



AN INQUIRY INTO THE CHALLENGES FACED BY YOUNG UNIVERSITY OF KWAZULU-NATAL'S PIETERMARITZBURG CAMPUS GRADUATES IN THEIR EFFORTS TO ENGAGE IN SUCCESSFUL ENTREPRENEURSHIP.

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Declaration

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been appropriately acknowledged. It is being submitted for the degree of Masters in Community Development Studies, University of KwaZulu- Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

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Abstract

The number of unemployed young university graduates in South Africa is annually on the rise. This is due to a combination of factors which include a lack of the right skills, work experience, type of qualification, low number of available jobs and other macro-economic factors. Different stakeholders have proposed entrepreneurship as a possible solution to graduate unemployment. This study explores the feasibility of entrepreneurship as a way out of unemployment for jobless graduates. It does this by investigating the perceptions of young graduates of the University of KwaZulu-Natal who are engaged in entrepreneurship in Pietermaritzburg. The qualitative method of interviews is used for data collection. Two major areas of investigation in this study are that of the challenges that graduates encounter in their various business ventures as well as their perceptions about the effectiveness of entrepreneurship education at university. Generally the findings of this study seem to suggest that entrepreneurship, if developed properly, could be one of the solutions to the challenge of graduate unemployment. However a number of factors determine successful entrepreneurship. These include personality traits, intelligence, access to finance, good business management skills, family background as well as the general economic environment. The findings could also generally suggest that, in its current form, entrepreneurship education is not effective enough in producing graduates who are successful in business.

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Finally, I profoundly thank the University of KwaZulu-Natal for granting me the Archbishop Denis. E. Hurley Scholarship for the 2011 Academic year.

Dedication

I humbly dedicate this work to my late grandfather, Ethiel Chitando who throughout his well spent time on earth advised all whom he knew to seek God, peace and a good education. You are dearly missed...

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Abbreviated terms

ANC – African National Congress

ASGISA – Accelerated and Shared Growth Initiative for South Africa

BB-BEE – Broad-Based Black Economic Empowerment

BEE- Black Economic Empowerment

CDE- Centre for Development Enterprise

DPRU- Development Policy Research Unit

DTI- Department of Trade and Industry

GEAR- Growth, Employment and Redistribution

GEM- Global Entrepreneurship Monitor

HBU- Historically Black Universities

HSRC- Human Sciences Research Council

HWA- Historically White Afrikaans

HWE- Historically White English

HWU- Historically White Universities

NYDA- National Youth Development Agency

OECD- Organization for Economic Co-operation and Development

RDP- Reconstruction and Development Programme

SMME- Small, Micro and Medium Enterprises

UNDP- United Nations Development Programme

UKZN- University of KwaZulu-Natal

UKZNP- University of KwaZulu-Natal, Pietermaritzburg campus

YRE- Youth Run Enterprises

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Chapter one: Introduction

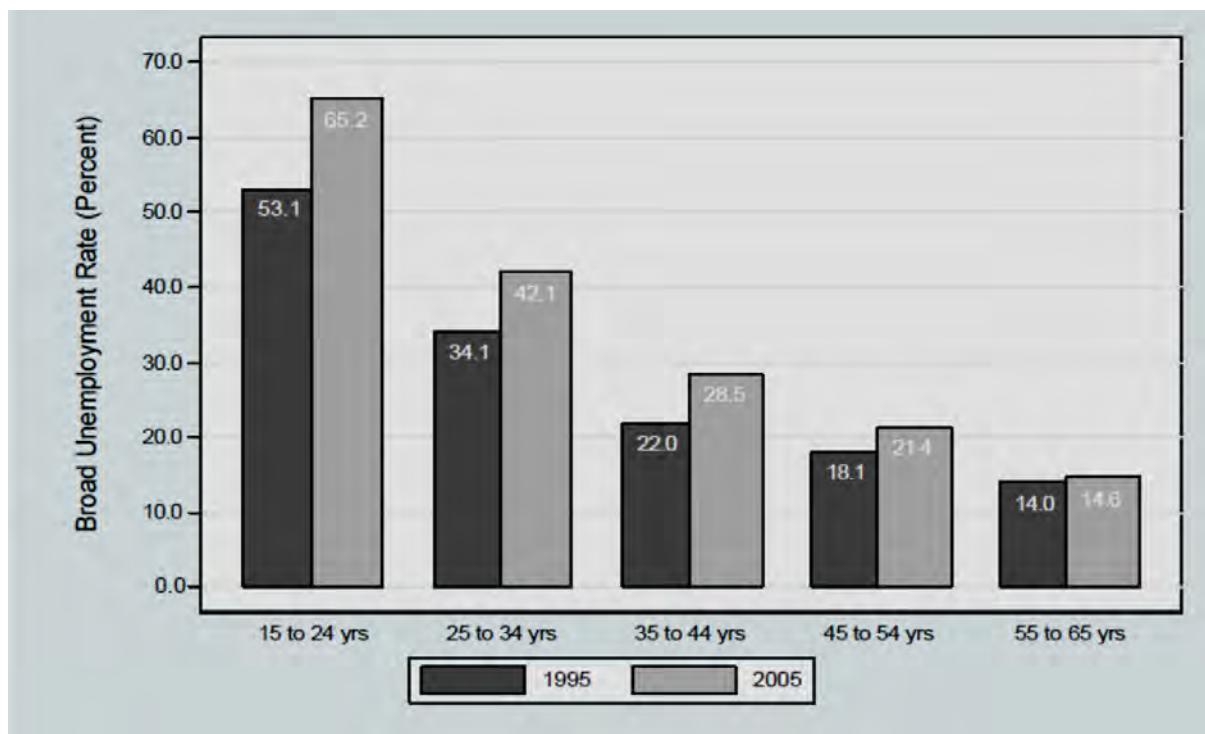
“The most valuable 100 people to bring into a deteriorating society would not be economists, or politicians, or engineers, but rather 100 entrepreneurs”

Abraham Maslow

1.1 Description of the problem

Unemployment in South Africa has reached an alarmingly high level of 28 % for the whole population (Klasen & Woolard, 2009) whilst the rate of unemployment among the youth is at 48, 1 % (Ngcobo, 2009). This has impacted negatively on the lives of many young people in the country as they are unable to obtain meaningful and acceptable employment even after having acquired a tertiary qualification. In fact the graduate unemployment rate seems to be rising together with the overall unemployment rate and what is also worrying is that “...the graduate unemployment rate has been growing the fastest of all the education cohorts since 1995” (Development Policy Research Unit, 2006: 2). Figure 1 on the next page depicts the broad unemployment rates in South Africa by age in the years 1995 and 2005.

Figure1. Broad unemployment rates by age, 1995 and 2005



Source: Development Policy Research Unit, 2006

Figure 1 shows that the 15 to 24 years age group has the highest unemployment rate in South Africa. This age group had an unemployment rate of 53, 1% in 1995 this increased by 12, 1 % in 2005 to make it 65, 2%. The age group with the second highest unemployment rate is the 25 to 34 year age range which had an unemployment rate of 34, 1% in 1995 this rose by 8% making it 42, 1% in 2005

The number of available jobs is so small in comparison to the number of graduates being produced annually from South African universities. The other reason why so many young graduates are finding it difficult to acquire employment is that they generally lack the skills and experience that are currently being required by employees. Most graduates “lack generic competencies and are not workplace ready” (Govender, 2008: 1). There is also to a large extent an “on-going, almost intractable mismatch between the types of workers demanded by firms and those supplied in the labour market” (Development Policy Research Unit, 2006; i).

Although tertiary qualified individuals make up less than three percent of the unemployed, which is approximately 200 000 individuals out of 7,8 million unemployed in South Africa (Development Policy Research Unit, 2006), this number is constantly on the rise as more graduates are facing difficulties in securing employment. This has led to the call for the promotion of youth entrepreneurship as a possible solution to the problem of graduate as well as general unemployment in the country.

There are currently many serious efforts being made by the private sector, government (such as the establishment of the National Youth Development Agency), civil society and other stakeholders to promote the engagement of young people in entrepreneurial activities. However young people in South Africa overwhelmingly find it difficult to start a sustainable business which can be a source of livelihood for them as well as creating employment for others. This is evidenced by the high levels of youth unemployment (56%) as well as the estimation that in South Africa “approximately up to 50 percent of all start-ups fail in the first year” (Small Business Development Corporation, 1996 cited in Ladzani & van Vuuren, 2002: 2).

1.2 Aims and Objectives of the Study

This study's main focus is that of establishing the challenges which young graduates from the University of KwaZulu-Natal (Pietermaritzburg campus) experience in trying to establish successful entrepreneurial ventures. This research project is also an effort to find out whether the graduates who are being produced by the University of KwaZulu-Natal (Pietermaritzburg campus) perceive themselves as having the skills that are required to engage in successful entrepreneurship.

The research project seeks to establish whether these graduates, during their years of tertiary education, were successfully imparted with the appropriate knowledge and skills which would make it easier for them to become successful entrepreneurs. What the research therefore attempts to do is find out whether the teaching and learning currently taking place at the University of KwaZulu-Natal (UKZN)'s Pietermaritzburg campus is sufficient for creating graduates with the ability to become successful entrepreneurs.

Another area that this research seeks to investigate is that of whether graduates from disadvantaged backgrounds find it more difficult to establish a sustainable business in comparison to their counterparts from comparatively better socio-economic backgrounds. A major area of interest of this research is that of investigating whether young female graduates have a harder experience in attempting to start business in comparison to young male graduates. The assumption is that female graduates face more challenges in engaging in entrepreneurial activity in comparison to male university graduates.

1.3 Research Questions

As previously mentioned; fifty percent of all business ventures started by young people in South Africa fail in their first year (Small Business Development Corporation, 1996 cited in Ladzani & van Vuuren, 2002: 2); this research project therefore seeks to answer the following fundamental questions relating to entrepreneurship among young graduates of the University of KwaZulu-Natal's Pietermaritzburg Campus (The focus is on graduates from the Faculty of Humanities, Development and Social Sciences as well as graduates from the Faculty of Management Studies):

- a) What challenges are being faced by young graduates of the University of KwaZulu-Natal's Pietermaritzburg campus (UKZN) in their attempts to engage in successful entrepreneurship?
- b) What can be done to make it easier for these graduates to become successful entrepreneurs?
- c) Do these graduates perceive the education they have received from the University as being adequate for them to engage in successful entrepreneurship?

1.4 Comprehending the meaning of entrepreneurship

In order to carry out research on entrepreneurship among young graduates of UKZN there is a need to clearly specify what the terms 'entrepreneurship' and 'young' refer to in the context of this study.

Different people have different understandings of what the term entrepreneurship means (North, 2002). However generally many writers on the subject agree on what it entails to be an entrepreneur. Hirsch and Peters state that authors of entrepreneurship concur on the notion that entrepreneurship involves some common aspects such as "...risk taking, creativity, independence and rewards" (cited in North, 2002: 24). The Oxford English Dictionary defines an entrepreneur as "a person who sets up a business or businesses, taking on greater than normal financial risks in order to do so" (2010: 390). An entrepreneur therefore is an individual with the skills and knowledge to identify a business opportunity first and then afterwards making the necessary effort to benefit from that opportunity.

The word entrepreneurship is actually derived from the French word *entreprendre*, which means "...to undertake, to pursue opportunities, to fulfil needs and wants through innovation; this may include starting business inside or outside an established organization" (Ndidi & Ijeoma 2008: 2). Entrepreneurs organise, manage and also assume the risks of a business enterprise. Antonites describes an entrepreneur as an individual with the potential to create a vision from virtually nothing (Antonites, 2003 cited in Ndidi & Ijeoma, 2008: 3).

There are different entrepreneurial activities which occur in various sectors and businesses. Ulrich Schoof (2006: 7) differentiates three different types of entrepreneurship according to their working sectors. The most prevalent type is *economic entrepreneurship* which primarily aims at generating profit and creating wealth. Economic entrepreneurs are willing to take risks, focus on innovative projects and also to invest resources proficiently with the highest possible outcome. *Public entrepreneurship* is largely the same as economic entrepreneurship; however its goals and inspiration are different. This is in the sense that a public business is socially oriented and works within the ambit of public institutions and organizations.

The third type of entrepreneurship that Schoof (2006: 7) mentions is *social entrepreneurship*. This type of business is directed towards social challenges or the provision of social value. Social entrepreneurs make an effort to achieve financial self-sustainability and also bring returns on investments which are socially acceptable. The distinction between the relatively new concept of social entrepreneurship and a traditional non-profit organization lies in the setting of clear, profit-related performance goals which is emphasised in the former and not so much in the later. Non-profit organizations are independent of the state; this is mostly not the case for social business ventures. Social entrepreneurship especially among young people has become a global successful concept (Schoof, 2006).

Globally and in South Africa as well there is a difference between the *formal* and *informal* sector. Although South Africa is the biggest economy in Africa it has the smallest informal sector on the continent, however this sector is growing in the country. The informal sector is also very attractive for young people, especially those who are poor and uneducated (UNDP 2003: 98; Verick, 2006: 5).

1.5 Definition of young graduates

In order to examine entrepreneurship among young graduates of the University of KwaZulu-Natal it is essential that the term ‘young’ is defined as it refers to this study. The age range of young people or ‘youth’ in academic research varies depending on the author and therefore it is difficult to precisely define the term. The United Nations normally defines ‘youth’ as all people between fifteen and twenty four years of age (United Nations 2007: 64). This research’s focus is that of finding out the challenges encountered by young graduates in their entrepreneurial ventures. Therefore in the context of this research ‘young’ graduate refers to alumni between the ages of eighteen to thirty five. A graduate in this study refers to anyone who obtained a diploma or a degree in the Human, Development and Social Sciences field or in the Management field at the University of KwaZulu-Natal’s Pietermaritzburg campus.

1.6 Overview of Research Methodology

The primary data for this research was collected through using the qualitative method of interviews as research participants were interviewed in various locations in the city of Pietermaritzburg. The secondary data was gathered through the use of an extensive literature review.

1.7 Dissertation Structure

Chapter one: Introduction- highlights the research problem and the key research questions to be answered

Chapter two: Literature Review- Looks into some of the dominant literature in the general field of entrepreneurship and youth entrepreneurship in South Africa

Chapter three: Theoretical Framework- Introduces the theory of entrepreneurship that was used in informing the study

Chapter Four: Research Methodology- Illustrates the qualitative research method that was used for gathering primary data

Chapter Five: Data Presentation, Analysis and Interpretation- Gives an in-depth presentation and analysis of the primary data that were gathered in this research. The chapter also gives a comparative analysis of the primary research and the results of the secondary research

Chapter Six: Conclusion- Outlines an interpretation of the study's key findings and also gives recommendations as well as areas for future research

Chapter two: Literature Review

“Entrepreneurship is first and foremost the freedom of individuals to express themselves in economic terms and thus economic freedom entails entrepreneurship”

Moeletsi Mbeki, 5 September 2011

2.0 Introduction

This chapter looks into some of the dominant literature in the general field of entrepreneurship and youth entrepreneurship in particular. The chapter starts by analyzing the problem of graduate unemployment in South Africa. Race, gender, area of study, the characteristics of universities and the state of the economy are looked into as some of the factors that impact on graduate unemployment. Entrepreneurship is then introduced as a possible solution to the problem of graduate unemployment in South Africa. This section of the chapter deals with the history of entrepreneurship, entrepreneurship education and the government’s support for youth entrepreneurship. The last part of the chapter looks into the challenges faced by youth entrepreneurs.

2.1 The Nature of Graduate Unemployment in South Africa

General unemployment is a serious cause for concern in South Africa, however the unemployment particularly of graduates, when in fact there is currently a skills shortage in the country, is a complex challenge that policy makers are faced with. Although tertiary qualified individuals with technical qualifications and university degrees make up less than three percent of the unemployed, which translates to around 200,000 individuals out of the estimated 7,8 million unemployed people in South Africa (Development Policy Research Unit 2006: i) this number is annually on the rise making the unemployment of graduates a threat to South Africa’s social and economic development. The table on the next page depicts this worrying increase.

Table 1: Characteristics of the broadly unemployed: 1995 and 2005

	1995		2005		Change	
	'000s	Share (Per cent)	'000s	Share (Per cent)	'000s	Share in Change (Per cent)
<i>Age Group</i>	15-24 years	1 277	30.1	2 653	34.0	1 376
	25-34 years	1 696	40.0	3 018	38.7	1 321
	35-44 years	807	19.0	1 295	16.6	488
	45-54 years	351	8.3	646	8.3	295
	55-65 years	107	2.5	188	2.4	81
	Total	4 239	100.0	7 800	100.0	3 561
<i>Education Level</i>	No education	410	9.7	364	4.7	-46
	Grades 0 through 9	2 100	49.5	3 189	40.9	1 090
	Grades 10 through 11	803	18.9	1 949	25.0	1 146
	Grade 12 / Matric	777	18.3	2 034	26.1	1 258
	Tertiary	94	2.2	201	2.6	107
	Other/Unknown	55	1.3	62	0.8	7
	Total	4 239	100.0	7 800	100.0	3 561

Source: Own calculations, OHS 1995, LFS 2005(2) (Statistics South Africa).

The table depicts that there were around 94 000 unemployed tertiary level graduates in South Africa in the year 1995, this number rose to around 201 000 unemployed tertiary level graduates in the year 2005. This was an increase of around 107 000 individuals.

2.1.1 Racial composition of unemployed graduates

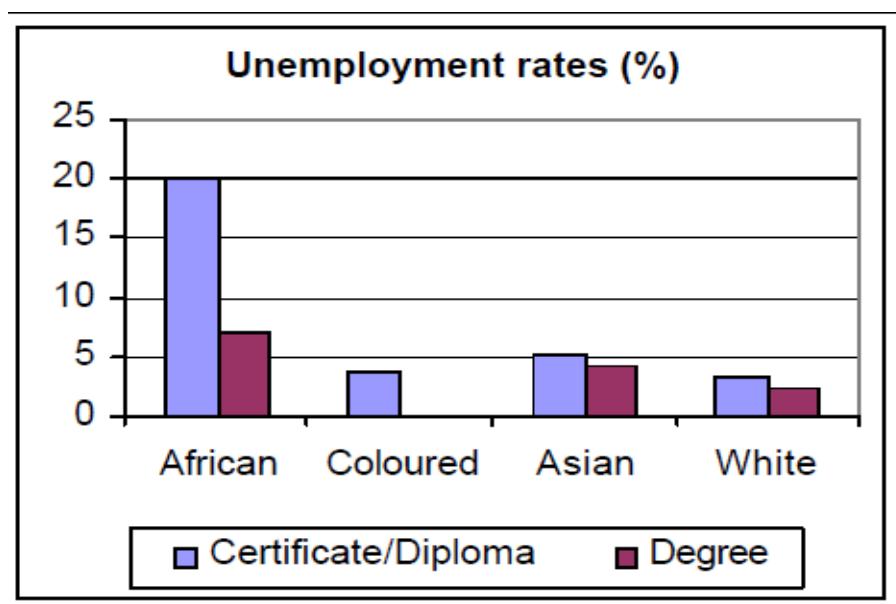
There is a high unemployment rate among black (African) South African graduates from traditionally black universities and schools (Maharaso & Hay 2001: 141). An explanation for this can be the fact that most black students at traditionally black institutions graduate in fields of study with lower employment prospects as they do not qualify to be enrolled in degree programmes in mathematics, science and engineering (Development Policy Research Unit 2006: ii). One reason for this might be that of the general quality of the basic education provided in South African traditionally black schools, which is said to be deficient in imparting black students with adequate skills in English, science, engineering and mathematics (Development Policy Research Unit 2006: ii).

A study done by Moleke (2001: 217) on graduate employment among 8000 graduates from different universities in South Africa revealed that two thirds (65,5%) of the respondents graduating from historically white universities found employment immediately after graduation as opposed to 27,8% of the respondents from historically black universities.

Pauw et al (2008: 53) note that “one possibility why there is a high unemployment rate among African graduates may be linked directly to actual or perceived differences in the quality of institutions attended”. The author mentions that students from historically white universities (HWUs) have much better employment prospects than those who graduated from historically black universities (HBUs). This can on one side be explained by employers’ perceptions about the differences in quality of education offered at different institutions (Pauw *et al.* 2008).

A Development Policy Research Unit (DPRU) study suggested that employers in South Africa are biased against employing graduates from HBUs and some companies actually admitted to not approaching historically black universities during their recruitment drives (Development Policy Research Unit 2006: 27). Some of these companies in this study said they avoided HBUs due to the low number of suitable candidates that they find there (Pauw *et al.* 2008: 53). However on the other hand, the high unemployment rate among African graduates can be partially explained by the massive increase in enrolment of African Students at tertiary institutions whilst they mostly register for degrees which are considered as not being marketable (Development Policy Research Unit 2006: ii; Maharasoa & Hay 2001: 144). *Figure 1* on the next page shows the unemployment rates of graduates in South Africa by race and the level of qualification of unemployed graduates in South Africa.

