment creation. It also indicates the effect of developing Black people by transforming the unskilled and potential entrepreneurs into serial entrepreneurs and/or intrapreneurs.

7.2 Discussion and Application of the Model

It is evident from the findings that Black people do possess a number of entrepreneurial characteristics such as the propensity to take risks, opportunity recognition, drive and ambition, commitment and dedication, hardworking and competitive, embracing challenge, integrity and positive and motivated. The study reveals that BEE transactions create an entrepreneurial sense amongst Black people. The research indicates that BEE offers a feasible model for developing Black entrepreneurs, Black businesses and Black intrapreneurs within corporate organisations.

From the study, it is evident that BEE has developed beyond a policy that only enriches and benefits a few. It is now focused towards a wider spread of the benefits of empowerment thereby going beyond the first waves of BEE to initiate and build durable Black-owned businesses. Greater emphasis should, however, be placed on the implementation of and compliance with the elements of the BEE Scorecard such as corporate social investment, preferential procurement, enterprise development and the transfer of skills by corporate organisations. The expected results from BEE will then become apparent.

A key finding of this research is the lack of effective implementation of BEE in corporate organisations. This can be ascribed to a lack of buy-in of White people to transform the organisations within the parameters of BEE as well as a receptive culture within corporate organisations. Corporate organisations should employ Black people and ensure development of their confidence and skills through opportunities and relevant experiences.

A policy and regulatory environment which nurtures competent risk-taking Black entrepreneurs is required. BEE should encourage Black people to pursue their ideas and be passionately optimistic. BEE should also inspire Black people to be entrepreneurs in a corporate environment. Corporate organisations should create an enabling environment for people to grow, acquire and develop skills, networks, and access to funding. The intrapreneurs will remain corporate players; however, people who are entrepreneurial in nature will step out of the corporate environment to pursue entrepreneurial opportunities. Sustainable Black businesses should create employment and a learning ground for others. As businesses are developed through BEE, it is imperative that the value derived from such opportunities is spread to all levels of society.

7.3 Recommendations for Future Research

As a result of the above research findings, suggested future research could include:

- A comparative analysis of the presence of entrepreneurship amongst White people and African, Indian and Coloured people and then comparing such findings to the findings of this study.
- Exploring the impact of BEE on White people.
- Exploring whether or not the experiences of the phenomena of BEE and entrepreneurship differ across demographic groups such as age and gender.
- Empirically testing the model suggested by this study.

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Appendix 1: List of Experts

<i>Name of Expert</i>	<i>Designation</i>
Troy Dyer	<ul style="list-style-type: none">• CEO: Denel Dynamics, a division of Denel (Pty) Ltd.• Entrepreneurship lecturer.• Founder and director of Audax Ideas Management Consulting (Pty) Ltd.
Colin Reddy	<ul style="list-style-type: none">• BEE Research Expert, Head of BEE Division, Business Map Foundation, Economic Transformation & Empowerment.• Independent BEE Consultant.
Sibonelo Radebe	<ul style="list-style-type: none">• Top Empowerment Companies Editor, Financial Mail.• Distinguished journalist in the field of BEE.

Appendix 2: Research Questionnaire

Questionnaire for MBA Research Report



The information gathered from this questionnaire will be used for analysis in a research report investigating the relationship between Black Economic Empowerment (“BEE”) and Entrepreneurship in South Africa.

For purposes of this study black people include male and female African, Coloured and Indian people, who are citizens of the Republic of South Africa. The black people who will be interviewed will include Black Business Leaders and Black Entrepreneurs.

The results of the survey will be used for research purposes only. The responses to this questionnaire will be treated as strictly confidential.

A. Respondent information

Name of Respondent: _____

Position in Company: _____

Name of Company: _____



3. Are you of the view that black people, prior to entering into BEE transactions, have any one or more of the following characteristics that would indicate the presence of entrepreneurship namely:

- Ability to recognise opportunities
- Propensity to risk-taking
- Innovative
- Proactive
- Focused on creating value
- Focused on creating wealth
- Follow visions
- Committed and determined
- Leaders
- Creative
- Self-reliant and adaptable
- Motivated to excel.

Please explain.

Appendix 3: Interview Guide

1. Introduction

- Marisa Meyer, Gordon Institute of Business Science MBA research
- Purpose of study
 - investigate the variables that would indicate the presence of entrepreneurship amongst BE and BBL
 - investigate what drives and motivates BE and BBL to pursue entrepreneurial activities
 - explore the relationship between BEE and Entrepreneurship in South Africa, and
 - develop a model that explains the relationship between BEE and Entrepreneurship.
- Explain BEE and Entrepreneurship definition adopted for this study.
- Explain anonymity if required.
- Explain process of data collection and analysis and how many other respondents were/will be interviewed.