Fig.2 unemployment rate of graduates in South Africa by race and level of qualification



Source: Development Policy Research Unit, 2006, pg ii

The figure above shows that the unemployment rate among black graduates is much higher than among other graduates in other race groups.

Table 2: Percentage of University Graduates Employed Immediately, by Race

Field of study	Asian	African	Coloured	White
Natural sciences	30.0	45.9	52.2	59.9
Engineering	50.0	88.9	50.0	78.3
Agriculture		53.3	83.3	64.3
Medical sciences	46.0	65.7	32.5	91.2
Humanities and arts	53.6	38.7	33.3	56.4
Education	71.4	48.3	28.6	75.0
Law	36.4	26.8	51.6	69.6
Economic and management studies	53.5	37.5	42.2	74.8
<i>Total</i>	47.6	43.0	42.2	70.4

Source: Moleke, 2005: 216

The table above depicts that black and coloured respondents and respondents in the humanities and arts battled to find employment immediately after graduating. It is only in the field of engineering that more Africans than all other racial groups find employment immediately after obtaining a tertiary qualification. The table also shows that a much greater proportion of whites, on average, found employment immediately as compared to all other race groups.

2.1.2 Gender composition of unemployed graduates

Moleke (2005: 7) in a study on immediate employment of graduates according to gender found that “there were small differences between gender groups. While more than half of male and female graduates gained immediate employment in almost all study fields except for law and humanities and arts, the proportions were slightly higher for males than females. The total for males who gained immediate employment was 62, 3% compared to 57% for females”. Moleke also found that the only study field where the proportion of females (58, 7%) in immediate employment was higher than that of males (54, 9%) was education. The study also revealed that the rate at which each gender is absorbed into the labour market is also not very different (Moleke, 2005: 7).

2.1.3 Type of qualification obtained and field of study

Another study done by Maharasoa and Hay (2001: 145) on graduate employability among students in three South African universities, one a Historically White Afrikaans (HWA), the other a Historically White English (HWE) as well as a Historically Black University (HBU), revealed that students from the engineering departments in all the universities said that employment was guaranteed for them soon after graduation, those from economic and management sciences were also optimistic about employment prospects.

Management students in all three universities however thought that it would take around six months for them to get employment whereas engineering students were positive of getting employment immediately after graduation. However human sciences students were pessimistic about future employment. This can to some extent be attributed to the oversupply of humanities graduates more so among black South Africans (Maharasoa & Hay, 2001: 145).

Koen (2003: 17) notes that the labour demand for students in the social sciences and humanities is “less acute” whereas those students who enrolled in fields with a more professional focus, for example engineering and medical sciences found employment faster than graduates who had a more general degree. Graduates in the more general study fields such as the arts and the humanities take longer to find jobs as their fields do not prepare them for a specific profession (Moleke, 2005).

A study done by the HSRC on employment among graduates revealed that graduates in medical sciences had a 91 % success rate in finding employment soon after graduation; those in engineering had a 77 % success rate; natural sciences graduates’ success rate was 48 % whilst the success rate of law graduates was 40 %. Humanities and arts graduates had the least prospects of obtaining employment immediately after graduation with a success rate of 34 % (Human Sciences Research Council, 2000 cited in Maharasoa & Hay, 2001: 141)

2.2 The Higher Education and Employability debate

Although there has been an increase in the number of people accessing tertiary institutions in South Africa since 1994 there is an argument that graduates being produced at these institutions are not well prepared for the workplace. There are calls to reform the learning and teaching that occurs at tertiary institutions so as to develop competent graduates with the skills which make them capable of handling the challenges of an increasingly changing modern workplace. However South African universities have been accused of not adequately adapting to the demands of the workplace which itself has evolved to suit today's complex and competitive globalised world. This has been attributed to be one of the major reasons why South African graduates are finding it difficult to obtain employment even when jobs might be available.

2.2.1 Changes in the expectations of Higher Education

There is a new general expectation that higher education institutions should impart their students with the skills and knowledge that will make them competently contribute in the workplace. This is a paradigm shift from what has traditionally been viewed as the role of higher education institutions in South Africa. As Maharasoa and Hay note:

“[T]he traditional role of universities, as institutions producing and disseminating knowledge, is challenged by the more liberal thoughts on what universities in a post-modern world should do” (2001: 140).

In the past universities were expected to impart learners with more theoretical knowledge of the world whilst they would receive the practical skills and knowledge in the workplace after graduation. However private sector leaders now expect higher education to “...directly prepare young people with skills to make them employable” (Kruss 2004: 682).

To some extent higher education institutions in South Africa have taken heed of calls to be more responsive to economic and social demands as there has been an attempt to move away from “ ‘mode 1’ pure knowledge to ‘mode 2’ knowledge with its greater concern for application and practices...”(Maharasoa & Hay 2001: 140). These institutions have introduced internships and experiential learning as strategies and mechanisms to impart their learners with the practical skills required in the workplace (Kruss 2004: 685). However universities in South Africa largely, in practice, still adhere to the traditionalist notions of

tertiary education and therefore generally impart their learners with knowledge and skills which are often more theoretical than those used in the working world.

Many graduates being produced in South African institutions of higher learning, especially traditionally black universities, are lacking skills in business management, project management, people and entrepreneurial skills (Kruss, 2004: 679). Graduates also sometimes lack the so-called ‘soft skills’ such as English language skills, creative thinking and time management. A lack of these soft skills has been identified as one of the main reasons why many graduates are unsuccessful in obtaining jobs as they fail in interviews (Development Policy Research Unit, 2007: 7).

Universities in South Africa therefore, now more than ever, have a serious mandate and challenge of balancing between the pursuit of knowledge and truths for their own sakes (inclusive of socially-constructed relevance, vocational training and multi-ideological requirements) and the needs and expectations of the working world (Maharaso & Hay, 2001: 140). This means that, even after increasing the attention they give to economic demands, tertiary institutions still have to avoid the danger of becoming solely focused on their economic mandate whilst neglecting the social, moral, cultural and intellectual purposes of education (Kruss, 2004: 674) which are achieved through knowledge production and dissemination. This is no easy task, and so as it stands many universities in the country are experiencing an identity crisis relating to their mission and vision.

2.2.2 Employment and Employability

Another issue of conflict and contestation between and within universities in South Africa, taking into consideration global changes, has been that of whether to educate students for ‘employment’ or for ‘employability’. As Brown and Lander (1996 cited in Kruss, 2004: 677) point out; educating for ‘employment’ is whereby tertiary institutions impart their students with skills linked to specific occupations, whereas educating for ‘employability’ refers to the development of a highly skilled workforce that is equipped for occupational mobility and flexible work patterns.

University courses in specialist professional areas such as accounting, medicine and law inevitably are taught with an ‘employment’ goal as after graduating students in these degree programmes are expected to become registered professionals in the specific field they studied at university. There is however an on-going debate among education researchers and policy makers on if they should, and how best they can impart these students in professional areas with other more generalised skills which would enable them to be more flexible and therefore competitive in the global working environment (Maharaso & Hay, 2001)

Qualifications in Bachelor of Arts (BA) and Bachelor of Sciences (BSc) in South African universities on the other hand have an ‘employability’ objective as students in these degrees have a more general education focus. They acquire a general foundation at university and only get work experience and occupational specialization in the workplace as their employers “...build upon their general education foundation to develop the requisite specialized skills, knowledge and dispositions to produce skilled employees” (Kruss, 2004: 678). Employers in South Africa appear generally to be of the opinion that these generalized skills of tertiary students taught for ‘employability’ are inadequate for the workplace and therefore generally do not grant them entry level jobs. Graduates may have the qualifications but not the required practical skills and experience (Development Policy Research Unit, 2007: 4). Young students are resultantly having a difficult time gaining access to work experience

2.3 The economy as a contributing factor to graduate unemployment

South Africa officially entered into an economic recession in May 2009; this was the country's first recession in 17 years. The global economic crisis hit the country's key economic sectors such as trade, mining, investment and manufacturing (Assubuji & Luckscheiter, 2009: 1). Economic crises in South Africa's key trading partners such as the United States and the European Union during that time had a negative impact on South Africa's economic performance. This situation was a result of the fact that close to 60 % of South Africa's exports are destined for the United States, Japan and the European Union; therefore the fall of demand in these economies had a direct impact on South Africa's manufacturers and the labour they employ (Motlanthe, 2009).

A ministerial briefing on the economic crisis revealed that a staggering one million jobs were lost in South Africa due to the impact of the global economic meltdown. Factories slowed down and many closed, the manufacturing sector in general shrank by 20%. Although in the private sector businesses were encouraged to avoid retrenchments of workers but to explore other alternatives such as training layoffs a high number of jobs were still lost (Ministerial briefing, 2009: no page).

The South African government attempted to protect the country and its citizens, especially the poor, from the impact of the economic recession by spending R787 billion on improving public infrastructure such as housing construction, energy generation, hospitals and health clinics, there was also increased government spending in sectors that could stimulate economic growth and employment such as Information & Communication Technology (ICT) (Ministerial briefing, 2009: no page). The Independent Development Corporation (IDC) also made R 6 billion available over two years to companies that had faced difficulties as a result of the recession. In spite of these interventions the rate of job losses remained high, especially in the sectors that rely on exporting their products and services to western nations (Ministerial briefing, 2009: no page).

Young people searching for employment were not spared by the negative impact of the global economic meltdown as "...the employment of 15 to 24 year olds contracted by about 20 % since the end of 2008, with some 355 000 young workers becoming unemployed.

Young persons also amounted for about 40 % of job losses between December 2008 and December 2010" (National Treasury, 2011: 13). Income and job losses have been the visible forms of the economic crisis and therefore companies struggling to survive do so by downsizing and job cuts; the crisis has affected the job prospects of graduates as vacancies and salaries declined (Varghese, 2009: 22-23). This therefore means that recent graduates with their low to non-existent work experience resultantly face more challenges in entering the labour market.

2.4 Entrepreneurship as a possible solution to graduate unemployment

For South Africa to overcome its biggest challenges of poverty and unemployment it urgently needs to become a more entrepreneurial society (Centre for Development and Enterprise 2007: 1). Studies done by the Global Entrepreneurship Monitor (GEM), which traces international business creation, show that South Africa's entrepreneurial levels which have always been below the average for developing countries have actually declined since 2001 (Centre for Development and Enterprise 2007: 1). This is a serious cause for concern as increased entrepreneurial activity has the potential to solve some of the challenges which threaten South Africa's future.

Entrepreneurship can offer a viable option out of the unemployment quandary that an increasing number of South African graduates find themselves in. In reference to entrepreneurship as a way out of unemployment in Brunei, Hj Musa Hj Adinin Managing Director of Adinin Group of Companies said that: "entrepreneurship is an alternative solution to unemployment as the nation cannot always depend on the public and private sector to provide employment opportunities to graduates in the country" (Hj Musa Hj Adinin, 2009). The same advice is applicable to the South African context as entrepreneurship can be a way for unemployed graduates to earn a meaningful income whilst at the same time contributing to the socio-economic development of the country.

Business ownership is a source of economic advancement and therefore if more South African graduates, especially those who are currently facing difficulties in obtaining employment, thrived towards owning their own businesses they could be able to advance

themselves economically. Fairlie (2005:223) notes that "...interest in micro-enterprise programmes has been spurred by arguments from academicians and policy makers that entrepreneurship provides a route out of poverty and an alternative to unemployment or discrimination in the labour market".

Increased entrepreneurial activity in a country can lead to higher economic output and increased employment levels. In Canada for example SMEs deliver 60 % of economic output and also generate 80 % of national employment and 85 % of new jobs (Next Impact Study Canada, 2002: 1). Small and medium sized family-owned firms in Italy contribute immensely to the country's economic strength, and in the recent past led to the country being ranked by the World Bank and the International Monetary Fund (IMF) as the sixth largest economy in US dollar exchange-rate terms and around nine in terms of purchasing power. The country had a high self-employment rate of 25, 7 % in 2003 which was twice the European Union (EU) average (www.internationalentrepreneurship.com). Therefore if South Africa increases its entrepreneurial levels through having more SMEs that are run by formerly unemployed people, especially highly knowledgeable graduates, its economic performance is likely to improve as happened in the developed economies of Canada and Italy.

Since fostering entrepreneurship among youth can be very costly, several studies have been done to assess the impact and benefit of youth entrepreneurship. These have concluded that entrepreneurs have an important function within a country's economy. One positive effect of youth entrepreneurship in general and graduate entrepreneurship in particular which does not depend on business success is the gaining of experience and the development of new skills which are in high demand and therefore might "increase the likelihood that these young people find a job elsewhere" (Llisterri *et al.* 2006: 16).

Through being involved in business young people are saved from unemployment and if their business start-up is successful it will lead to the creation of further employment therefore reducing the unemployment rate of a community or country (Van Praag & Versloot, 2007: 33). Therefore youth entrepreneurship is important in the South African context where unemployment is very high.

Enterprises run by young people often also provide valuable goods and services to society, especially the local communities. New small businesses also tend to raise the degree of

competition in the product market; this brings gains to consumers (Curtain 2000). These Youth Run Enterprises (YREs) may also create linkages between youth entrepreneurs and other economic actors, for example through franchising and sub-contracting, creating an economic hub in highly developed entrepreneurial societies (White & Kenyon 2000: 5).

Youth enterprises can also promote social and cultural identity as a stronger sense of community is developed when young people are valued by their community and better connected to the society through their business activities (White & Kenyon 2000: 5). Through entrepreneurial engagement in society young people, especially marginalized youth, can acquire a sense of 'belonging'.

Entrepreneurship therefore has a lot of benefits for young people in general and young unemployed graduates in particular. South Africa is likely to benefit in many ways if it promotes entrepreneurship among its young people as a demographic group and unemployed university graduates as a special target group.

2.5 South Africa's entrepreneurship history

South Africa went through a dark period in its history when non-white race groups experienced discrimination. Segregationist policies ensured that Coloureds, Indians and especially Black people were trapped in a vicious cycle of poverty. During the colonial apartheid eras, "...black people were not allowed to become entrepreneurs outside their homelands. This made it exceedingly difficult to thrive as business owners, because homeland markets were small and poor" (Mazwai cited in ed. Frese, 2000: 79). A system of racial capitalism enforced through a series of racial laws confined black people to the fringes of the national economy.

By the late 1980s an estimated above 500 laws at the national level and about 800 local level by-laws were made to make the socio-economic situation disadvantage black people whilst favouring white people (Iheduru, 2004: 4). In the period between 1924 and 1933, the government of the time was pressured by well organised Afrikaner farmers to make large amounts of capital available to them in the form of direct assistance and subsidies, research, administration, dissemination of information and tariff protection (Giliomee 1979; O' Meara 1985 cited in Iheduru 2004: 4). After the National Party (NP) came into power in 1948 there was increased state assistance to Afrikaners with the aim of closing the economic gap

between the Afrikaners and the English speaking whites. The state therefore directed official business to Afrikaner banks and also awarded huge state contracts to Afrikaner businesses. Afrikaner business people in turn channelled their capital and state capital into investment houses, ethnic banks, publishing houses and insurance companies (Iheduru, 2004: 4).

During this period of National Party governance black people were viewed only as a source of cheap labour and were thereby subjected to oppressive legal and administrative hurdles that prevented their entrepreneurial development. The few black people who became entrepreneurs did so mostly on the margins and this was usually only possible with collusion of a chief or a white man (Iheduru, 2004: 4).

With the exception of a few notable individuals, such as Dr Nthato Motlana and Richard and Marina Maponya, most prominent black entrepreneurs were not very much politically active in the fight against apartheid. They were therefore despised by many black political activists as they were perceived as traitors and enemies of the struggle. This is despite the fact that they contributed in different ways to the anti-apartheid struggle (Cargill 1984; Godsell 1991 cited in Iheduru, 2004: 5). Black entrepreneurial organisations such as the Federation of African Business and Consumers Services (FABCOS), the National African Federated Chamber of Commerce (NAFCOC) and the Black Management Forum (BMF) were also dismissed as 'errand boys' of white business and the apartheid regime (Iheduru, 2004: 5). Mazwai notes that in the time of the liberation struggle black activists believed in socialism and so they were often opposed to capitalists and entrepreneurs. Being a businessperson was therefore not encouraged at the time (cited in ed. Frese, 2000: 79).

Black business people also had to support black activism, strikes and boycotts and this was not good for their businesses. Supporting activism resulted in them being blacklisted by the white government making it difficult for them to get loans (ed. Frese, 2000: 79). This all meant that white people in South Africa were at an advantage in the area of entrepreneurship and therefore ended up in control of the majority of the country's economy.

Despite the harsh political and economic circumstances faced by black entrepreneurs during the apartheid era there was to a limited degree an increase in the number of black people engaged in business. This was a result of the apartheid government, due to pressure from

the Soweto uprising, pouring massive amounts of money into black business development through the Bantu Investment Corporation founded in 1958 (Iheduru, 2004: 5). Various homeland governments created development corporations and industrial projects and parks that, despite massive corruption, led to the rise of a substantial number of black petty bourgeois and few millionaires (Iheduru, 2004: 5). Black business people however generally, as a result of systemic racial discrimination, were still more disadvantaged economically and politically than their white counterparts who were favoured by the system during the apartheid era.

2.6 Government policies to promote entrepreneurship

In 1994 Nelson Mandela, then president of the African National Congress (ANC), was elected president of South Africa in the country's first democratic elections. The new government adopted a number of economic programmes with the aim to halve poverty and unemployment by 2014 especially among the previously disadvantaged groups (Ndidi, 2006: 2). These programmes include the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution (GEAR) policy; Black Economic Empowerment (BEE), Broad Based Black Economic Empowerment (BBBEE) and the Accelerated and Shared Growth Initiative (ASGISA) (ed. Marcus, 2007: 64-65). The latest of these policies is the New Growth Path (NGP) which has not yet been implemented and its impact is not yet known. The policy was introduced by the government of President Zuma on 20 November 2010 and it is a framework that places employment creation at the centre of the country's economic policies (Patel 2010).

In spite of all the aforementioned government policies, South Africa still has a problem of high poverty and unemployment especially among the youth and this has led to the call of entrepreneurship as a potential solution to the problem. The government has realised the importance of entrepreneurship among the disadvantaged demographic groups in the country which include the youth. The next section discusses the often controversial government policy of Black Economic Empowerment (BEE) whose goal was to promote entrepreneurship among black people in post-apartheid South Africa.

2.6.1 Black Economic Empowerment (BEE) as a nation building strategy

In the year 1999 then President Thabo Mbeki and the ruling ANC government of that time set out to promote the growth of the black middle class in South Africa. The premise behind Black Economic Empowerment (BEE) was that of strategically making the black middle class pioneer entrepreneurial bourgeoisies who would lead the integration of black people into South Africa's mainstream economy (Iheduru 2004: 2). The argument then was that there was an extremely serious need to make sure that the majority of the people benefit from the country's wealth (ed. Marcus 2007: vi). This was perceived to be necessary due to the generally held view that the white capitalist class had misused their economic power to the disadvantage of the country and its people (Iheduru 2004: 2).

The middle strata and the rising black bourgeoisie were said to be fundamental motive forces that ensured that there was transformation since their interests were seen as overall to be the same as the immediate interests of the majority (Iheduru 2004: 6). However earlier, in its 1992 policy document under the title of 'Ready to Govern', the ANC under former President Mandela had called for the complete 'democratisation' of the economy and the empowerment of Previously Disadvantaged Groups (PDGs) largely through the promotion of a dynamic private sector, the Small, Medium and Micro Enterprise (SMME) sector and enterprises, family and village economic activities, and cooperatives. The Reconstruction and Development Programme (RDP) was the policy that ensured that there would be a focus on SMMEs (ed. Marcus 2007). The SMME sector was seen as critical to creating employment and likely to 'democratise employment' faster than industrial and corporate capitalism (Mogale, 1999 cited in Iheduru 2004: 6). Focusing on the SMME sector at the time was very much criticized by black capitalist (and those black people who envisaged engaging in business) as ensuring that black people remained at the periphery of the economy in the country as it would not lead to the much desired economic transformation.

After taking over from Nelson Mandela; Thabo Mbeki introduced the Growth, Employment and Redistribution (GEAR) policy, which was a neo-liberal policy targeting the growth of a black middle class. Mbeki's policy objectives reflected his firm belief that without black economic empowerment and stability; ANC power and national stability was very much under threat (Marais, 2000: 72 cited in Iheduru, 2004: 8).