2. Collect Demographic Information

- Name
- Life stage information
 - age
 - race
 - qualifications
 - name of company
 - position in company
 - number of businesses involved in currently, and
 - total number of business opportunities persuaded during life time.



3. Collect Data by way of Open-ended Questions

Questions	Entrepreneurship Variables
Describe your corporate/entrepreneurial journey.	<ul style="list-style-type: none"> • Opportunity recognition (Stevenson and Jarillo, 1990) • Propensity to risk-taking (Miller, 1983; Brazeal and Herbert, 1999) • Innovation (Miller, 1983; Brazeal and Herbert, 1999; Zhao, 2005) • Proactivity (Miller, 1983) • Creating value (Brazeal and Herbert, 1999; Rwigema and Venter, 2004; Muzyka <i>et al.</i>, 1995) • Creating wealth (Kuratko and Hodgetts, 2004) • Following visions (Morrisette and Schraeder, 2007) • Any other variables identified
What entrepreneurial opportunities (i.e. to start a business) have been presented to you? Did you pursue all the entrepreneurial opportunities? If not, explain.	
What drives and motivates you to pursue an opportunity?	<ul style="list-style-type: none"> • Need for achievement (Kuratko and Hodgetts, 2004) • Locus of control (Kuratko and Hodgetts, 2004) • Autonomy (Lumpkin and Dess, 1996)
Describe the characteristics that you believe is present in an entrepreneur or required to be an entrepreneur. What characteristics enable you to be entrepreneurial?	<ul style="list-style-type: none"> • Opportunity recognition (Stevenson and Jarillo, 1990) • Propensity to risk-taking (Miller, 1983; Brazeal and Herbert, 1999) • Innovative (Miller, 1983; Brazeal and Herbert, 1999; Zhao, 2005) • Proactive (Miller, 1983) • Creativity, daring and aggressiveness (Stevenson and Jarillo, 1990) • Need for achievement (Kuratko and Hodgetts, 2004) • Locus of control (Kuratko and Hodgetts, 2004) • Autonomy (Lumpkin and Dess, 1996) • Competitive aggressiveness (Lumpkin and Dess, 1996) • Commitment and determination; leadership; opportunity obsession; tolerance of risk, ambiguity and uncertainty; creativity, self-reliance and adaptability; and the motivation to excel (Timmons and Spinelli, 2007) • Ability to recognise and exploit opportunities; resourcefulness; creativity; visionary; independent thinker; energetic; optimistic; innovator; calculated risk-taker; and leader (Kuratko and Hodgetts, 2004).
What is your view on BEE?	
To what extent have you participated /been affected by BEE?	
Has BEE presented you with	<ul style="list-style-type: none"> • Opportunity recognition (Stevenson and Jarillo,



opportunities? Provide details.	1990)
Describe how BEE has assisted / antagonised you in your career and/or business?	
Could BEE promote entrepreneurship in South Africa?	
Please provide comments or insights which you believe are relevant to the relationship between BEE and Entrepreneurship in South Africa.	

4. Closing Comments

- Please tell me, do you have any regrets?
- What advice would you give to other people who wish to pursue an entrepreneurial opportunity?
- What would you change if you could do it all over again?

5. Sharing of Previous Comments

- Share findings and/or personal experiences in an attempt to gain a deeper level of trust and sharing.

6. Thank Respondent

- Send email to thank respondent for their time.
- Create space for further sharing if possible and/or required.

7. Notes

- Body language and emotional state.

Appendix 4: Discussion Guide

Discussion Guide for MBA Research Report



The information gathered from this questionnaire will be used for analysis in a research report investigating the relationship between Black Economic Empowerment (“BEE”) and Entrepreneurship in South Africa.

The results of the survey will be used for research purposes only. The responses to the questions will be treated as strictly confidential.

A. Respondent information

Name of Respondent: _____

Position in Company: _____

Name of Company: _____

Age: _____

Qualifications: _____

Number of business opportunities involved in currently and persuaded during life time:

B. Questions

1. Describe your entrepreneurial/corporate journey.
2. What entrepreneurial opportunities (i.e. to start a business) have been presented to you? Did you pursue all the entrepreneurial opportunities? If not, explain.
3. What drives and motivates you to pursue an opportunity?
4. Describe the characteristics that you believe is present in an entrepreneur or required to be an entrepreneur. What characteristics enable you to be entrepreneurial?
5. What is your view on BEE?
6. To what extent have you participated/been affected by BEE?
7. Has BEE presented you with opportunities? Provide details.
8. Describe how BEE has assisted/antagonised you in your career and/or business?
9. Are you of the view that BEE could promote Entrepreneurship in South Africa?

Thank you for your participation in this research study.