According to Mbeki, state resources were to be used to come to the aid of those black people who required such aid in order to become entrepreneurs (Mbeki, 1999: 2). A lot of measures were taken to cultivate corporate black entrepreneurship. Various legislation was introduced to facilitate BEE; some of them are; the *Promotion of Equality and Prevention of Unfair Discrimination Act* of 2001, the *Preferential Procurement Policy Framework Act* of 2000, the *Employment Equity Act* of 1998, the *Restitution of Land Rights Act* of 1994, *Telecommunications Act* of 2001 and the *Competition Act* of 1998 . Legislation such as the *Minerals and Petroleum Development Act* (2000), the *Tourist Guide Act* (2001) and the *Marine Living Resources Act* (1998) forced the government to ‘achieve equality and address historic imbalance’ in their implementation of the new laws (Iheduru, 2004: 9-10).

Through the National Empowerment Fund Act of 1998, two percent of all proceeds from privatisation of state assets were set aside in a trust to finance the purchase of equity stakes in businesses by Previously Disadvantaged Individuals (PDIs) (Iheduru, 2004: 10). Under the *Preferential Procurement Framework Act* (April 2000), a points system gives 90 percent of every 100 points awarded for government tenders for track record and price efficiency, while the other 10 points is allowed for BEE criteria (Iheduru, 2004: 10). In the pre-qualifying stage contract bidders must demonstrate their commitment to BEE by allocating at least 40 percent equity shareholding to previously disadvantaged business people. They must also have a satisfactory and clear black empowerment strategy in order to be shortlisted for the next stage, the bidders must also be able to demonstrate that 25 percent of the work would be contracted out to local businesses owned by PDIs and that locals would constitute 75 percent of the labour force (ed. Marcus, 2007).

The South African government embarked on a privatisation programme that focused on some of the country’s biggest State Owned Enterprises (SOEs) which included Eskom, Transnet, Denel and Telkom. This programme of privatisation was used by the government as a means to advance BEE goals through requiring bidders for divested state assets to satisfy minimum ‘empowerment’ equity ownership (Iheduru, 2004: 10). Resultantly black people were able to acquire a 23 percent stake in the Airports Company of South Africa in 1997; six SABC radio stations in 1997; 75 percent of Sun Air Corporation (1997); 20 percent of South African Airways (1999); 100 percent of Viamax Fleet Solutions and 51 percent of Connex Travel, and 59 percent of Sybase Telkom Directory Services (BEECom, 2001: 84-85).

The government has also provided substantial start-up capital to support black business. For example in the 2002/2003 financial year alone it allocated a total of R2, 2 billion to fund BEE initiatives (Department of Trade and Industry 2003: 10).

As a result of BEE a highly visible, increasingly vocal, and powerful group of black capitalists has emerged in South Africa (Adam et al.1997 cited in Iheduru, 2004: 15). From virtually nil in 1994, about 35 companies capitalised at more than R67 billion - about 6 percent of the value of shares traded on the Johannesburg Stock Exchange (JSE) - were owned by blacks in April 1999 (Iheduru 2004: 15). Black people also now control 14 percent of the country's R90 billion oil industry and enjoy 11 percent of the R3, 3 billion operating profits (ed. Marcus, 2007). BEE has however been criticized on a number of levels by various individuals and institutions.

Firstly it has been argued that the current structure of BEE largely ignores the reality that most black people in South Africa do not have the skills or training to obtain employment especially at the executive management level, this is why many BEE businesses are being dominated by white faces operating behind the scenes (Iheduru, 2004: 20). BEE has also been said to benefit only the elite or those black people with political connections (Slaughter, 1999). The same well connected black people continue to be awarded with government BEE contacts or tenders. This has meant that a few individuals have been made into millionaires whilst the rest of the black community continues to face economic challenges (ed. Marcus, 2007). BEE business has also failed to create jobs fast enough to respond to the high unemployment in the country. The policy has also failed to achieve one of its main objectives as white people, who constitute less than 10 percent of the population still control over 85 percent of the economy (Iheduru, 2004: 20)

Due to the aforementioned problems of BEE (in particular that of its current nature of nepotism and patronage) it is difficult for many young graduates to use it as an avenue to kick-start a successful entrepreneurial journey. Most recent graduates are inexperienced and have little to no professional connections in BEE circles and therefore will have difficulties benefiting from this empowerment scheme.

2.7 Government programmes to foster entrepreneurship

The South African government has established some initiatives and support structures to assist in the development of (youth) entrepreneurship. These are, among many others: The Centre for Small Business Promotion (CSBP); Provincial SMME desks; Ntsika Enterprise Promotion Agency (NEPA); Local Business Service Centre (LBSC); Tender Advice Centres (TACs); Manufacturing Advocacy Centres (Diale, 2009: 196-198). The National Youth Development Agency (NYDA) and the Industrial Development Cooperation (IDC) are also government organisations which offer start-up capital and technical support to youth entrepreneurs. The aforementioned programmes and agencies were introduced by the government in 1995 in the *White Paper on national strategy on the development and promotion of small business in South Africa* (Department of Trade and Industry, 2005: 3).

The objectives of the white paper were; 1) creating an enabling legal framework, 2) facilitating access to information and advice, 3) facilitating access to procurement, 4) facilitating access to finance, 5) facilitating access to affordable physical infrastructure, 6) Providing entrepreneurship and skills training, 6) improving industrial relations , 7) facilitate access to appropriate technology, 8) encouraging joint ventures, and 9) introducing differential taxation and other financial incentives (Department of Trade and Industry, 2005: 3).

The aforementioned organisations and programmes ensure that entrepreneurs get on-going support in the form of knowledge, expertise and finance to grow their businesses (Nasser, et al. 2003: 399). However, despite those support structures, the challenge remains that many potential entrepreneurs in South Africa have no knowledge about these existing government support mechanisms or on how to access them (Mueller& Thomas, 2001: 67).

2.8 Entrepreneurship Education in South Africa

Due to the socio-economic challenges facing young people in South Africa it is important to foster entrepreneurship in schools, colleges and in tertiary institutions. The importance of entrepreneurial education is highlighted by research which has shown that the failure rate for new ventures created by individuals with low levels of education is almost 80 percent, while the rate for ventures created by graduate students is well under 20 percent (Veciana, 2002 cited in Postigo & Tamborini 2002: 2). However entrepreneurship education in South Africa “is in its developmental stages although it is perceived as important in elevating the profile of any institution, and there is increasing commitment from institutions in academia, research and outreach offerings in entrepreneurship” (Jesselyn & Mitchell, 2005: 2).

Entrepreneurship is a young developing field whose importance is increasing in the global business environment and so there is also an increased demand for courses in entrepreneurship from students who envisage starting their own businesses. This means that there is a distinct need for facilities to deliver these courses, administer programmes and conduct research on entrepreneurship (Jesselyn & Mitchell, 2005: 2). It is crucial to have an understanding of how higher education institutions are meeting the increased demand and staffing requirements of entrepreneurial courses in their institutions. However at present there have been no studies in South Africa that investigate the state of entrepreneurship education for the whole country, the only studies done on entrepreneurship education have been on the secondary school level (North, 2002: 25). Other studies have investigated the current methodologies that are being used by universities in teaching entrepreneurship but none of these studies cover a nationwide perspective (Kroon and Mayer, 2001 cited in Jesselyn & Mitchell, 2005: 3).

2.8.1 The duty of tertiary institutions

South African institutions of higher learning have the potential to cultivate a culture of entrepreneurship among young people, as these institutions can instill "...a clear understanding of risks and rewards, teaching opportunity seeking and recognition skills, as well as creation and 'destruction' of enterprises" (Jesselyn & Mitchell, 2005: 3). Tertiary institutions can also play an important role in the development of entrepreneurial traits in students whilst at the same time providing the necessary support for entrepreneurs. They also provide legitimacy to the students' entrepreneurial endeavours (Jesselyn & Mitchell, 2005: 3).

A study conducted by Kroon and Meyer (2001 cited in Jesselyn & Mitchell, 2005: 3) on university students taking an entrepreneurial course found that "although strong emphasis has been placed on entrepreneurial education in the tertiary institutions since the early nineties, exposure to one course in entrepreneurship does not ensure entrepreneurial orientation or more positive expectations about entrepreneurial abilities and careers". One of their main recommendations was that entrepreneurship education in the country must be implemented earlier in the education system so that young people benefit from gaining the skills necessary for successful business engagement early in their lives.

Another study done by Kroon, de Klerk and Dippenaar (2003: 322) on business people revealed that although business people recognise the important role they play in society, they still do not feel an obligation towards involvement in schools in order to invest in the community and did not feel obligated to contribute to the development of the next generation of entrepreneurs. Jesselyn and Mitchell (2005: 3) argue that this can be explained by the absence of an organised system of youth entrepreneurial leadership programme, another possible reason they mention is that employers/business people maybe do not understand the urgency of the problem. According to Nieuwenhuizen and Kroon (2002: 157) a holistic approach is essential to encourage the growth of an entrepreneurial culture in a society. This means that "[t]he educational system has to be supported by economic and political institutions to inculcate the entrepreneurial culture in a society and to ensure the facilitation and actual establishment of enterprises" (Jesselyn & Mitchell, 2005: 3).

2.8.2 Focus areas of entrepreneurial education

There are two distinguishable areas of entrepreneurial education as highlighted in the work of Laukkannen (2000: 26-27). These are:

- Education ABOUT entrepreneurship - This involves developing, constructing and studying the theories referred to the entrepreneurs, the form creation, the contribution to economic development, the entrepreneurial process and the small and middle sized firms. It takes into account undergraduate, Masters and PhD students as well as policy makers and researchers. It views entrepreneurship as a social phenomenon.
- Education FOR entrepreneurship - This addresses present and potential entrepreneurial process, providing all the tools necessary for the start-up of a new venture both within and outside an existing organisation.

Entrepreneurship programmes in South Africa "...often equate entrepreneurship with new venture creation or/ and small business management education 'about' entrepreneurship and enterprise rather than educating 'for' entrepreneurship. Only rarely, the focus is on developing skills, attributes and behaviour of the successful entrepreneur" (Kirby cited in Ndedi, 2006: 4). Current education in tertiary institutions is largely focused on "...learning about entrepreneurship and how to manage a small business. However entrepreneurship is about possessing or acquiring a particular set of attributes, skills and behaviours" (Ndedi, 2006: 4).

Education 'about' entrepreneurship is therefore mainly based on the creation and dissemination of knowledge about the field, while education 'for' entrepreneurship focuses on the learning experience and the development of competences, skills, aptitudes and values (Postigo & Tamborini, 2002: 2). The teaching methods used in these two areas therefore differ. The methods commonly used in teaching entrepreneurship include: lectures, reading, workshops, case studies, on-site visits, thesis/dissertations and guest speakers (Klandt, 1993). For educating 'about' entrepreneurship in particular, Klandt (1993 cited in Jesselyn & Mitchell, 2005: 4) mentions the following methods as being more commonly utilized: consulting services by students and researchers while educating 'for' entrepreneurship involves using techniques such as: practical work, writing business plans,

working with entrepreneurs, videos, role playing games and joining a student's entrepreneurial club.

Entrepreneurship education in South African tertiary institutions has to have more of a focus on educating 'for' entrepreneurship in order to produce the much needed competent entrepreneurs that are urgently required in the country. However addressing the issue of entrepreneurship education is not the only intervention that needs to be done to ensure successful entrepreneurship as young people face other challenges which negatively affects their successful entrepreneurial achievement.

2.9 The challenges faced by youth entrepreneurs

In both developed countries and developing countries , Youth Run Enterprises (YREs) and Adult Run Enterprises (AREs) face many constraints which impede their growth, however there are some important differences between YREs and AREs with young people facing unique challenges in their efforts to succeed in business (Chigunta, 2002: v).

In South Africa young people also face a number of problems in trying to start or sustain their businesses. These include problems of accessing resources such as capital. There are few micro-finance institutions specifically targeting the youth. Although some credit schemes in mainstream microcredit organisations are directed at young people, research has shown that the youth are generally an underrepresented group when it comes to access to credit. A lack of sufficient experience and more importantly collateral hinders the chances of young people to acquire the capital that they need to make their businesses succeed (Chigunta, 2002: viii). Therefore many young people start their businesses with low levels of initial capital.

Young entrepreneurs or potential youth entrepreneurs also face a challenge of choosing which enterprises to venture into. In marketing enterprise as an option there is usually a tendency to forget that successful enterprise development begins with the initiative from young people themselves (White & Kenyon, 2000: 6). Therefore the promotion of awareness of various career options and on the other hand taking up entrepreneurship as an option is very important among the youth at this crucial stage in their lives. Young people thus require awareness and understanding of enterprise and what it takes and means to own a business (Chigunta, 2002: 13).

Another major problem that businesses owned by young people in South Africa face is that their enterprises usually have a lower market value or inventory. Young people's businesses also have a narrower range of activities and therefore have difficulties competing with already established enterprises (Chigunta, 2002: 6). A lack of operational space also hinders the success of young people's businesses as they tend to operate from homes or streets and also usually rely on simple tools or at times no equipment at all (Chigunta, 2002: vi)

A lack of experience and expertise tends to push youth entrepreneurs into high risk and low value adding self-employment situations where failure is highly probable (Motts, 2000). Many youth entrepreneurs have little or no business management skills and abilities, they therefore have inadequate, inaccurate or non-existent financial records and this has a direct negative impact on the performance of their businesses (Chigunta, 2002: 6).

Generally many young people face the challenge of their age, limited life and work experience (Organization for Economic Cooperation and Development (OECD), 2001: 17). Other problems faced by youth entrepreneurs include; the challenge that young people do not bring contacts to the business, lack of access to new technologies and equipment, lack of product development and value addition, poor marketing and branding, inadequate planning, lack of new product development and a lack of on-going business support (Chigunta, 2002: 6).

2.9.1 Macro- economic challenges

In South Africa some of the government regulatory laws are considered a threat to the Small, Micro and Medium Enterprises (SMME) sector. Even though overregulation remains an issue, South Africa has introduced significant trade policies that have supported entrepreneurship (Luiz, 2002: 54). These include for example the Growth Employment and Redistribution (GEAR) and Reconstruction and Development Programme (RDP) policies among others (Nasser, *et al.* 2008).

South Africa ranks on place 34 in the 'Doing Business Report 2010' of the World Bank Group (World Bank, 2010). This is not a bad position but South Africa could improve its ranking so as to make it easier for young people to engage in business in the country. The government is making efforts to promote youth entrepreneurship for example through the National Youth Development Agency (NYDA) which offers start-up capital in the form of loans for new

youth entrepreneurs, however most potential entrepreneurs in South Africa do not have knowledge of existing government support mechanisms or how to access them, therefore more effort has to be made to ensure that prospective entrepreneurs know and have access to these support structures (Fielden, *et al.* 2000: 56).

The majority of young entrepreneurs in South Africa operate in the consumer or retail sector (71, 2%) which has low barriers to entry with regards to start-up capital and skills requirements, but generates low margins due to high competition. Table 3 depicts the involvement in entrepreneurial activity by sector in South Africa:

Table3. Involvement in entrepreneurial activity by sector in South Africa

Sector	Business Entities TEA (%)
Extractive services (agriculture, forestry, fishing and mining)	5.2
Transformative services (construction, manufacturing, transportation, communication, utilities and wholesale distribution)	16.4
Business services (finance, insurance and real estate)	5.5
Consumer services (retail, motor vehicles, lodging and restaurants, personal services, education and recreational services)	71.2

Figure 4: Involvement in Entrepreneurial Activity by Sector in South Africa.

Source: Global Entrepreneurship Monitor (GEM), South Africa 2009 Report

The table shows that most entrepreneurs in South Africa are involved in the consumer services sector. This sector includes services in education, motor vehicles, recreational services and so forth. Although this sector has lower barriers of entry than other sectors, such as business services and the transformative services sector, it has a lot of competition due to its comparatively easy access. This is the sector in which most young entrepreneurs in South Africa are active.

2.9.2 Administrative challenges

South Africa is relatively in the lead when it comes to administrative support to potential entrepreneurs. According to the World Bank's 'Doing Business Report' 2010 in the sub-category of "starting a business" South Africa is ranked 44th out of 183 economies. A prospective entrepreneur has to overcome at least six legal procedures within an average period of 22 days to register a new business (World Bank, 2010)¹. Even though it is easier to register and to start a business in South Africa in comparison to most other African countries and other countries in the world, the country could still make it easier for young entrepreneurs to register and start operating a business.

2.9.3 Social challenges

Macro sociological factors such as general social and cultural surroundings strongly influence entrepreneurial activities. The relationship between these factors is very complex and a number of studies, for example the work done by Hofstede (1967-2009) investigate cultural differences influencing business structures and entrepreneurial activities.

The social and cultural norms in South Africa are among the most negative entrepreneurship framework conditions and thus rather constrain entrepreneurial activity (Global Entrepreneurship Monitor South African Report, 2010: 49-50). Short term orientation is a major obstacle in South Africa, as people especially from poorer communities often only want to achieve short-term profits instead of reinvesting profits into their businesses.

There is a strong patriarchal culture in South Africa and this likely has an impact on gender differences when it comes to business engagement (Hofstede, 1967-2009). Another important challenge that is relatively new and is still being investigated in South Africa is the problem of 'tenderpreneurship' (Mackenzie-hoy, 2010). This is a trend whereby people set up a business to provide a service to the government or local municipalities through acquiring contracts; they then charge a sizeable above market value for the service. There is allegedly a lot of behind the scenes corruption and lack of transparency in the awarding of these government contracts. This means that young entrepreneurs who do not have money or are not well connected will not be able to acquire these contracts (Kota, 2011);

¹ The World Bank Business report is produced annually and it measures the business regulation environments of 183 countries.

this might contribute negatively to young potential entrepreneurs' perceptions of the business environment in South Africa and thus might eventually hinder entrepreneurial development among young people.

It must however be said that 'tenderpreneurship' is a rising culture within society and does not apply to all individuals. Research that has been done on this phenomenon is still at its initial stages and therefore it is difficult to come up with concrete conclusions on the impact of 'tenderpreneurship' on entrepreneurial development among young people in South Africa.

2.10 Conclusion

This chapter described the complex issue of graduate unemployment in South Africa. The literature used in the chapter has highlighted the fact that the country has a very high unemployment rate among its young people in general. However unemployment among university graduates is relatively low but annually on the rise, making this problem a possible threat to South Africa's social and economic development.

A number of reasons have been given for the rise in unemployment among graduates in the country. These include the argument that the majority of the unemployed graduates in South Africa graduate in fields of study with lower employment prospects. These graduates are mostly black/African students from traditionally black universities and schools where many of them do not qualify to be enrolled in degree programmes in mathematics, science and engineering. Another factor resulting in this high unemployment rate could be that of employers' perceived differences between students from historically white universities (who generally have better employment prospects) and those from historically black universities (whose employment prospects are generally lower). The literature did not reveal major gender differences when it comes to employment after graduation as the proportions of males obtaining employment immediately after graduation was only slightly higher than that of females except in field of education where more female graduates were employed than their male counterparts.

Graduates in fields such as engineering, medical sciences, economic and management sciences have better prospects of being employed soon after graduation than their counterparts in the human sciences. This may be so due to what Koen (2003: 17) notes as

being the low labour demand for students in the social sciences and humanities whilst those enrolling in fields with a more professional focus such as engineering and medical sciences find employment faster as they are more in demand in the labour market.

The chapter argued that although there has been a general increase in the number of people accessing tertiary education in South Africa since 1994, most of the graduates being produced in tertiary institutions are not well prepared for the workplace as they are said to be lacking in certain skills which are needed for them to successfully contribute to the increasingly challenging and globalized demand of the workplace. This lack of skills is one of the main reasons given for the increasing unemployment rates among university graduates. Universities therefore have been given the mandate of improving their students' skills so that they can be effective in the workplace. This is generally a complex paradigm shift which most universities are currently in the process of handling.

The state of the local and global economy has been discussed as a factor which contributes to the rise of unemployment among graduates in South Africa. When the economy is not performing well due to for example the current global economic meltdown many South African companies shut down or shed jobs. The companies also reduce their recruitment rates due to the operational challenges they are facing. This has a negative impact on young graduates who are looking for entry level positions as they have a hard time finding jobs.

All the aforementioned factors contribute to the increase in unemployment among South Africa's young graduates. However this chapter has strongly argued that entrepreneurship is one of the main solutions to solving the problem of unemployed graduates as well as general unemployment in the country. South Africa unfortunately has a low rate of entrepreneurial activity in comparison to many other countries with similar socio-economic circumstances. Entrepreneurship development especially among young people therefore has to be a priority for the country.

The post-apartheid government has introduced certain policies and programmes to encourage entrepreneurial development in the country. These include the Reconstruction and Development Programme (RDP), Growth and Employment and Redistribution (GEAR), Black Economic Empowerment (BEE), Broad Based Black Economic Empowerment (BBBEE) and the Accelerated and Shared Growth Initiative (ASGISA). In spite of these well-meaning

governmental interventions, entrepreneurship development among young people in particular and also in the general population remains low, meaning that unemployment and its related problems remain high.

The fostering of entrepreneurial education in schools, colleges and tertiary institutions has been identified by experts in the field as one means of promoting successful entrepreneurial development in South Africa. This is because it will enable for the gaining of entrepreneurship skills and knowledge whilst students are still young. However entrepreneurship education in South Africa is still in its early stages and needs to be developed. Tertiary institutions in particular can play a crucial role in the development of entrepreneurial education which produces successful business people as these institutions can aid in the imparting of entrepreneurial traits in students whilst at the same time providing the necessary support for young entrepreneurs. However one major criticism of entrepreneurial education in South African tertiary institutions is that it has largely been theoretical as it has been educating 'about' entrepreneurship and not 'for' entrepreneurship (Jesselyn & Mitchell, 2005: 3; Ndedi, 2006: 4). This means that if the country is to produce more successful entrepreneurs especially among its young alumni then entrepreneurship education has to have a more practical focus.

The issue of entrepreneurship education in South Africa is however not the only challenge that needs to be addressed to ensure successful entrepreneurship among young graduates. Young people in general and indeed young graduates continue to face a lot of problems also experienced by other population groups when they try to establish, maintain or grow their entrepreneurial ventures. However young people also face unique challenges which are related to their age, choosing the right venture, lack of work experience, lack of collateral which hinders their access to credit, lack of business management skills and abilities, regulatory laws which can be a threat to SME development, lack of business support, administrative challenges when attempting to register companies and a general social environment which does not encourage entrepreneurship among many other challenges (Chigunta, 2002; OECD, 2001).

Therefore young entrepreneurs, especially young graduates with some knowledge on how to contribute to the economic and social development of South Africa need to be supported

to overcome the challenges that hinder their successful entrepreneurial engagement. If more young graduates and other young people in general are engaged in successful entrepreneurship, South Africa is likely to achieve more of its developmental goals.

Whereas this chapter has dealt extensively with the challenge of unemployment among graduates in South Africa and how effective entrepreneurship education and development can be one of the main solutions to this problem (and the problems of general unemployment, poverty and inequality); the next chapter looks into the various theories of entrepreneurship of the classic and neo-classic authorities on the subject. All the theories in Chapter three will be illustrated in detail as it will be mentioned what they discuss, and the extent to which they relate to this current study on the challenges faced by young graduates of the University of KwaZulu-Natal in their efforts to succeed in business.

Chapter three: Theoretical Framework

“He who loves practice without theory is like the sailor who boards ship without a rudder and compass and never knows where he may cast”
Leonardo daVinci (1452-1519)

3.0 Introduction

Many theories of entrepreneurship have emerged over the years as various authors from economics and other fields in the social sciences have tried to explain the entrepreneur and the entrepreneurship process. The famous contributors to entrepreneurship theory include Richard Cantillon (*Essai*), Jean-Baptiste Say (*A Treatise on Political Economy*), Mark Casson (*The Entrepreneur: An economic theory*), Max Weber (*The Protestant Ethic and the spirit of Capitalism*), Alfred Marshall (*Principles of Economics*), Israel Kirzner (*Competition and Entrepreneurship*), Frank Knight (*Risk, Uncertainty and Profit*) and Joseph Schumpeter (*History of Economic Analysis*).

This research will utilize Alfred Marshall’s theory of entrepreneurship as it is the most appropriate entrepreneurship theory for this study. Why this theory was chosen will be outlined in the chapter. However the other aforementioned theorists and their theories of entrepreneurship will be looked into first and then afterwards Marshall’s theory will be dealt with as it relates to the current study. The reason why the other theories were discussed although they were not used for the research was that of giving a broader overview of the different ways in which entrepreneurship can be understood.

3.1 Richard Cantillon (1680 - 1734)

Richard Cantillon is recognised as the earliest scientist to pay considerable attention to the entrepreneur. Cantillon was the first to acknowledge that there is an entrepreneurial function within the economic system (Van Praag 1999: 313). After his publication of ‘*Essai sur la Nature du Commerce en General*’ in 1755, entrepreneurs began to appear in economic theory as contributors to society’s economic value. In his economic system he recognised three types of agents: (1) entrepreneurs (arbitrages), (2) landowners (capitalists), (3) hirelings (wage workers) (Van Praag, 1999: 313). He perceived the market as a ‘self-regulating network of

reciprocal exchange arrangements" (Van Praag, 1999: 313). Cantillon saw the entrepreneur as having a central role in this economic system (Rispas, 1998: 105). According to Cantillon, entrepreneurs bring about equilibrium of supply and demand, and they are motivated by the potential profit that is generated from the activity of 'buying at a certain price and selling at an uncertain price' (Van Praag, 1999: 313). The risk-bearing nature of entrepreneurship, which yields uncertain and non-contractually arranged incomes, differentiates this task from other types of activity in the economy. The entrepreneur should be alert and optimistic as his or her task is basically comprised of arbitrage; however he or she needs not to be innovative (Cantillon, 1979).

According to Cantillon an entrepreneur does not increase supply and demand but adjusts the quality supplied according to existing demand, they should also be well prepared to bear the inherent risk (Van Praag, 1999). However an entrepreneur does not necessarily start his venture using his or her capital; "Capital can be borrowed on the (assumed perfect) money market by paying the price of borrowing (interest) to the banker, another entrepreneurial profession" (Van Praag, 1999: 314). The number of entrepreneurs in a particular economic field is determined by the laws of supply and demand; if there are too many entrepreneurs engaged in one field, a number of them will become insolvent until the surplus disappear (Van Praag, 1999)

To Summarise:

1. Cantillon was the first to grant economic meaning to the notion of the 'entrepreneur'.
2. By taking part in arbitrage and bearing risk, the entrepreneurial class has an equilibrating role within the economic system.
3. A precondition that is necessary for the existence of an entrepreneurial class is uncertainty.

3.2 Jean- Baptiste Say (1767-1837)

In *A Treatise on Political Economy or the Production, Distribution and Consumption of Wealth* (1803, 1971) Jean-Baptiste Say argues that the entrepreneur plays a key managing role in manufacturing and distribution within the organization/company (Van Praag 1999: 314). According to Say the entrepreneur is also the coordinator, leader and manager (Rispas, 1998). Say is the first economist to emphasise the entrepreneur's managerial role. He treated entrepreneurship as a superior kind of labour. In Say's theory production of wealth occurs when existing materials (capital and nature) are exploited (Rispas 1998: 105). Three types of industries can create value, these are: (1) the manufacturing industry, (2) the commercial industry and (3) the agricultural industry. Successful operation of these industries relies on three distinct functions that are rarely carried out by one individual: (a) theoretical formation (b) application of knowledge and (c) execution (Van Praag 1999: 315). As Say (1971: 330) notes; "The application of knowledge to the creation of a product for human consumption is the entrepreneur's occupation".

Say argues that the entrepreneur's 'superior kind of labour' (Van Praag 1999: 315) is essential to the effective functioning of industries and this results in the achievement of success within a society. Within the distribution sector the entrepreneur's task is that of gathering the revenues from products sold and to distribute these amongst the production units, that is; capital, labour and land (Van Praag 1999: 315). The entrepreneur holds an important position in the firm as she or he is the (modern) leader, manager and coordinator. He or she should perform chores that are specific to the business and also supply their own capital or part of their capital; they are also risk bearers (Van Praag 1999).

The successful entrepreneur should have many qualities; these include "judgement, perseverance, and knowledge of the world as well as business... the art of superintendence (supervision) and administration" (Say 1971: 331). Entrepreneurs should not necessarily be rich as they may work on borrowed capital but they should however be solvent and also have a reputation of intelligence and providence which will enable them to procure a loan of capital which they can use for establishing their enterprise (Say 1971). The entrepreneurs' remuneration is determined as that which they are paid after calculating turnover minus the payments to the other inputs in the process of production (Van Praag 1999: 316).

To Summarise:

1. In Jean-Baptiste Say's theory an entrepreneur is an organizer both on the company level and on the market level.
2. She/he is the modern manager and leader within a company.
3. A successful entrepreneur needs a unique mixture of qualities and experiences.
4. The number of competing entrepreneurs in a market is thus limited as a result of the rare qualities required to become a successful entrepreneur.
5. As a result the income of the firm, when the market is in equilibrium or entrepreneurial wage can be much elevated.

3.3 Joseph Schumpeter (1883-1950)

Joseph Schumpeter greatly contributed to the theory of entrepreneurship especially through his book *The Theory of Economic Development* which was published in 1911. Schumpeter's theory "was the first to treat innovation as an endogenous process" (Van Praag 1999: 319). He replaced the predominant understanding of entrepreneurship as management of the firm with the idea that the entrepreneur was the innovator. Schumpeter criticised other theorists for not differentiating between the entrepreneur and the resource owner (Schumpeter 1954: 556 cited in Rispas, 1998: 107). According to him receiving a profit for bearing the risk of losing assumes the possession of resources; this according to him is not always true as the entrepreneur does not necessarily need to be a resource owner (Rispas, 1998).

Schumpeter was of the view that risk was not essential in the concept of entrepreneurship unless the entrepreneur is identical with the resource owner. To him the entrepreneur was not the risk bearer but in fact the driving force of economic development in the society (Rispas, 1998). The entrepreneur is neither a risk-bearer nor a supplier of capital; both of these tasks are left to the banker (Van Praag 1999: 320).

According to Schumpeter a world without the entrepreneur is a static world where every day is a repetition of the preceding one. This is a world without change or uncertainty. The entrepreneur comes and seeks opportunities for profit in this world and he/she achieves this

end by introducing ‘new combinations’ (Van Praag 1999: 320). The ‘new combinations’ include; the introduction of a good or service, a new method of production-something as yet untried in industry, the opening of a new market, the utilization of some new source of supply for raw materials or intermediate goods and the carrying out of some new organizational form of the industry (Rispas 1998: 107).

Schumpeter argued that an entrepreneur is also not necessarily the director and independent owner of a business (Van Praag 1999). He or she is defined by what they do and not by what they own. Therefore employees can be entrepreneurs too (Rispas, 1998). An entrepreneur’s duty is to innovate and to lead; he or she decides which objectives to follow instead of how to go after them. According to Schumpeter, being an entrepreneur requires a rare attitude and a particular conduct. The concept of leadership summarizes the personal traits of the dynamic entrepreneur (Van Praag 1999).

The entrepreneur:

1. Has the “view”, the intuition, to do the right things without analyzing the situation.
2. Has the power to create something new; and
3. The power to overcome scepticism and hostility from his surroundings.

(Shumpeter 1993 cited in Rispas 1998: 107)

The Schumpeterian entrepreneur should not be hesitant to do something new; however having this mental freedom is something which is by nature rare. Doing something new, which is a display of deviating behaviour often brings about opposition in the social environment; the entrepreneur therefore needs to be strong to resist this societal opposition (Heertjie 1982 cited in Van Praag 1999: 321).

A person needs not to be rich to become an entrepreneur; innovation is the most important factor which can result in successful entrepreneurship. According to Schumpeter entrepreneurs are not motivated by profit per se but are rather motivated “...by the dreams and the will to found an own kingdom, the will to prove oneself superior to others and the joy of creating” (Rispas 1998: 170).

Schumpeter however believed that entrepreneurial qualities cannot be taught and only a small number of people in a society can possess these skills (Rispas, 1998)

To Summarise:

1. According to Schumpeter an entrepreneur is an innovator and leader.
2. She/he is neither a risk-bearer, nor director or capitalist.
3. As the innovator, the entrepreneur is the machine for economic growth.
4. The entrepreneur leads the economy away from its equilibrium position and pushes it to a higher equilibrium position.
5. Entrepreneurs are willing to innovate as a result of possessing some rare motivating strengths.
6. Entrepreneurship is a provisional condition for any person, unless they keep on being innovative.

3.4 Mark Casson (1945-)

Mark Casson places specialisation in judgemental decision-making as the defining characteristic of the entrepreneur (Casson, 2005: 329). He argues that "... all the other characteristics imputed to the entrepreneur are deducted from this by introducing specific assumptions about the environment in which the entrepreneur operates" (Casson, 2005: 329). The entrepreneur applies judgment to decisions which are focused on investments in various types of projects. According to Casson risk and uncertainty are closely related to judgemental decision making (Casson, 2005: 330). An illustration of this is that of when an entrepreneur makes a decision based on information that is available to other people; the other people may perceive the decision to be risky, however the entrepreneur views the risk as being much lower because of the information in his/her possession (Pittaway, 2005). Therefore an entrepreneur, who perceives a lower level of risk, if they are right, will realize a profit from his/her investment. However if the entrepreneur's perception of risk is wrong then their investment will eventually be unprofitable (Casson, 2005: 330).

For Casson entrepreneurs are simply people who have low risk aversion. And so entrepreneurs who invest in projects generally tend to be more optimistic than people who

do not invest (Casson, 2005). The more people expect a good outcome from an investment, the more optimistic they generally are about that particular investment. In the case that optimistic entrepreneurs are conscious that other people are more pessimistic about a particular investment or project, they ask questions as to why this is the case. Their answer normally is that “they are confident that the additional information that they are using is correct” (Casson, 2005: 330).

An entrepreneur who proceeds with a project despite other people’s pessimism about the success of that particular project possesses a combination of the characteristics of self-confidence and optimism (Casson, 2005:331). Optimism and self-confidence display different aspects of personality to risk aversion as these characteristics can be influenced in a manner that risk aversion cannot. Entrepreneurs who are successful can influence their employees, customers, financial backers and suppliers to be more optimistic and therefore entrepreneurial themselves. The entrepreneurs can improve the performance of their enterprises through influencing their surroundings in this way (Pittaway, 2005).

To Summarise:

1. Specialisation in judgemental decision making is the defining characteristic of the entrepreneur.
2. Superior judgement stems from privileged information (that is substantially correct).
3. Perceptions of risk are subjective. A confident entrepreneur may perceive no risk where others perceive considerable risk. An entrepreneur invests when others do not when he is both optimistic and confident in his own judgement, relative to others.
4. The entrepreneur’s perception may be right or wrong. If his optimism is warranted, his investment will be profitable, while if it is not, he will endure a loss.
5. Entrepreneurs often enjoy a reputation for motivating staff by encouraging ‘positive thinking’ and setting high standards.
6. Large firms are (usually) controlled by groups of entrepreneurs rather than a single entrepreneur. Indeed, a successful entrepreneur is likely to grow his/her firm by developing entrepreneurial qualities among his employees.

3.5 Max Weber (1864 - 1920)

Max Weber was a German social scientist who had a great influence on American social sciences. He sought to establish the reason for the relatively rapid growth of western capitalism in the specific attitude of life of the Calvinist Puritan (Brouwer, 2002: 86). Weber's study of entrepreneurship is therefore embedded in his analysis of the interplay between religious ethos and modern rationalization in the rise of capitalism. In his famous book, *The Protestant Ethic and the spirit of Capitalism* Weber associated the economic rise of Holland, England and the American colonies with the presence of Puritan and Calvinist religious groups, such as the 'Gere formeerden', the Mennonites, the Methodists and the Baptists (Brouwer, 2002: 86).

Calvinism supported rationality in business matters, because material success acted as 'proof' of being one of the chosen (Weber 1965 cited in Brouwer, 2002: 86). In Weber's view Calvinism perfectly fitted a society of free labourers, who were no longer tied to master and soil by extra-economic considerations as in feudal and tribal societies (Brouwer, 2002: 86). He believed that an entrepreneur is clearly distinguished from his historical predecessors in traditional economies by virtue of his rational and systematic search of economic gain, the extension of trust through credit, reliance on calculation measured in relation to this economic criterion and the subordination of consumption in the interest of accumulation (www.pagerankstudio.com). Weber therefore describes the Puritans as a group that was driven by religious zeal to apply rationality to the search of economic activities (Brouwer, 2002: 87).

According to Weber the Puritan would save to obtain wealth, which was considered a sign of godly approval and there was no room for feelings of class resentment in the Puritan world, because the unequal distribution of goods of this world was seen as divinely ordained in a pursuit of secret ends unknown to men. The wealthy however could never rest in comfort as their wealth would make it harder for them to lead a righteous life (Brouwer, 2002: 87).

It must however be noted that Weber's theory of the Puritan ethic was not specifically focused on entrepreneurship although it applied equally to the professional, the labourer and the business man (Brouwer, 2002). A lot of Puritans in England took up entrepreneurship since they constituted a religious minority (at the time) and so engaging in business was the

only route for social advancement available to them. This has also applied to other religious minorities in history such as the Jews and the Christians who had to be moneylenders in the Ottoman Empire (Brouwer, 2002).

To Summarise:

1. According to Weber the Puritan and Calvinist religious beliefs and practices were conducive for capitalistic growth
2. This is so because Calvinism supported rationality in business matters as it viewed material success as a sign of being blessed
3. An entrepreneur is different from all other people in history and in society due to his/her rational and systematic search of economic gain
4. Weber argued that the development of ‘instrumental rationality’ is a characteristic of the modern entrepreneurial phenomenon and grows slowly and incrementally

3.6 Frank Knight (1885- 1972)

In his major contribution to economics, *Risk, Uncertainty and Profit* (1921), Frank Knight remedied Schumpeter’s disregard of uncertainty and thus laid the foundation for modern finance and organizational theory (Brouwer, 2002: 91). Knight was one of the founding fathers of the famous Chicago School in Economics. He contributed to the debate on entrepreneurship theory by making uncertainty instead of rationality or innovation the central feature of his theory of entrepreneurship (Brouwer, 2002). Knight explicitly distinguished between risk and uncertainty. He argued that the entrepreneur’s economic function is that of bearing real uncertainty and entrepreneurship involves more than arbitrage (Van Praag, 1999: 322).

For Knight a good entrepreneur should be both, a successful uncertainty bearer and a good judgemental decision maker (Brouwer, 2002: 92). The characteristic feature of the society through which the entrepreneur gets her/his role is uncertainty. Unlike risk, uncertainty “comprises a kind of probability for which there is no valid basis at all for classifying instances because it concerns the outcome of a unique event. Hence, judgement should be exercised both for the formation of an estimate and the estimation of its value” (Van Praag, 1999: 322). This real uncertainty is at the core of Knight’s theory of profit, competition and

entrepreneurship. The uncertainty that Knight mentions had been ignored in economic theory before and is borne by entrepreneurs who constitute a special constituency in society (Van Praag, 1999: 322).

Entrepreneurs specialize in handling real uncertainty while other people in society supply them with productive services for which the entrepreneurs provide a fixed payment (Brouwer, 2002). Therefore entrepreneurs are responsible for the uncertainty of changing purchasing power or consumer wants (Van Praag, 1999). Within a society entrepreneurs are accorded the responsibility of economic development, for example advancements in business organization and technology (Brouwer, 2002). Therefore it is very fundamental and beneficial to society that individuals with the most capability are selected to the entrepreneurial position. Entrepreneurial ability also determines the size and success of each business (Van Praag, 1999).

According to Knight an entrepreneur's core function in a company is that of providing direction and control whenever uncertainty arises (Brouwer, 2002). Entrepreneurs exercise judgment effectively, are decision makers and take responsibility for their decisions. These decisions include those of sorting out where, when and what kind of products to create. Good luck and one's good fortune are also requirements for successful entrepreneurship. Knight goes on to state that one's power to effectively deal with uncertainty requires a high degree of power to judge their own personal qualities and their degree of self-confidence (Van Praag, 1999). Entrepreneurial ability also includes "the power of effective control over other men as well as intellectual capacity to decide what should be done" (Knight, 1971: 269).

Knight argues that the availability of enough capital is also an important factor that contributes to one's success as an entrepreneur. If a prospective entrepreneur has the ability and the capital to support his/her business then there is no need to persuade external parties to supply funding. However if the entrepreneur is not rich enough then they have to find external funding by convincing outside parties to sponsor their idea (Van Praag, 1999). The entrepreneur's role is rewarded with profit; this is the reward that they receive for bearing uncertainty. However Knight is of the opinion that an entrepreneur is not only rewarded with profit but also by the prestige of entrepreneurship and the satisfaction resulting from being their own boss (Brouwer, 2002).

To Summarise:

1. An entrepreneur contributes savings to society by bearing the uncertainty; she/he makes decisions for which she/he takes responsibility.
2. Successful entrepreneurship requires the ability to bear uncertainty and also the existence of enough capital to pay the remunerations which she/he has assured.
3. An entrepreneur's services are remunerated by profit, but they are also repaid by job satisfaction and prestige.

3.7 Israel Kirzner (1930-)

Israel Kirzner belongs to the group of entrepreneurship theorists that known as the Neo-Austrians. Most of his ideas were found in his publication of *Competition and Entrepreneurship* (1973). Kirzner made a contribution to entrepreneurship theory by stating that entrepreneurs are the persons in the economy who are alert to find out and to exploit profit opportunities. These alert individuals are the equilibrium forces in the market process (Van Praag, 1999: 325). However a state of equilibrium is in reality never reached as entrepreneurs may have made mistakes in their assessment pertaining to the presence of profit opportunities or they may have totally overlooked these opportunities. The mistakes are translated in turn into new opportunities for entrepreneurial gain (Kirzner, 1973). Successful entrepreneurial engagements also proceed against the background of unplanned changing underlying conditions of supply and demand; such changes alter what needs to be discovered (Van Praag, 1999: 325).

Profit opportunities include making a profit from (a) buying at one place and selling at the other, (b) buying in one period and selling in the other and/or (c) buying inputs and selling modified outputs (Kirzner, 1973). Entrepreneurs are therefore likely to be producers, however according to Kirzner producers are entrepreneurs only if they make discoveries and if they make a profit from these discoveries (Van Praag 1999). According to Kirzner an entrepreneur does not require any special ability or personality to perform their function; a typical entrepreneur could actually hire all the required labour and business talent (Van Praag 1999). Kirzner however states that entrepreneurship requires a very special type of

knowledge: “entrepreneurial knowledge may be described as the highest order of knowledge” (Kirzner 1973: 68).

Entrepreneurs have, more than any other people in society, the ability to learn from mistakes. However successful entrepreneurship requires some additional characteristics which assist in the exploitation of profit opportunities as opposed to discovering them (Van Praag, 1999). As soon as opportunities for financial gain are discovered, an entrepreneur “can capture the associated profits by innovating, changing and creating” (Kirzner, 1973: 67). All these activities require the entrepreneur to possess the additional qualities of leadership and creativeness (Van Praag, 1999).

Entry into entrepreneurship is not restricted to persons who own resources themselves; although a profit opportunity may require the investment of capital (Kirzner, 1973: 49). The funds for starting a business are provided by lenders on condition that the entrepreneur is in a position to pay the necessary interests payments, the entrepreneur is still responsible for some of the uncertainty related to the business (Van Praag, 1999).

To Summarise:

1. According to Kirzner it is the systematic sequence of error (in the entrepreneurial assessment of profit opportunities), profit opportunity, discovery, and correction, which constitutes the market process.
2. This process, in the light of increasingly changing supply and demand, never ceases.
3. The entrepreneur plays a dominant role as the attentive explorer of profit opportunities in this process that is responsible for short-run movement of prices and production decisions, as well as for long-term progress and growth.
4. The entrepreneurial process is also a competitive process in that it relies on the liberty of potential entrepreneurs to enter markets in order to compete for perceived available profits.

3.8 Alfred Marshall (1842-1924)

Marshall is credited as having recognized the necessity of entrepreneurship for production in 1890 in his famous treatise *Principles of Economics* (Burnett, 2000). Marshall asserts that:

“...within the firm, the entrepreneur bears all the responsibility and exercises all control. He directs production, undertakes business risks, he coordinates capital and labour, and he is both the manager and the employer. The alert entrepreneur continuously seeks opportunities, i.e. innovations to minimize costs of a given result” (Van Praag, 1999: 318).

This description by Marshall of an entrepreneur’s role will help this current study as it will give an in-depth understanding of the duties of entrepreneurs in general, as well as of the roles of the entrepreneurs that were selected to participate in this research. Marshall states that there are four factors of production: land, labour, capital and organization. Organization is the coordinating factor, which brings the other factors together, and entrepreneurship is the driving element behind organization (Marshall, 1930).

Analyzing the aforementioned factors and other smaller but related factors in detail will be helpful towards achieving one of this current study’s objectives, which is that of finding the challenges faced by young university graduates in their efforts to successfully engage in entrepreneurship. These factors are at the core of successful entrepreneurial engagement and therefore have to be thoroughly investigated with regards to their impact on young university graduates’ efforts to be successful business people. Through creatively organizing, entrepreneurs create new commodities or improve ‘the plan of producing an old commodity’ (Burnett, 2000). To do this, Marshall believed that entrepreneurs must have a thorough understanding of their industries and they must be a “natural leader of men” (Marshall 1930: 206-207). This statement on entrepreneurs being natural leaders will be very important for this study as it will assist in the effort to find out whether UKZNP’s young graduates have the leadership skills that are required to be good entrepreneurs.

Marshall states that successful entrepreneurship requires special abilities such as intelligence and specialized skills which are rare and limited in supply:

"To be able to bear in mind many things at a time, to have everything ready when wanted, to act promptly and show resource when anything goes wrong, to accommodate oneself quickly to changes, to be steady and trustworthy, to have always a reserve force..." (Marshall 1930: 206-207). This statement shows that entrepreneurs have to be people who are extremely organised and fully able to adapt to any form of change.

These rare attributes depend on family background, education and innate ability (Van Praag, 1999). Marshall adds that good fortunes as well as business opportunities are also required for one to become a successful entrepreneur:

"The opportunity of acquiring the capital required to allow ability to be effectively utilized differs among persons. Anyway people working with borrowed capital have a disadvantage over those who have capital themselves" (Van Praag, 1999: 318). An entrepreneur's son has additional advantages over others when starting a business (Van Praag, 1999).

He has more business skills and opportunities than others because he experiences the proceedings of a real business from a young age. What Marshall mentions here with regards to an individual's background and how it influences a person's entrepreneurial success is quite fundamental to the current study as it will help in the effort to find out the impact that the general background from which a young graduate comes from has on their success as entrepreneurs.

Marshall suggests that people can also be taught to acquire the abilities that are required for successful entrepreneurship. This comment will be helpful for the research's attempt to find out whether entrepreneurship education at the University of KwaZulu-Natal's Pietermaritzburg campus is sufficient in producing successful entrepreneurs among its young graduates. This will also help in the effort to examine whether entrepreneurship can in general be taught to a person even in a non-academic setting.

According to Marshall, profits and standing out at a position of high esteem are the major motives for someone to want to become an entrepreneur (Van Praag, 1999: 319). However

opportunities for entrepreneurs are limited by the economic environment that surrounds them. Additionally, although entrepreneurs share some common abilities, all entrepreneurs are different, and their successes depend on the economic situations in which they attempt their endeavours (Burnett, 2000). Marshall's mention of the effect that the economic environment has on successful entrepreneurship will contribute to this current study in one of its areas of enquiry which is that of how the economic environment in Pietermaritzburg in particular and South Africa in general impacts on the young graduates' entrepreneurial activities.

To Summarise:

1. According to Marshal the economy centres on the class of entrepreneurs.
2. Entrepreneurs drive the manufacturing and distribution process, they coordinate supply and demand on the market, and capital and labour within the firm.
3. Entrepreneurs assume all the risks that are associated with production.
4. Entrepreneurs are cost minimisers and are thus also innovators and the reason for progress.
5. There are many abilities required for successful entrepreneurship and combinations of these abilities are limited in society.
6. Therefore the price of engaging in entrepreneurship is generally high.
7. Entrepreneurial abilities can be taught.

3.9 Comparing and contrasting the theories

Cantillon and Marshall

Cantillon and Marshall both agree that the ability to bear risk is necessary for successful engagement in entrepreneurship. However Marshall argues that the alert entrepreneur should be innovative to minimize costs. He differs with Cantillon on this aspect as Cantillon does not regard innovativeness as being an important function of the entrepreneur. Marshall is also of the opinion that family background and a good education are important in

entrepreneurship; however Cantillon's theory does not mention these factors as being vital for successful entrepreneurship. Cantillon also views the entrepreneur's activities as leading to equilibrium in society; this is not the case in Marshall's theory.

Marshall and Jean-Baptiste Say

Say and Marshall's theories have a number of similarities. Firstly Say and Marshall are in general agreement that the possession of private capital is very helpful towards a good start in entrepreneurship, and those individuals lacking capital would perform equally when they find an opportunity to start in business (Van Praag, 1999: 322). Both Say and Marshall also agree on that knowledge of the industry and occupation increase the probability of success in entrepreneurship. The two theorists are also similar in their assessment of the entrepreneur as a risk bearer. Both of them add managing personnel to the entrepreneurial function (Van Praag, 1999: 328). The major difference between Marshall and Say's theories is that Marshall emphasizes the importance of the impact that family background has on successful entrepreneurship.

Schumpeter and Marshall

Marshall's theory is well-suited with the idea of the entrepreneur being in the position of an independent owner, decision maker and manager of the firm whilst Schumpeter's theory includes employees in the definition of entrepreneurship as, according to him, employees 'carry out new combinations' which business owners have ceased to carry out (Van Pragg, 1999: 327). Schumpeter and Marshall's theories sharply contrast on the entrepreneur's position as a risk-bearer. Schumpeter is of the view that entrepreneurs are not risk bearers as risk-bearing is the responsibility of the banker. This is the opposite of what Marshall says on the matter as he is of the view that entrepreneurs are responsible for risk-bearing.

Schumpeter's theory unequivocally omits the supply of capital from the business of the entrepreneur (Van Praag, 1999: 328). Although Marshall mentions access to capital markets in his theory he assumes that entrepreneurs are able to borrow money easily. He however argues that entrepreneurs working on borrowed capital have a disadvantage as they have to pay an additional risk-premium to the banker (Van Praag, 1999: 328).

Another major difference between Marshall and Schumpeter's theories is that whereas Marshall gives importance to certain abilities related to management, leadership and industry, Schumpeter assumes that successful entrepreneurship depends on a certain attitude and a willingness to show deviating behaviour (Van Praag, 1999: 328).

Marshall and Casson

Mark Casson places judgemental decision making as the central characteristic of a successful entrepreneur. This is closely related to the factors of intelligence and knowledge that Marshall argues are part of what is necessary for successful entrepreneurial engagement. Marshall and Casson also agree that entrepreneurs are responsible for any risk that is related to the business and they have low risk aversion.

However, whereas Casson emphasizes the importance of optimism and self-confidence as the personality traits essential for successful entrepreneurship Marshall argues for abilities related to management, leadership and industry.

Weber and Marshall

Max Weber's theory of the Puritan ethic is an attempt to understand entrepreneurship by analyzing it through a religious lens. This is so because he lived in a theocratic society which existed at the time. Marshall's theory unlike Weber's is not a theological attempt to explain entrepreneurship. However both theories are in agreement on that the obtaining of profit is the reason for entrepreneurial engagement, although Weber's Puritans took up entrepreneurship mainly for the reason of social advancement since they were a religious minority at the time.

Marshall and Knight

Both Knight and Marshall view an entrepreneur as "an independent owner, decision maker and manager" (Van Praag, 1999: 327). The theorists also agree that an entrepreneur is a risk bearer although Knight's entrepreneur is the decision maker whenever uncertainty is involved while Marshall's entrepreneur is the one responsible for undertaking all the business risk (Van Praag, 1999). Both Marshall and Knight include personnel management to the entrepreneurs' task, although Knight did so to a lesser extent (Van Praag, 1999: 328). Marshall describes a capital market in which an entrepreneur appears to be able to easily borrow money. Knight

in contrast describes a capital market which is far from perfect as, according to him, entrepreneurs need enough wealth to pay “production factors their guaranteed remuneration” (Van Praag, 1999: 328). However Knight points out that an entrepreneur can convince a banker to lend him or her capital required to start a business.

Both theorists argue that good luck (Knight) and good fortune (Marshall) can contribute to successful entrepreneurship.

Israel Kirzner and Marshall

The activities of Kirzner’s entrepreneur, unlike Marshall’s, contribute towards the movement of the market to an equilibrium position (Van Praag, 1999: 327). However Kirzner agrees with Marshall on that risk-bearing is an entrepreneur’s responsibility, although uncertainty is central to the activities of Kirzner’s entrepreneur (Van Praag, 1999: 328). Kirzner emphasizes the importance of alertness and foresight and of being able to discover profit opportunities (Van Praag, 1999: 328). Marshall on the other hand gives prominence to certain abilities related to management, leadership and industry (Van Praag, 1999).

According to Kirzner an entrepreneur does not require any special ability or personality to perform their function; she or he could hire all the required labour and business talent (Van Praag, 1999). This is in contrast to Marshall who states that successful entrepreneurs have to be intelligent, should have general ability as well as knowledge of the trade. Kirzner however agrees with Marshall that a very special type of knowledge is required for successful entrepreneurship. Both theorists also agree on the importance of leadership for successful business engagement. However Kirzner goes on to emphasize that creativeness is a quality required for an entrepreneur to gain financially from business opportunities.

Why Marshall’s theory was chosen

Marshall’s theory of entrepreneurship was chosen as the framework to guide this study because it is more holistic than the other theories in its outlining of the factors that determine successful engagement in entrepreneurship. These include the view that entrepreneurs should have intelligence, are risk-bearers, have knowledge of the trade and that a good background contributes to successful entrepreneurship. The theory also adds that

entrepreneurial abilities can be learnt and that the economic environment has a bearing on entrepreneurship, among the many other factors it discusses.

Table 4. Determinants of successful entrepreneurship discussed by the Classic Authors

	Start as entrepreneur	Having success as entrepreneur	Start and be a successful entrepreneur
Cantillon			Alertness and foresight Bear risk
Say	(Sufficient reputation to obtain) capital	Judgment, perseverance, knowledge of the world, business and occupation	Bear risk
Marshall	(Young) risk-lovers	Intelligence, general ability (dependent on family background and education) Knowledge of the trade Bear risk Leadership Own capital	Good fortune Father entrepreneur
Schumpeter	Willingness to start (higher if less alternative opportunity for social distinction, more ambition, energy, creativity)		Leadership
Knight	Ability to obtain capital Willingness/motivation important	Ability to deal with uncertainty: self-confidence, foresight, intellectual capacity	Good luck
Kirzner	Alertness	Creativeness and leadership to <i>exploit</i> profit opportunities	

Source: Van Praag, 1999: 32

3.10 Conclusion

This chapter has looked at the various theories of entrepreneurship. It has described the entrepreneurship theories of Richard Cantillon, Jean-Baptiste Say, Joseph Schumpeter, Mark Casson, Max Weber, Frank Knight, Israel Kirzner and Alfred Marshall. All these theorists have contributed immensely, in their different and at times complementary ways, to explaining the entrepreneur's function in society. However Alfred Marshall's theory of entrepreneurship has been explicitly chosen as the most appropriate theory for this current study on entrepreneurship among young graduates of the University of KwaZulu-Natal's Pietermaritzburg campus.

The reason why Alfred Marshall's theory has been chosen to inform this current research is that the theory is exhaustive on the factors that determine successful entrepreneurial engagement. These include factors such as that an entrepreneur has to have intelligence, should be a risk bearer, have good leadership skills, should have capital, must have knowledge of the trade, and that being from an entrepreneurial background influences successful entrepreneurship, among many other factors. Marshall's theory also states that entrepreneurial skills can be learnt and that successful entrepreneurship is dependent on the economic environment in which one operates. All these factors will be analysed in their potential to influence the chances of successful entrepreneurship among the graduates who are the subject of inquiry in this current study. Marshall's theory of entrepreneurship will therefore provide a framework with which to understand the various challenges faced by young graduates of the University of KwaZulu-Natal (Pietermaritzburg) in their efforts to successfully engage in entrepreneurship.

The next chapter is going to describe the research methodology and methods which have been used in gathering the primary data for this study on entrepreneurial engagement and development among graduates from the University of KwaZulu-Natal.

Chapter four: Research Methodology

“...the validity of scientific claims is always relative to the paradigm within which they are judged; they are never simply a reflection of some independent domain of reality”

Hammersley & Atkinson, 1994: 12

4.0 Introduction

This chapter will describe the method that was used for collecting primary data for this research. The advantages and disadvantages of using qualitative interviews as a method will be explained. The chapter will then proceed to describe the research population for the study, the sampling method used, the method used for the data analysis, ethical considerations in the research and the research constraints experienced.

4.1 Data collection method

For the purpose of finding out more about the challenges that alumni of the University of KwaZulu-Natal (Pietermaritzburg campus) face in engaging in successful entrepreneurship, the research utilised the qualitative method of interviews. Interviews are a systematic way of talking and listening to people and are one of the main ways to collect data from individuals through conversations (Kajornboon, 2005).

The reason why qualitative interviews were chosen as the tool for data collection is that they allowed for the interviewees to respond in-depth on the challenges that they experience in their efforts to become successful entrepreneurs. The research was more interested in the young graduates' in-depth perceptions on these challenges and less in quantitative, representative data. An advantage of using interviews for primary data collection is that the interviewee is “...also invited to comment on the relevance of the questions posed and is encouraged to expand at length on the chosen topics” (Barbour, 2008: 115). An interview guide containing open ended questions on the entrepreneurial experiences of the participants was used for gathering data (see Appendix A). The questions were open ended so as to give the participants the space to express and exhaust their opinions and impressions. The interviews were carried out at the participants' business premises or at neutral venues which included restaurants and the university's Pietermaritzburg campus.

The section below will state more advantages of using interviews as a data gathering method. Some of the problems inherent in using interviews in social research will be highlighted afterwards.

Advantages of using interviews (Sarantakos, 1998: 266-267)

Interviews can be adjusted to meet diverse situations, they therefore allow for flexibility. Qualitative interviews are relatively easy to administer as they do not require respondents to have the ability to read, handle complex situations or long questionnaires. They also give the researcher an opportunity to observe non-verbal behaviour. Such opportunities are obviously not available when questionnaires or indirect methods are used. Another advantage of using interviews as a method for data collection is that they allow for the interviewer to have control over the interview environment as they control the conditions under which questions are answered. Interviews also allow for the correction of misunderstandings by respondents. This option is very important and not available in other forms of data collection such as questionnaires.

Qualitative interviews also allow for the control over the time, date and place of interview. If the information must be collected at a certain time, date or place, interviews offer a guarantee that it will be collected according to the specified conditions. Such a guarantee cannot be given when questionnaires are used. The next section will look at the disadvantages of using qualitative interviews as a data collection method.

Disadvantages of using interviews (Sarantakos, 1998)

A major disadvantage of using interviews is that they are more costly and time consuming than other methods, such as questionnaires. Interviews are also affected by the factor of the interviewer's bias as the researcher's perceptions and opinions may influence the data collected and the research conclusions. Another disadvantage of using interviews is that they offer less anonymity than other data collecting methods as with interviews the researcher knows a lot of information about the respondent. Interviews are therefore not the best method for gathering data on sensitive issues. Many people prefer to write about sensitive issues rather than to discuss them. This might lead to effects of social desirability or dishonest answers.

4.2 Research Population

This research project's target population were young graduates of the University of KwaZulu-Natal's Pietermaritzburg campus who are attempting to or are already engaged in entrepreneurial activity. These were graduates of the Human, Development and Social Sciences and also from the Management department. The reason why the Pietermaritzburg campus was chosen as the geographical area of focus for this study is that the researcher was residing in the city at the time the study was carried out and had already established links with some entrepreneurs who are UKZNP alumni; this made it easier logically to carry out the research (compare chapter 4.7).

"Young" in the context of this research refers to people between the ages of 18 and 35. The targeted research participants were male and female graduates from all racial groups. The initial targeted research population was twenty, however due to the research limitations which will be highlighted later; interviews could only be carried out with ten participants. These consisted of eight male business people and two female entrepreneurs. All participants belong to the black/African racial group in South Africa. The research had also initially set out to hold interviews with academics from the University of KwaZulu-Natal and officials from the Department of Tourism and Industry (DTI) in Pietermaritzburg but this was not possible, the reason for this will also be highlighted later in the research constraints section in this chapter.

4.3 Sampling Method

The non-probability methods of convenience sampling and snowball sampling were used for selecting the participants for this study. Convenience sampling is the technique of building a sample on the basis of finding available individuals (Ruane, 2005), for this research only graduates from the University of KwaZulu-Natal's Pietermaritzburg campus between the ages of 18 to 35 and attempting to or already engaged in entrepreneurial activity were chosen as research participants. The researcher had already established rapport with a few people who fit this profile.

Snowball sampling, which is sampling built upon referral (Ruane, 2005), was also used to identify research participants as the original participants that were identified referred the researcher to other participants whom they were aware of and who fitted the criterion that was being used for obtaining research participants.

4.4 Data Analysis

Thematic analysis is the method which was used for analysing the data. Thematic analysis is “...a method for identifying, analysing and reporting patterns (themes) within data. It minimally organizes and describes your data set in (rich) detail. However, frequently it goes further than this, and interprets various aspects of the research topic” (Braun & Clarke, 2006: 79). This method of data analysis uses codes to bring about the recurring themes that are found within the data. Coding is an attempt to fix meaning, constructing a particular vision of the world that excludes other possible viewpoints (Barbour, 2008: 196). A theme therefore “captures something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set” (Braun & Clarke, 2006: 79).

The following is the process of thematic analysis (Braun & Clarke, 2006: 87): firstly the researcher has to familiarise with the data, this is done by transcribing the data noting down initial ideas. Afterwards the researcher generates initial codes, this is done by coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code. The researcher then searches for themes by collating codes into potential themes, and gathering all data relevant to each potential theme.

The next step is that of reviewing the themes, this is done by checking if the themes work in relation to the coded extracts and the entire data set, generating a thematic ‘map’ of the analysis. Defining the themes is the next step and this is carried out through an on-going analysis which refines the specifics of each theme, and the overall story the analysis tells, this generates clear definitions for each theme. Producing the report is the last step and it offers the final opportunity for analysis. At this stage the researcher selects vivid, compelling extracts, relating the analysis to the research question and literature, and then producing a scholarly report of the analysis (Braun & Clarke, 2006: 87).

The table below is an example of the coding system that was used in analysing the data in this study:

Table 5. Example of Data extract with codes

Data extract	Coded for
It's too much like hard work I mean how much paper have you got to sign to change a flippin' name no I mean we have thought about it (inaudible) half-heartedly and thought no I just- I can't be bothered, it's too much like hard work. (Kate F07a)	1. Talked about with partner 2. Too much hassle to change name

Source: Clarke *et al.*, 2006 cited in Braun & Clarke, 2006: 88

4.5 Validity and Reliability

In qualitative research what is important is validity; if validity is assured as it is supposed to be then the research should be reliable and objective as well (Sarantakos, 1998). Instead of “trying to neutralise the relationship between the researcher and the researched by means of artificial techniques, which is unachievable anyway, one should look for ‘transparency’, which is established by stating openly the course and elements of the research process, and letting others judge its quality” (Sarantakos, 1998: 20).

Since the research study was qualitative in nature it was necessary to make sure that the research design had ‘quality, rigor and trustworthiness’ which would make the results scientifically acceptable (Golafashani, 2003: 597-607). The researcher tested for the research’s validity and reliability by consulting accredited qualitative researchers at every critical step of the research process. However it should be noted that the research is only a good pilot project which can however be expanded to come to conclusions which are more generalizable.

4.6 Ethical Considerations

The research was conducted on people who are legally recognised as adults and are of sound mind and health. However some ethical issues still needed to be addressed. The first ethically related consideration was that of informing the research participants in detail about the nature and purpose of the study at hand. The participants were then informed that they had a right to not participate in the study if they did not want to, and that they could pull out of the study at any point of the research process.

All research participants were also informed that their names, names of companies or organisations would not be used without their permission. Pseudonyms would be used in the case that research participants did not wish to reveal their identities or their companies and organisation's identities. Research participants were also informed that all written, audio or video recordings would not be made and used in ways which are harmful to them. The participants had a right to disapprove or stop the use of any audio and video material made about them.

An informed consent form (see Appendix B) was given to the participants a few weeks or days before the interview. The form explained all the aforementioned rights that the participants had. The participants signed this form and were given one copy of this signed document whilst the researcher kept the other copy.

4.7 Research Constraints

Since this current study was a qualitative study it means that it was prone to some of the researcher's subjective observations of the world. However there was a serious attempt to be as objective as possible and to remain professional throughout this journey of scientific enquiry. The researcher also constantly consulted other scientists to obtain their informed opinions on the study. One big challenge experienced in this research was that of obtaining the exact number of participants that had initially been set out to participate in the study. This was a target of twenty participants. Unfortunately only half the number of participants could be accessed. The reasons for this were firstly that it was difficult in general to access graduates of the university who are now entrepreneurs in the city of Pietermaritzburg. The researcher approached various organisations such as the Students In Free Enterprise (SIFE) but they could not provide a link to these participants. An advert calling for participants was

placed on the university's intranet system (Groupwise) as well as in the *Witness* newspaper but there were unfortunately no responses. When the researcher had indeed accessed some potential participants who fitted the profile (through the snowball effect) it was then a challenge to get them to agree to an interview and for them to actually commit their time to this process. Most of the referrals that were received led to a few participants who were mostly male meaning that there were not a lot of female participants in the study.

It must be noted that the researcher is a male, black foreign national from Zimbabwe and this might have had an impact on the type of participants that were obtained in this study. This is so because only black/African participants were accessed in the study as there were difficulties in accessing participants from the other race groups. Due to the researcher being a foreign national investigating a local issue; the challenges of language (English was a second language for most of the participants) and cultural differences might also have played an influential role in the research process.

Due to time and other logistical constraints the researcher was also unable to have interviews with academics from the faculties of Human, Development and Social Sciences and the Management department at the university. Time constraints also resulted in interviews not being carried out with government officials from the Department of Trade and Industry (DTI) in Pietermaritzburg. The study would have been enriched by these interviews. However, in spite of the aforementioned challenges, the research remains invaluable in seeking to answer the questions that it sets out to investigate.

4.8 Conclusion

For this study the qualitative method of interviews was used in gathering primary data. The major advantage of utilising this method in answering the research question(s) is that it allowed for the collection of rich data as interviewees were given the opportunity to give in-depth comments on the questions posed to them about their entrepreneurial experiences. Interviews also allowed for the researcher to observe non-verbal communication which contributed in answering the research questions. This is not possible with other methods of data collection. However the major disadvantage of using this method for the research question is that the data is not representative for all young entrepreneurs who are graduates of UKZN and those in South Africa in general.

The research population were young graduates from UKZN's Pietermaritzburg campus with management or social sciences degrees. They were sampled and contacted through the non-probability sampling methods of convenience sampling and snowball sampling.

Some specific research constraints occurred, especially the difficulty of getting hold of busy young entrepreneurs for an extensive interview. The researcher's characteristics may also have affected the type of participants in the study. The results that were analysed using the thematic analysis method will be presented in Chapter Five.

Chapter five: Data Presentation, Analysis and Interpretation

“The goal is to transform data into information, and information into insight”

Carly Fiorina (Executive and president of Hewlett-Packard Co. in 1999)

5.0 Introduction

Chapter five will give a comprehensive presentation and analysis of the primary data that were gathered in this research. The chapter will afterwards proceed to give a critical comparative analysis of the primary research and the results from the secondary research.

5.1 Primary research: Interview Guide

The interview guide (see Appendix A) utilised for data collection in this research consisted of 43 open ended questions and some close ended questions. The design of the interview guide was influenced by Alfred Marshall’s theory of entrepreneurship and the research questions that the study intends to answer. The questions in the interview guide were formulated to seek the following information from the research participants:

- The exact nature of the participants’ businesses
- Their motivation for starting a business
- The family backgrounds of the entrepreneurs
- The educational backgrounds of the entrepreneurs
- The challenges that the participants face in their business ventures
- How these challenges are being conquered
- Tertiary education’s impact on their entrepreneurial success
- Entrepreneurship as a possible solution to the problem of graduate unemployment
- Gender and its impact on entrepreneurial success
- The impact of the economic environment on business success in Pietermaritzburg

5.2 Methodology Report

5.2.1 Convenience and Snowball Sampling Methods

Convenience and snowball sampling methods were the two sampling methods that were used in selecting research participants for the study. The target population were graduates of the University of KwaZulu-Natal (UKZN)'s Pietermaritzburg campus who are now engaged in entrepreneurial activities in the city. These are graduates from the Management faculty and the faculty of Humanities, Development and Social Sciences. The Pietermaritzburg campus of the University of KwaZulu-Natal also has students in the faculties of Science and Agriculture, Law and in Education. However graduates from these faculties were not considered in this study due to logistical reasons (see chapter four). The University of KwaZulu-Natal in its entirety is constituted of five campuses, these are; Edgewood campus in Pinetown, Howard College campus, Medical School campus, Westville campus all in Durban and the Pietermaritzburg campus in the city of Pietermaritzburg. These campuses are comprised of a number of academic faculties within them. As a result of logistical issues (which were highlighted in the research methods chapter) the Pietermaritzburg campus was chosen as the campus of focus for this study.

The sampling methods used managed to obtain a sample size of ten participants. The characteristics of this research population will be portrayed in the next section

5.2.2 Sample size and features

The following are the characteristics of the research population²:

Participant 1: Phakamani Shandu (refer to appendix C)

Phakamani is a 27 year old black man. He obtained a Bachelor of Commerce in Finance degree at UKZNP. His company is called Adventure Finance and is in the business consultancy sector in Pietermaritzburg. The main focus of the business is to strategically support Small, Medium and Micro Enterprise (SMME) from the start-up stage. The business has been in operation for two years and it employs three permanent staff.

² All the research participants gave permission for their names and those of their companies to be revealed.

Participant 2: Hlubi Dlomo

Hlubi is a black male who is 27 years old. He has a Bachelor of Commerce in Accounting which he obtained from UKZN. His company is called Biz Acumen and it is in the business consulting sector in Pietermaritzburg. Biz Acumen is particularly focused on SMME business consulting as it assists emerging small businesses to establish themselves. The business is two years old and does not have any employees as Hlubi and his business partner do all the work in the company.

Participant 3: Sipho Zuma (refer to Appendix D)

Sipho is a 28 year old black male. He obtained a Bachelor of Social Sciences degree in Geographical Information Systems (GIS) and afterwards got a Bachelor of Business Management, all at UKZN. Sipho's company is called Mhlaba Mapping and it is in the GIS sector and the manufacturing sector in Pietermaritzburg as it offers GIS services and products. Mhlaba has been in operation for five years and has eleven employees.

Participant 4: Montsooe Pakkies

Montsoee is a 28 year old black female. She has a Masters degree in Policy and Development studies and later obtained a diploma in Management; both qualifications were obtained at UKZN. Montsoee's company is called the Influential Development Centre of Excellence (IDCE) and it is in the skills training and development sector in Pietermaritzburg as the company is in training consultancy. IDCE has been operational for two years and has no permanent employees. Employees are hired as per need when a business contract is obtained.

Participant 5: Christopher Sithole

Christopher is a 29 year old black male with a Bachelor of Business Management degree obtained from UKZN. His company is called Chipmunk Technologies and it is in the Information Technology (IT) sector. Chipmunk Technologies offers computer services and sells software and hardware. The company has been operational for two years and has two employees.

Participant 6: Nondumiso Mtshali-

Nondumiso is a 29 year old black female. She has an Honours degree in Supply Chain Management from UKZNP. Nondumiso's company is called Siyabonga construction. It is in the construction sector in Pietermaritzburg and has been operational for four years. The company has six permanent employees but hires more temporary staff when big contracts are secured

Participant 7: Thembani Madlala

Thembani is a 28 year old black male. He has a Bachelor of Commerce in Finance degree which he obtained from UKZNP. His company is called Capricorn Skills Development Centre and it is in the skills development sector. Capricorn is a skills training consultancy and has been operational for two years. The company employs four permanent employees.

Participant 8: Njabulo Dlamini

Njabulo is a 27 year old black male. He holds a Bachelor of Business Administration degree from UKZNP. His company is called Sphinx catering services. It is in the catering sector as it provides catering services at weddings, funerals, parties, religious ceremonies and graduation ceremonies in Pietermaritzburg. The company has been operational for two years and has eight permanent staff.

Participant 9: Thabani Khoza

Thabani is a 30 old black male. He is a graduate of UKZNP where he obtained a Bachelor of Business Administration degree. His company is called Thabani's Car Sales and is in the car sales sector. The company mostly sells second hand cars in Pietermaritzburg. It has been operational for three years and employs five permanent employees.

Participant 10: Bonginkhosi Dube

Bonginkhosi is a 27 year old black male. He holds a Bachelor of Commerce general degree from UKZNP. His company's name is Aggrandise Business Consultancy. It is in the business consultancy sector as it does general business consulting for clients in Pietermaritzburg. The company has been operational for just over two years and employs four permanent employees.

Table 6. Overview of the research participants

Participant	Gender	Age	Race	Education (University)	Company	Sector	Type	Age of business	No.of employees
Phakamani Shandu	Male	27	Black	B.Com Finance	Adventure Finance	Business consulting	SMME Business support	2 years	3
Hlubi Dlomo	Male	27	Black	B.Com Accounting	Biz Acumen	Business consulting	SMME Business consulting	2 years	0
Sipho Zuma	Male	28	Black	B.Soc.Sci and Bachelor of Bus. Management	Mhlaba Mapping	GIS and manufacturing	GIS	5 years	11
Montsoee Pakkies	female	28	Black	Masters Degree in Policy and development , and Diploma in Management	IDCE	Skills training & development	Training consultancy	2 years	0
Christophe r Sithole	Male	29	Black	Bachelor of Business Mangement	Chipmunk Technologies	Information technology	Computer shop	2 years	2
Nondumiso Mtshali	female	29	Black	Honours degree in supply chain management	Siyabonga construction	construction	Construction company	4 years	6
Thembani Madlala	Male	28	Black	Bachelor of Commerce in Finance	Capricorn Skills Development Centre	Skills Development	Training Consultancy	2 years	2
Njabulo Dlamini	Male	27	Black	Bachelor of Commerce	Sphinx catering services	Catering	catering company	2 years	8
Thabani Khoza	Male	30	Black	Bachelor of Business Administration	Thabani's car sales	Car sales	Car sales	3 years	4
Bonginkhosu Dube	Male	27	Black	Bachelor of Commerce	Aggrandise Business Consultancy	Business consultancy	Business	2 years	4

The table shows that out of the ten participants in the study only two were female entrepreneurs. All participants in the study were between the ages of 27 and 30 and they were all black South African nationals. Research participants in the study had all obtained a

business qualification at the University of KwaZulu-Natal's Pietermaritzburg campus. Even the two participants who had a social sciences background had also obtained qualifications in business management. The oldest business venture in the study was five years old as it was established in the year 2006. Seven businesses out of the ten were two years old; this was also the youngest age for a business in the study. The initial sample population that was targeted for the research was that of twenty participants however due to the challenges of access and also due to time constraints ten participants were the total number of people who participated in the study.

5.2.3 The interview process

The interview guide consisted of 41 mostly open ended questions (see appendix A) which the interviewer asked the research participants. The interview process, although in-depth, was quite flexible as some of the questions were skipped as a result of the responses that the participants had given earlier in the interview. The interviewer also had the liberty to go back and forth through the interview guide as he saw fitting depending on the circumstances of the interview. Interviews were carried out at the participants' business premises or at a neutral venue such as a restaurant. The interview venue depended on the research participants' preferences as well as on logistical factors. All ethical issues were seriously taken into consideration by the researcher.

5.3 Data Analysis

The research arrived at its findings through using thematic analysis as the method for analysing the primary data gathered from the interviews. Thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data; this is done through the use of codes (Braun & Clarke, 2006: 79). How thematic analysis was utilised in this study is highlighted, in the next table, through the use of examples from the actual data analysis process in the research:

Table 7. Response to question on motivation for starting business

Data extract	Coded for
“...first of all it was difficult getting the right job when I graduated. The opportunities in Kwa-Zulu Natal are limited. I think Johannesburg would have been much better, but in KZN there aren’t many opportunities in the finance sector to really express yourself” (Phakamani Shandu, p.2 of interview transcript No.1)	<ul style="list-style-type: none"> • Difficulty of getting the right job • Limited job opportunities in Kwa-Zulu Natal • Not able to develop career in finance sector as wished

The left side of the table shows the data extract that was taken from an interview transcript of one of the participants in the research. The researcher went through the data extract highlighting the most important and interesting responses, these were then coded as shown on the right hand side of the table. This process of coding was done on all the interview transcripts in the section of where research participants were asked about what motivated them to start their business. The researcher then went through all the codes on this question in all the interview transcripts in order to observe patterns which enabled for recurring themes to be identified. The next table will show another example of thematic analysis on participant responses to a different question.

Table 8. Response to question on source of finance

Data extract	Coded for
“I needed money but you must understand; if you don’t have money and you get your first business you always ask for deposit. I worked off deposit. So you basically approach people with your idea and then the rest follows” (Sipho Zuma, p.2-3 of interview transcript No.3)	<ul style="list-style-type: none"> • Asking for deposit (from clients) as a means to overcome financial challenges • Selling good ideas which will lead to money coming in the business

In the table above the researcher went through the data extract (which is on the left side of the table) and then highlighted the sections which were interesting and useful in answering the research questions. These interesting sections were then coded as shown in the right side

of the table. This process of coding was done on all the interview transcripts of the participants so as to enable for the observation of recurring themes in the data.

The next section will outline the findings that were obtained from the research through the use of thematic analysis.

5.4 Findings

Although the research population for the study was only ten participants the research nevertheless produced various interesting findings in the following broad areas: the motivations for getting into business, the challenges that graduates of the university are experiencing in their various businesses, how to overcome these challenges, entrepreneurship education at the university, and the economic environment in Pietermaritzburg and its impact on business. Other noteworthy findings in the data will also be discussed. The themes which were prevalent in the data on the aforementioned broad areas of research enquiry will be highlighted in describing these findings.

5.4.1 Motivation for starting a business

It is noteworthy that most of the participants in the research had started their business ventures not as a result of the inability to find a job after graduation but due to them not being happy with their perceptions of the types and quality of jobs that they were getting and also the remuneration that they were receiving from the jobs. Only two of the participants said they got into business because they couldn't find a job after graduating from university. Dissatisfaction with their post-graduation immediate employment was one of the main reasons why most of the participants started their own businesses. This is highlighted in the following data extract:

“...I got interviews from the banks, for ABSA, did the interview for SARS but once they tell you the package, at those times in 2006, they were talking R4000 a month and I think...(inaudible)...I think because in Pietermaritzburg is not a high income environment especially in the private sector so there were the challenges that pushed me to start my own business” (Thembani Madlala, p.2 of interview transcript No.7)

Another major factor which emerged in the data as influencing the research participants' decision to establish their own business was that of the need for one to become their 'own boss'. Most of the participants highlighted that they established their own businesses because they wanted the freedom to make their own decisions and to determine their own futures.

This need for self-determination through entrepreneurship is highlighted in the following data extracts:

"I've always thought myself as an entrepreneur, one. I've always wanted to go out there and try things for myself. I don't do well in situations where I have a boss over my head" (Njabulo Dlamini, p.4 of interview transcript No.8)

"In life either you are born the follower or a pioneer. You just have to find out which one you are. That's why business doesn't work for others and for others it does. I'm a pioneer this is why I started this business" (Montsooe Pakkies, p.3 of interview transcript No.4)

The need to create jobs for unemployed people in the community emerged as one other factor which had an influence on the research participants' decision to establish their own business. Most of the participants felt they had an obligation to contribute to the development of their societies and the country by using their business as mechanisms for job creation. This is highlighted in the following data extracts from the interview transcripts:

"I'll tell you what my biggest motivation was; the mere fact that I wanted to employ as much unemployed people as I could. There is nothing as sad as seeing people begging for jobs, especially the men you see when you are driving through the streets. So my ambition is to employ people then society is improved" (Bonginkosi Dube, p.3 of interview transcript No.10)

"I think for our country to get out of the high poverty and unemployment situation that we are in it's through SMME development, to have a system where we develop small entrepreneurs. This is why I became an entrepreneur..." (Hlubi Dlomo, p.2 of interview transcript No.2)

5.4.2 Challenges experienced in business

The research participants revealed that they experienced problems in the process of establishing their businesses; they are also experiencing other challenges now that their businesses are operational. The following are some of the challenges which recurred throughout the interviews:

Financial challenges- Most of the participants identified access to finance as a major obstacle that they faced when they were trying to establish their various businesses. The participants had trouble in getting start-up capital from banks or other funding institutions. Sometimes

their applications for funding were rejected and at other times it took a very long time for them to obtain loans. The reason given by most of the participants for why they had difficulties with obtaining capital was that of their lack of surety for the loans. A lack of sufficient experience required by financial institutions also hindered the young entrepreneurs' access to capital.

Some research participants also mentioned that they still experience problems with finance even now that their businesses have been operational for a while. The negative effect that a lack of adequate finances can have on a business' operation is highlighted in the following data extract: "...we need an overdraft facility whereby if there is a client who says I'm looking to establish a B&B in Newcastle can you guys come through, that is a cost. If you don't have anything in your bank account you can go to your bank manager and say: "Can I have an overdraft facility of R6000" he'll say no. So access to finance is actually the biggest challenge" (Bonginkosi Dube, p.5 of interview transcript No.10)

An interesting finding in this study however was how participants said they overcome the challenge of a lack of access to finances in their various businesses.

Most of the entrepreneurs in the study said that they overcame their initial financial challenges, when they were still establishing their businesses, through asking for a significant deposit on a service or product from the first clients they obtained. This deposit would then be used to cover the business' operational costs. The participants argued that good ideas will eventually bring in the required money for the business to operate smoothly and to grow. Another way in which some of the research participants said they overcome financial challenges is through working in tandem with established companies in similar fields who offer some operational assistance to the young entrepreneurs' emerging companies. Family and friends were also mentioned as being important in assisting young entrepreneurs with their business financial requirements.

The young entrepreneurs in this study expressed the opinion that private funding institutions should make it easier for young graduates and young people in general to access the funds that they require for business creation. The participants also said that they wish government institutions such as the National Youth Development Agency (NYDA) would be more effective in assisting young entrepreneurs in overcoming financial challenges.

Administrative challenges- One of the most prominent themes to emerge from the interviews is that of the administrative challenges that almost all research participants faced when they were trying to establish their business ventures. The participants experienced challenges in trying to register their businesses officially with the Companies and Intellectual Property Registration Office (CIPRO). For most of the participants this was a very long and demanding process. The research participants also mentioned that opening a bank account was a difficult task which took long to accomplish. The following are some data extracts which highlight the participants' thoughts on the impact of administrative challenges on the businesses of aspirant young entrepreneurs: "I think it's still tough for graduates to get into business because of all the red tape that is around. There is a lot of knowledge in these students, only if we could use it. But in South Africa it will take you an average of 6 months to register a business and to open a bank account. That process should take two weeks..." (Hlubi Dlomo,p.6 of interview transcript No.2).

"Admin was difficult. You know CIPRO is a headache, I don't know now, the banks, opening up your account takes the whole day. You gotta go to SARS afterwards. And if you are going to be doing business with the government you have to register on the KZN treasury database, and then you gotta register on the...municipalities... (Inaudible)... I'm telling you it's a nightmare" (Christopher Sithole, p.4 of interview transcript No.5)

The generally held view among all the research participants was that administrative processes in South Africa really need to be improved if the SMME sector is to grow and if entrepreneurship is to be promoted successfully in the country.

Growth challenges- The research participants also mentioned that they had problems in establishing their business brands. Getting potential clients to know about their products and services was difficult in the early stages of their businesses and still remains a problem for these young entrepreneurs. Most of the participants said that they used 'word of mouth' as the first means for marketing their businesses. Only two of the participants had websites that advertised their businesses. The data excerpts below illustrate this:

"...establishing your name is difficult. People only want to deal with you once they know your name. I didn't have enough money to put adverts in the newspapers and so I had to use 'word of mouth' as the means to market my business" (Sipho Zuma, p.4 of interview transcript No.3)

"At the beginning you find one or two people, I don't know if it's out of desperation, but they'll be like do my work, you do their work very well and they will spread your name, that was my marketing strategy" (Nondumiso Mtshali, p.5 of interview transcript No.6)

The research participants also generally viewed established older businesses in the city as giving them, as young entrepreneurs, heavy competition which is making it difficult for their small businesses to grow.

Management challenges- All research participants highlighted business management as a major obstacle to the success of their entrepreneurial ventures. The participants mentioned the challenge of managing business finances as a big problem since they often had difficulties in separating their business accounts from their personal accounts. Time management was another challenge that some participants brought up as affecting their business performance. Another issue that came up was that the young entrepreneurs experienced a high staff turnover as their employees were often offered higher paying jobs by bigger companies. The young entrepreneurs could not afford to match these higher salary offers and so they lost valuable employees. One other major management challenge that the participants faced in their businesses were clients who did not pay. This had a negative impact on their businesses' operations and growth. The entrepreneurs sometimes had to take legal action against such clients. This all led to insecurity in planning.

Most of the entrepreneurs in the study said that they were taking other management courses at colleges to improve their management skills. They also often consult more experienced entrepreneurs or their peers in business on how to solve their management problems.

Age as a factor- The participants in the study were between the ages of 27 and 30, and the majority of the businesses were two years old and were owned by entrepreneurs who are twenty seven years old. This could suggest that successful entrepreneurship mostly occurs in the late twenties. This is a period when most people are mature and know exactly what they want out of business and life in general. However this relatively young age of the participants can be a challenge when they are trying to engage with older people or established companies. This is so because some people do not take these young entrepreneurs serious

due to their age. Many participants in the study reported that they often had to go out of their way to prove that they are competent in business despite their age.

Gender and business- Although some male participants highlighted the view that women had an advantage in business due to Affirmative Action policies and due to them being women, most of the participants were of the view that women had a tougher time in business as compared to their male counterparts. They argued that women always have the pressure to prove themselves capable in business and that they often experience the challenge of having to look after their children and also their families due to the existing cultural norms in society. Below are two data excerpts from the interviews, the first one is of the opinion that women are advantaged in business and the second one is of the opposite view and it's from a young woman owning a construction company, a very male dominated field:

"To be honest I would think that a woman has more of an advantage in business especially when dealing with individuals and if decision makers are predominately male. So if a female counterpart, which I have seen many in the business consulting industry, get opportunities most times it's because they get better access, if you ask for a meeting with a municipal manager for example you might have a hard time securing it because you are a male but a lady will not have the same difficulty" (Phakamani Shandu, p.6 of interview transcript No.1).

"It is very difficult to be a woman in the construction industry which is a male dominated industry. You always have to prove that you are as good as the guys or that you are actually better. I get people's respect in this industry by being competent, showing them I know what I'm talking about and then do a good job" (Nondumiso Mtshali, p.5 of interview transcript No.6)

The two female entrepreneurs in this study said that they generally faced the challenge of people doubting their business skills just because they are women. They however said they overcome this challenge by quietly proving themselves good in business through being competent and always trying to perform better than their male counterparts. The aforementioned challenges faced by women in business could be one reason why the researcher had more difficulties finding female participants for the research population as it is highly possible that there are more male entrepreneurs who are alumni of the University of KwaZulu-Natal's Pietermaritzburg campus than there are females.

5.4.3 The impact of family background on entrepreneurship

The family background of the participants came out as one major factor determining successful entrepreneurship. Eight out of ten participants said that they were from a middle class family background and this has had a positive impact on their entrepreneurial performance. Coming from families which are financially stable has assisted these entrepreneurs by giving them the space to venture into business. This is so because young people from middle class families are usually better positioned when it comes to owning the resources that are required for successful business engagement. These entrepreneurs are also under less pressure to contribute financially to their families' income as compared to young entrepreneurs from less privileged family backgrounds. As one research participant put it in explaining the impact that coming from a middle class background has had on his entrepreneurial performance: "...my family being the people that they are, I'd say that having them has actually assisted me in the sense that they can back me up financially if I'm struggling, one. Two, because we are a middle class family there is less burden on me to feel that I have to give back home, because if you don't have that weight on your shoulders you can explore in business, however if you come from a family where you have to give back you can't do the same because of the expectancy at home" (Hlubi Dlomo, p.4 of interview transcript No.2)

The two participants who came from less privileged family backgrounds said that it had been very hard for them to start in business due to their unfavourable financial situation. However coming from humble beginnings had taught these entrepreneurs resilience and to work hard to achieve their goals. The following is what one participant said regarding the impact of their underprivileged background on their entrepreneurial performance: "...I would rather crash when I'm young than crash when I'm old. You would rather start badly when you are young because then you would know where you are coming from. You'll know how hard it is to make a penny. For me the hard times have shaped me and I'm still young" (Montsooe Pakkies, p.5 of interview transcript No.4).

Family background also influences entrepreneurial performance in that some entrepreneurs from a young age can learn about business if they have other family members who are already entrepreneurs. All the participants in this study said that they had learnt about business from members of their family. Whether it was from working in a family construction company or through selling vegetables on the street when they were younger these entrepreneurs had learnt at first-hand about business and this had assisted them with their current entrepreneurial engagement.

5.4.4 Personality traits in business

All research participants raised the point that successful entrepreneurial engagement by young people requires certain personality traits. The participants raised the following characteristics as being important for successful entrepreneurship: having a strong and stable character, being creative, having flexibility, good managerial and leadership skills. Young entrepreneurs also have to possess good communication skills and decisiveness. They have to possess economic and financial management skills which will assist them in running their businesses. Strategic thinking is another attribute that young entrepreneurs have to have as they often have to make decisions that determine the future of their business ventures.

The participants pointed out that for young entrepreneurs to succeed they have to be resilient and must be able to persevere since there is often a high level of insecurity in the world of business. Knowledge of legal issues was also said to be very important as young entrepreneurs should have an understanding of the law involved in the sector that they intend to engage in or are already doing business in. Marketing skills were also raised by the participants as being relevant as they enable for the creation of products and services required by various markets and also for making the targeted market know about and interested these products.

A combination of the aforementioned skills is what the participants stated as being required for a young person to become a successful entrepreneur and so in general it does not seem to be easy for a young person to successfully engage in business. According to the participants in this study, becoming a successful young entrepreneur requires a mixture of certain character traits that not everyone possesses to the same extent. Therefore entrepreneurship might not be a general solution to graduate unemployment but rather a promising opportunity for a few. One of the participants in the study highlights the need for diverse skills in entrepreneurship and how it is difficult for many people to engage successfully in entrepreneurship: "You see entrepreneurship requires focus and direction as well as patience. You need to know how to start the business and how to manage it as well as grow it. It's not easy and so only a few of us can do this thing" (Thabani Khoza, p.5 of interview transcript No.9).

5.4.5 Impact of Area of study on entrepreneurship

Eight of the participants in the study had a business management background as they had obtained their university qualifications in the field. However the two participants (Sipho Zuma and Montsooe Pakkies) with an originally social sciences background had also later obtained qualifications in business management. There were no major differences between the business challenges faced by participants with a social sciences background and those with a management background. All participants, despite their initial field of study, had almost the same challenges in registering their business, obtaining finance, managing their business and growing the business.

In this study there were no major differences in business success between participants with a social sciences background and those with a management background; it must however be noted that the social sciences participants in this study had also later obtained management qualifications. In fact the participants with a social sciences background both strongly advised that anyone in the social sciences field wishing to start a successful business should also do some management studies. The level of business success in the study relied largely on the type of business chosen, the financial situation and the personality traits of the entrepreneur.

The two female participants, one with a social sciences background and the other with a business management background, both reported facing the challenge of gender based discrimination in the predominantly male business world.

5.4.6 Entrepreneurship education at UKZN

One of the main questions that the research sought to answer is that of the impact that entrepreneurship education at UKZN's Pietermaritzburg campus has on the entrepreneurial performance of its graduates. The participants in the study, who are graduates of the university, were asked on their perceptions of the education that they received from the university and how it has assisted them in their current business ventures. They were also asked questions about where they think the entrepreneurial education at the university is being effective and the areas in which it is lacking, and also how they think these areas may be improved (refer to appendix A).

The study revealed interesting findings as all participants generally agreed that the entrepreneurship education being given at the university is helpful in imparting graduates with basic knowledge about the world of business, however most participants were of the opinion that although entrepreneurship education at the university cannot completely escape from being theoretical it should actually lean towards being more practical. This according to the participants is one of the main ways in which the university can produce more successful entrepreneurs from its graduates.

Most of the participants also felt that university education is designed more towards creating employees than it is towards creating entrepreneurs. They thought that some reforms should be introduced in the university curriculum if it is to result in the promotion of successful entrepreneurship among university graduates. The following data extracts highlight some of the participants' perceptions about entrepreneurship education's impact on their current entrepreneurial engagement:

"...I believe universities are training in such a way that you are supposed to work, to fall in an employment system, it's only a few people who take exactly what they are doing at university and go out and establish their own business. But in the greater scheme of things I think university education helped otherwise I wouldn't be here if I hadn't gone through tertiary...so it helps to be a graduate in that your knowledge is much broader than the average person who is in business" (Hlubi Dlomo, p.5 of interview transcript No.2)

"I did a B.Com in Finance degree which helped me a lot in terms of me understanding the overall direction in which a business is supposed to take. But it was mainly geared towards already established businesses and corporations and using those case studies of high turnover companies which is different to a start-up company. I don't think there was an emphasis on entrepreneurship itself and the different components of

entrepreneurship in the degree that I studies; otherwise it did help a lot" (Phakamani Shandu, p.5 of interview transcript No.1)

"I think it (university education) was limited. The big emphasis at the university is on getting employment, that was the big push, in terms of how you can get suitably employed. It was creating employees than to say entrepreneurs. There wasn't that much of a buzz in terms of them creating a suitable environment that even students can become entrepreneurs whilst they are still studying. There wasn't much support that I remember specifically to entrepreneurship" (Nondumiso Mtshali, p.5 of interview transcript No.6)

When asked about what they think should be done in order to improve entrepreneurship education at the university so that it produces more and successful entrepreneurs the following are some examples of the suggestions made:

"...we have an entrepreneurship course at the university; I think it's light. I think that course should be mandatory; everyone, no matter what degree, should take that course. The course should be implemented at first year because with everything that you are doing afterwards your mind will be open, as much as you are studying the accounting side, the marketing side or the social sciences side your mind will be open to see the entrepreneurial side of things" (Njabulo Dlamini, p.6 of interview transcript No.8)

With the above comment the participant is calling for entrepreneurship education to be made compulsory for all students no matter what they are studying at university. The course, the participant argues, should be introduced at first year level. This will make all students have an understanding of entrepreneurship and could result in the production of more entrepreneurs from the university as students start business ventures in the areas that they specialised in at university. An example of this in the study is that of Sipho Zuma who studied Geographical Information Systems (GIS) a social science discipline and later also studied business management; he now owns a company that offers GIS services.

"... I think more emphasis when it comes to case studies and entrepreneurs instead of cooperates. I think a bigger emphasis on African entrepreneurs to understand that if we are going to keep studying big business or American cooperates it doesn't necessarily reflect the entrepreneurial reality on the floor. So if there is a bigger emphasis somewhere in the syllabus on always going back to entrepreneurship from an African perspective of course that would inspire more people to look at it as an option rather than something to be done when unemployed" (Christopher Sithole, p. 5 of interview transcript No.5).

Here the participant is saying that the curriculum needs to be reformed so that it focuses more on entrepreneurship and not big cooperates and that there is need for a more local approach by focusing on local case studies which students can relate to more easily.

"They (students) need practicals, guys have to actually go out there and experience it whilst they are still at university. You can't just have experience as in just that you have written a thesis. They need practicals, you have to learn how it is to run a business, to feel hard sweat, people screaming at you, and that's your staff because you don't have enough money to pay them. I think should be put in these practical business situations and they are assessed on their performance there" (Sipho Zuma, p. 5 of interview transcript No.3)

Here the participant is expressing the view that there should be more practical entrepreneurial projects in the university curriculum. Students will manage these business projects and will be assessed on how they perform in these projects. This, according to the participant, is one way in which the university can produce more successful entrepreneurs.

"I think they should have like mentors, example like myself; other guys who have left university and are now entrepreneurs, come back and actually speak to the guys, tell them what it is, they'll tell them where to save, what is tax deductible etc. Guys who are knowledgeable about business. But you don't get to be taught that at university, I had to learn all that the hard way. I mean how can someone have a Masters degree and not know how to claim tax, when you can't fill out a tax form" (Phakamani Shandu, p.6 of interview transcript No.1)

In the comment above the participant is proposing that the university makes use of mentors who come to the university to teach students about entrepreneurship. These mentors will be entrepreneurs operating businesses and who have experience in business. The best mentors would be alumni of the university who have been in the same situations that current students are in and therefore have an understanding of the university system. This might also motivate students to want to become entrepreneurs. The use of mentors can therefore aid in the production of more successful entrepreneurs from the university.

5.4.7 The economic environment in Pietermaritzburg

All participants' businesses operate on a local level in the city and are therefore not directly affected by changes in the national economy. Pietermaritzburg can be categorised as a small economy which is not very much diversified in terms of the products and services that are offered there. This, according to the participants, is a disadvantage for young entrepreneurs as the economy is run by a few big corporations. This makes it difficult for aspirant young entrepreneurs to find opportunities to start businesses. However as some of the participants mentioned; the city is in the process of developing and therefore new business opportunities arise as a result. Almost all participants held the view that entrepreneurship development in the city needs to be promoted through the local government, making the city more attractive to investors. This would grow the middle class in the city and as a result aspirant young entrepreneurs would have more opportunities to enter into business since this growing middle class would require new products and services.

The following data extracts outline most of the participants' thoughts on Pietermaritzburg's economy and its impact on entrepreneurship development:

"With Pietermaritzburg first and foremost you find that it's not dynamic, it's very established companies that have been here for years that continue to survive and exist in the city so you don't find a whole lot of different kinds of companies. Like you'll find only three, four advertising companies that dominate Maritzburg or five or six construction companies that dominate. So there are very limited in terms of industries where you can find opportunities. That being said though there is a lot of development happening in Maritzburg so there are some opportunities like in the industry that I am, because of the fact that we are dealing with SMMEs and growing companies and not much established companies that is an opportunity as well because we have our own different market which caters for the local communities" (Phakamani Shandu, p7 of interview transcript No.1)

"I think we need to develop the middle class in the city. We also need to encourage investment so we have more people out of the poverty situation. The government needs to be the one leading the economic development of the city by encouraging development. This is how my business will develop, when we get more people with improved incomes" (Sipho Zuma, p.7 of interview transcript No.3)

5.5 Comparative Analysis and Interpretation

5.5.1 Graduate entrepreneurship

Although most of the participants in the research did not become entrepreneurs because they couldn't get employment after graduation, but because they were dissatisfied with the jobs that they obtained or they just wanted to be independent, they agreed that entrepreneurship can offer employment to university graduates who are unemployed. This is in line with what Fairlie (2005: 223) notes when he says that "...interest in micro-enterprise programmes has been spurred by arguments from academicians and policy makers that entrepreneurship provides a route out of poverty and an alternative to unemployment or discrimination in the labour market". The notion of young people getting into entrepreneurship because of the need to be independent and to earn more money is highlighted by Alfred Marshall in his theory of entrepreneurship when he mentions that profits, and standing out at a position of high esteem are the major motives for someone to want to become an entrepreneur (Van Praag 1999: 319).

There was consensus among the research participants that entrepreneurship can contribute immensely to the development of young people's lives as well as lead to the general economic development of the country. This view is congruent with what van Praag and Versloot (2007: 33) observed when they mention that through being involved in business young people are saved from unemployment and if their business start-up is successful it will lead to the creation of further employment therefore reducing the unemployment rate of a community or country.

5.5.2 Attributes of entrepreneurs

The participants raised the point that young entrepreneurs have to have certain characteristics, skills and knowledge if they are going to succeed in business. Baron and Markham (2003: 41) agree with this notion as they are of the view that when personally interacting and negotiating with business partners, (young) entrepreneurs need self-assured behaviour and social adaptability which are necessary requirements for them to gain bargaining power. Young entrepreneurs must have good leadership and managerial skills and must also have knowledge of entrepreneurship (OECD 2001: 81). According to Marshall's theory of entrepreneurship the attributes required for successful entrepreneurship depend on family background, education and innate ability. Marshall suggests that people can be

taught to acquire the abilities that are required for successful entrepreneurship (Van Praag, 1999: 318). The research participants agreed that a few are born with the innate ability to be successful entrepreneurs, however certain entrepreneurial skills can be learnt by those not born with entrepreneurial abilities. This means those entrepreneurial skills and attributes, which can be taught, should be integrated strategically into the entrepreneurship education curriculum.

5.5.3 Financial challenges

Chigunta (2002: viii) mentions that in general there are a few micro-finance institutions specifically targeting the youth and so the youth are generally an underrepresented group when it comes to access to credit. This is very true of South Africa where young people face challenges in obtaining capital for their business start-ups. Their lack of sufficient experience and collateral makes it hard for them to access credit. All participants in this current research highlighted that they experienced financial challenges when they were starting their businesses and that they still experience challenges with finances even now that their companies are somewhat established. However, what was interesting to note is the ways in which the young business people overcame the problem of access to finance.

The entrepreneurs in this research mentioned that they managed to get business finance at the beginning of their various businesses by marketing their ideas and services to potential clients through ‘word of mouth’ and then asking for a deposit from the clients. This deposit would then be used to cover the operational costs of the business. One other way in which the young entrepreneurs overcame their financial challenges was that of partnering with bigger, well established companies who assisted them with some operational requirements.

5.5.4 Administrative challenges

Although South Africa is doing relatively fine when it comes to administrative support to potential entrepreneurs as the country was ranked number 44 out of 183 on the World Bank’s ‘Doing Business Report’ for 2010 in the sub-category of ‘starting a business’. A prospective entrepreneur has to overcome at least six legal procedures within an average period of 22 days to register a new business (World Bank, 2010). However the entrepreneurs in this study expressed the view that the government should still make it easier for aspirant entrepreneurs to register their companies. This would contribute immensely to entrepreneurship development among young people in South Africa. Opening a bank account for a new

business was also said to be difficult, research participants wished this process would be made easier. The participants also strongly recommended that the entrepreneurship education curriculum in South Africa should incorporate practical issues such as how to deal with administrative hurdles when starting a business.

5.5.5 Management challenges

According to Chigunta (2002: 6) many young entrepreneurs have little or no business management skills and abilities when they start their operations, they therefore have inadequate or non-existent financial records and this has a direct negative impact on the performance of their business. Although the young entrepreneurs who participated in this research generally have a lot of management abilities some of them said that they faced the challenge of separating their private finances from their business finances. Financial discipline was another challenge for some of the participants. Most of them, although university educated, said they were taking management courses at other colleges so as to improve the way they run their business and making them more successful.

5.5.6 Gender discrimination in business

In a study on immediate employment according to gender Moleke (2005: 7) found that there were small differences between gender groups. The total for males who gained immediate employment was 62, 3% compared to 57% for females. Female graduates however face many challenges in the world of business. These include: competition from well-established male entrepreneurs, lack of accurate information, lack of support, lack of finance for expansion, a perceived lack of a risk-taking predisposition, domestic commitments, and stereotypes among other challenges (Kibas, 2005). The female entrepreneurs in this study said they often have to confront negative stereotypes from men in business. They often have to prove themselves capable of being successful to be taken serious in the world of business. The female participants in this study are not married and they do not have children. They however were sure that they will have a challenge to balance between their business and family when they get married and have children. The female entrepreneurs hope that they would marry husbands who would be supportive of their entrepreneurial engagement. This shows that there still exist old gender stereotypes about the role of the woman in the family even if she might be economically more successful than the husband.

5.5.7 Government support for entrepreneurship

Fielden *et al* (2002: 56) argue that most entrepreneurs in South Africa do not have knowledge of existing government support mechanisms or how to access them. This was confirmed by participants in this research who mentioned that they had difficulty in accessing government support for entrepreneurs. They thought that government institutions such as the National Youth Development Agency (NYDA) were not being effective in assisting young aspirant entrepreneurs and that this had a negative impact on entrepreneurial development among young people in the country.

There was consensus among the research participants that the local government in Pietermaritzburg should improve the economic environment in the city by welcoming investors therefore resulting in economic development which would improve the chances of success for young people's business ventures. In his theory of entrepreneurship Alfred Marshall highlights the impact of the economic environment on entrepreneurship when he says that although entrepreneurs share some common abilities, all entrepreneurs are different and their success depends on the economic situations in which they attempt their endeavours (Burnett, 2000). This means that the South African government needs to work harder in ensuring that there is more support for young entrepreneurs in the country as the support that is currently in place is inadequate. The government should also thrive for increased local level investment which will lead to increased entrepreneurial development among young people.

5.5.8 Curriculum reform

Most of the participants in the research were of the opinion that reforms must be introduced to the university curriculum so that entrepreneurship education can become more effective. Their opinion is that as it stands entrepreneurship education at the university, although helpful, is rather theoretical and should be reformed so that it becomes more practical. As Kirby (cited in Ndedi, 2006: 4) says; entrepreneurship programmes in South Africa "...often equate entrepreneurship with new venture creation or/ and small business management education 'about' entrepreneurship and enterprise rather than educating 'for' entrepreneurship. Only rarely, the focus is on developing skills, attributes and behaviour of the successful entrepreneur". Education 'about' entrepreneurship is mainly based on the creation and dissemination of knowledge about the field, while education 'for'

entrepreneurship focuses on learning experiences and the development of competences, skills attitudes and values (Postigo & Tamborini, 2002: 2).

From the participants' perspective entrepreneurship education at the University of KwaZulu-Natal's Pietermaritzburg campus is mostly 'about' entrepreneurship and should become 'for' entrepreneurship if it is to be more effective in producing successful entrepreneurs from its graduates. Klandt (1993 cited in Jesselyn & Mitchell, 2005: 4) mentions that for educating 'about' entrepreneurship in particular the following methods are normally used: consulting services by students and researchers whereas educating 'for' entrepreneurship involves using techniques such as: practical work, writing business plans, working with entrepreneurs, videos, role playing games and joining a student's entrepreneurial club.

According to the current research's participants the University of KwaZulu-Natal's Pietermaritzburg campus needs to implement the methods utilised in educating 'for' entrepreneurship as this will lead to more graduates becoming successful entrepreneurs. Although UKZN's Corporate Relations Alumni Affairs unit has entrepreneurship training and a jobs skills workshop for recent graduates in place, its limitations are in that it is a bi-annual two day affair and it only caters for a few graduates, it also does not cater for current students, even those in their final year of university (www.ukzn.ac.za).

5.6 Chapter summary

Chapter 5 has given a detailed description of the research method utilised in gathering primary data for this study. This is the method of an interview guide containing mostly open ended questions. Ten participants who are young alumni of the University of KwaZulu-Natal's Pietermaritzburg campus and who are now entrepreneurs constituted the research population. This group consisted of eight male and two female participants all between the ages of 26 and 30, and doing business in the city of Pietermaritzburg. Interviews with these participants revealed some interesting findings after the primary data were analysed using the method of thematic analysis. Firstly it was interesting to find out that most of the research participants did not start a business due to the inability to find a job but as a result of either not being satisfied with the jobs they obtained or out of their desire to be independent. Some of these participants said they had started a business as a means for them to contribute to

economic development in their communities as their companies offer employment opportunities to unemployed people.

All research participants faced financial challenges when they were starting their businesses as banks and other financial institutions would not easily lend them start-up capital due to their lack of collateral and experience. The participants however mostly overcame their financial difficulties by being creative as they asked for substantial deposits from their first clients. Some also worked in partnership with bigger established companies as a means to cut costs. The research participants however thought that private and public financial institutions should be more effective in assisting young entrepreneurs with easier access to business start-up capital.

Administrative challenges were another difficulty that the young entrepreneurs in this study faced when they were attempting to register their companies as well as open accounts for them. The participants thought that the government should make it easier to register companies and that banks should make it easier for young people to engage successfully in entrepreneurship.

Growing their businesses was also a big challenge for the participants in the research as they had problems with getting clients and establishing their brands in general. They mostly used ‘word of mouth’ as the primary means of marketing their businesses. Competition from older established companies and high entry barriers were also mentioned as hindering the development of the participants’ businesses.

Most of the participants highlighted that they had some problems with managing their businesses. This is because they experienced challenges with separating their business accounts from their personal ones. They also experienced a high staff turnover. Time management was also a challenge for some of the participants.

Female participants in this study reported that they had problems with being taken seriously by their male counterparts in business. They felt that they were under constant gender-based pressure from men to prove their capabilities.

Family background was found to be an important factor which determines entrepreneurial success among the participants of this study. Coming from an entrepreneurial and financially

stable family is an advantage for a young person who wants to become an entrepreneur. Aspirant young entrepreneurs from poor backgrounds have a harder time trying to establish a business due to their lack of financial support from family members and friends. However this background of hardship instils the traits of resilience and hard work in business. The participants also mentioned that successful entrepreneurship requires certain personality traits which not everyone has but some of these traits can be learnt.

Most of the participants said that entrepreneurship education at university gave them the basic knowledge that they require for successful entrepreneurship but still required some reforms to make it more effective. These, according to the participants, would include the use of mentors, giving students practical business projects and making entrepreneurship education compulsory for all students.

The participants thought that entrepreneurship development would improve in the city if the local government created the conditions which encourage investment in Pietermaritzburg. This would lead to more economic development and ultimately entrepreneurial development as more opportunities for business engagement would resultantly arise.

Chapter Six: Conclusion

“It is often said that science must avoid any conclusions which smack of the supernatural”

Michael Behe

This study has attempted to investigate the challenges which young graduates of the University of KwaZulu-Natal’s Pietermaritzburg campus face in their attempts to successfully engage in entrepreneurship. The reason for this has been to try to get a better understanding of these challenges in order to search for solutions which might make it easier for more graduates to become entrepreneurs. The impact that entrepreneurship education has on successful entrepreneurial engagement among young university graduates was also one major area of investigation as an inquiry was made to assess the level at which entrepreneurship education is effective in producing successful entrepreneurs among graduates. The aforementioned investigations were done as an effort to establish the feasibility of entrepreneurship as a solution to the challenge of rising unemployment among university graduates at UKZN and in the country in general.

An extensive literature review was used for collecting secondary data, and primary data were gathered through interviews with ten UKZN (Pietermaritzburg campus) graduates who are now engaged in entrepreneurship. This was all done to answer the research questions (refer to chapter 1). The next section gives a summary and interpretation of the major research findings in this study.

6.1 Summary and Interpretation of key findings

An interpretation of the primary data interestingly shows that most of the university graduates in this study got into self-employment due to dissatisfaction with the jobs that were available to them post-graduation, or due to their need to be independent. Some of graduates also became entrepreneurs as a result of their desire to contribute to socio-economic development in their communities since their businesses create employment for the unemployed. The data shows that only a few graduates in the study became entrepreneurs due to not finding employment after university. This might suggest that the inability to obtain

a job has not been a major factor contributing to graduates' choice to become entrepreneurs. It must however be noted that the results from this study are not representative of all UKZN graduates and therefore it is impossible to generalise on university alumni's position regarding entrepreneurship. The qualitative data in this study can rather be used for a first in depth analysis of the challenges young entrepreneurs face today. It would be interesting to verify the results of this study with a quantitative approach which would enrich the investigation.

The evidence from the primary and secondary data points towards the notion that entrepreneurship, if developed properly, can be a possible solution to the challenge of increasing unemployment among graduates in South Africa. However a lot of factors influence successful entrepreneurial engagement among university graduates. These factors include, but are not limited to, the personality traits of the graduates, the skills of the graduates, the family background, the political environment and the education and general knowledge of the participants as well as the economic environment.

As can be expected the study revealed that university graduates who are aspirant entrepreneurs often face challenges relating to access to business start-up capital (due to their lack of collateral and work experience), registration of their companies, opening a bank account, financial management, human resources management, marketing their businesses as well as competing with older established companies. Female graduates also experience problems in the business world as they are often discriminated against because of their gender and have to work extra hard to succeed in the still widely male dominated business world. Most graduates in this study generally felt that government institutions designed to assist emerging entrepreneurs such as the National Youth Development Agency (NYDA) were not effective in carrying out this mandate and need to be reformed. These challenges need to be addressed if more young graduates are to successfully engage in entrepreneurship.

The research participants in this study felt that although the entrepreneurship education they received at the university gave them a basic understanding of business it still needed some reforms to make it more efficient in producing an increased number of successful entrepreneurs. These reforms include the inclusion of practical projects, working with mentors who are already (young) entrepreneurs, having a localised, African approach which

moves away from a focus on large corporations, and making entrepreneurship education compulsory for everyone at university at the first year level.

Entrepreneurship could indeed be one of the major ways in which the challenge of graduate unemployment could be addressed at UKZN and in the whole country. If developed properly, entrepreneurship among young university graduates could contribute immensely towards ending the problems of unemployment and poverty as young entrepreneurs create jobs for themselves and for others. However successful entrepreneurship among graduates requires a combination of individual personality traits, good business skills, intelligence, a good economic environment, supportive social environment, the right education as well as a supportive political environment. This means that it is generally not so easy to engage in successful entrepreneurship and therefore not every unemployed graduate can become a successful entrepreneur.

6.2 Recommendations

Entrepreneurship education reform

In order to effectively reform entrepreneurship education at the University of KwaZulu-Natal and at other higher education institutions in South Africa there is a need to learn from other countries with similar socio-economic circumstances and with similar attitudes towards entrepreneurship but who have made efforts to reform entrepreneurship education at their universities making it more effective in producing more successful entrepreneurs. The University of San Andrés' Karel Steur Chair in Entrepreneurship (KSCE) in Argentina is one good model of effective entrepreneurship education that produces successful entrepreneurs (see Appendix E). South African universities could adopt best practices from tertiary institutions like the University of San Andrés which are making reforms that make entrepreneurship education more effective in producing successful entrepreneurs.

Support for SMMEs

Although the South African government is making efforts to improve its technical and financial support for small and medium enterprises more still needs to be done to develop this sector. The government has to increase its cooperation with financial institutions and the private sector in general so as to enhance the development of the SMME sector (Ramaphosa, 2012). More efforts have to be made by the government to reduce the regulatory challenges faced by SMMEs as the cost of compliance with labour and business regulations is a major barrier to SMME growth. The government as well as the private sector have an important duty to play in improving the market access for SMMEs (Ramaphosa, 2012). Many SMMEs have difficulties in obtaining contracts from the government and cooperates, who favour larger, established businesses (Ramaphosa, 2012). Through reforming their procurement criteria and supply chains the corporate sector and the government could make an important contribution to the development of SMMEs (Ramaphosa, 2012). All this could lead to more young people and others in general to successfully engage in entrepreneurship in South Africa.

6.3 Future research

Since this study only focused on graduates' perceptions on entrepreneurial challenges and entrepreneurship education future research should try to find out what university lecturers and deans as well as other stakeholders including government think about entrepreneurship education and how best to transform it to enable for the production of a larger number of successful entrepreneurs from universities in South Africa. This study was a qualitative one and therefore it only obtained qualitative data. A quantitative study which tests the results of this current study would be complementary and invaluable in the achievement of more generalised findings on entrepreneurship among university graduates.

Future studies could also have bigger sample sizes; this might produce different results to those which were obtained in this current study. Future research might also be done on a national level as the current study was only carried out in Pietermaritzburg. The current study is however very useful for identifying the challenges faced by young entrepreneurs in South Africa and offers possible solutions to these challenges.

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Appendix A: Interview guide



Interview guide for young graduate entrepreneurs of the University of Kwa-Zulu Natal's Pietermaritzburg Campus

Part 1: General Information

1. Age:
2. Sex:
3. Educational background (university degree(s)):
4. Company name(optional)*:
5. Year of founding:

Part 2: Specific Information on Business

1. What is the nature of your business?(area of activity/ one man business or partners/number of employees and their duties)
2. What motivated you to start the business? (social, economic, political issues/friends and family circle/lack of employment/desire to be self employed etc)
3. Is this the first business that you have established/been involved in? If not what was/is the nature of your previous/other business (es)?
4. What was your source of finance for establishing your business?
5. How long did it take you to establish the business and break even?
6. How many people do you employ in your business?
7. Where do you operate your business from?
8. What difficulties did you face while starting up the business?
9. What current challenges do you face now that you have established your business?
10. How long has your business been running?
11. What are your future plans for the business?
12. What decision would you make with regards to your business in the case that you were offered an attractive employment opportunity?
13. How adequate is the money or other returns you get from your business in fulfilling your basic needs? (e.g. food, rent, transport, reinvestment e.t.c)

Part 3: Personal background of the entrepreneur

1. What sort of family background are you from?
2. How has your family background affected your ability as a successful business person?
3. Where you involved in any business activity when you were growing up? (e.g. running family shop)
4. Was there or is there anyone from your family or among your friends engaged in business, and what sorts of business were they involved in?

*Participants have a right not to reveal the name of their company, pseudonyms could be used instead

5. How do you think having/not having someone in your family or among your friends engaged in business has impacted on your ability to become a successful entrepreneur?
6. How have these friends contributed to your business?
7. In what ways, if at all, has your family and friends supported your business?

Part 4: Tertiary education and its impact on successful entrepreneurship

1. How do you think your University education at UKZN has helped you in becoming a business person?
2. What do you think about the education and training given at UKZN with regards to its ability to create entrepreneurs?
3. In what ways, if at all, do you think the education at UKZN can be improved to produce good entrepreneurs?
4. In what ways do you think the university should be assisting its graduates in their goal of becoming successful business persons?
5. In your own opinion, what in general should be done to assist young graduates to become successful entrepreneurs?
6. What skills do you think you obtained from the University which make you a good entrepreneur?
7. What more skills would you need to obtain to be more successful with your business?

Part: Gender and its impact on entrepreneurship

1. In what ways do you think your gender has impacted on your entrepreneurial performance?
2. What problems, if any at all, do you face in your business as a result of your gender?
3. How do you overcome these challenges?
4. In what ways do you think women can be encouraged and supported to succeed in business?

5. What in your opinion are the chances of female graduates succeeding in business in comparison to their male counterparts?
6. To what extent has your family been supporting you as a woman in business?(applies to female research participants)
7. How effective do you think government institutions and programmes are in supporting women in their business ventures?

Part 5: Economic environment

1. How do you think the economic environment in Pietermaritzburg and in South Africa in general impacts on your current business?
2. How can the economic environment be improved to make your business more successful?

Appendix B: Informed Consent Form



Project title:

An investigation into the problems faced by young University of Kwa-Zulu Natal graduates in their efforts to engage successfully in business

Project Aims:

1. To find out the challenges that young business people who are graduates of UKZN are facing in trying to be successful in business
2. To find ways to help these young business people to become successful in their various businesses
3. To find out these graduates of the University received the right education that helps them in becoming good business people

Names, affiliations and contact details of researcher:

Kudzai Mtero

Masters in Community Development candidate

School of Social Work and Community Development-Howard College

University of KwaZulu Natal

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Phone number: 0730846872

Independent contact person:

Professor T. Xaba

Head of School of Social Work & Community Development

Howard College

University of KwaZulu Natal

Email:xabat@ukzn.ac.za

[Tel:\(031\)260-1085](tel:(031)260-1085)

Explanation of how you were chosen for the study:

I have known about your business activities and found you appropriate for participating in this research/a colleague of yours who is also a graduate of the University of KwaZulu Natal and who is also a young business person referred me to you/ I have been referred to you by an organisation that is aware of your business activities

Explanation of what is required from you (as someone who has agreed to participate):

As a willing participant in this research you are required to go through an interview with me and to respond to the questions that I will ask you (note that you have a right not to answer). The interview is designed in a very interactive manner so as to make it interesting as well as making it able to gather important information. The interview will be carried out at a place of your choice and convenience so as to prevent any discomfort on your part. The interview will be carried out for a period of not more than one hour. The interview will only be conducted once, however, it is highly unlikely, but I might come back to interview you again at a later time if there are any areas that might require further clarity from you.

Potential benefits of participating in the study:

The potential benefits to you for your participation in this study are limited, however ways of assisting you in your current or future business ventures may be found during the study. It is important to note that the study is highly likely to benefit future young entrepreneurs who are graduates of the University as well as other young entrepreneurs in South Africa in improving the success of their business

Payments or reimbursements of financial expense to subjects

Research subjects in this study will not incur any financial expenses as the interviews to be carried out are free and will be done at the participants' business premises or other place of choice which doesn't require them to use any money

Use of any written and or video recordings

All written, audio or video recordings will not be made and used in ways that are harmful to the participants or their companies or organisations. The participants have a right to disapprove or stop the use of any audio and video material made about them. This may be done at any time of the research process

How and when gathered data will be deposited

Gathered data will only be deposited after the dissertation has been passed by the University and after the findings have been published in recognized journals. This will be done by deleting the files

on the computer that contain the interview transcripts, the index cards used for data analysis will also be cut or burnt

Statement of confidentiality or anonymity

When a research participant does not want their name or names of their businesses to be revealed for whatever reasons then the use of pseudonyms will be implemented. I assure the research participants that their identities will not be revealed if doing so may lead to the participants experiencing any form of harm or discomfort

Decision not to participate- not a disadvantage

Participants must be aware that they do not face any disadvantages by choosing not to participate in this research

Withdrawal from study

It is very important for you to understand that you can pull out of this research at any time you so wish to do so. It is your right to stop participation in this right at any stage of the research process.

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in this research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

NOTE: Potential subjects should be given time to read, understand and question the information given before giving consent. This should include time out of the presence of the investigator and time to consult friends and/ or family

Appendix C: Profile of participant- Phakamani Shandu



The image shows the homepage of Adventure Finance's website. The header features the company logo 'Af' in a stylized font, followed by 'ADVENTURE FINANCE' and the tagline 'Community & Business Development Project Facilitation, Training and Mentorship'. Below the header, a green banner displays the words 'IMMERSE', 'DEFINE', 'DEVELOP', 'IMPLEMENT', and 'SUPPORT' in a sequence. The main content area has a green background with white text. It includes sections for 'VISION', 'SERVICES', 'HUMAN RESOURCE', 'APPROACH', and 'FUNDING PROGRAMMES AND INSTITUTIONS THAT COULD ASSIST YOU'. A photograph of Phakamani Shandu, a man in a suit, is positioned next to the 'HUMAN RESOURCE' section. The footer contains contact details for the registered office in Pietermaritzburg, a disclaimer about the document being a draft, and a note that it is powered by ZINOMAAR.

ADVENTURE FINANCE

BEGIN THE JOURNEY TO SUCCESS

Adventure Finance is a boutique consultancy dedicated to providing quality cost effective business solutions, tailored to SMMEs and other stakeholders throughout the economic landscape. Our mission is to form a long term business partnership with our clients, this we see as an adventure in achieving the best real business financial results through changes in the economic scenarios. The primary focus is growth and sustainability of the various businesses we service. Through Adventure Finance, SMMEs increase their human resource pool and knowledge base while remaining cost effective.

VISION

Our vision is to become the leading consultancy in providing business management support to SMMEs and individuals, achieved through providing the largest repository of business knowledge and resources.

SERVICES

TRAINING & MENTORSHIP
Adventure Finance has a number of training modules that are designed to improve output and understanding of business disciplines. These modules are for both employees and employers alike as they give a more in depth understanding of business principles. The company also facilitates business development courses and workshops for the purpose of empowering aspiring entrepreneurs to be self sustainable and efficient.

PROJECT FACILITATION
A large number of businesses and community projects fail due to a lack of planning. 'Fail to plan and plan to fail'. This quote can never be too true and Adventure Finance ensures that our clients are well prepared for any event or project. Comprehensive project schedules allow our clients to focus their energies on their core business and put their trust in a well planned schedule facilitated by our experienced staff.

BBBEE CONSULTING
Government has put pressure on industries to be compliant with their BBBEE policies. Adventure Finance Consulting works with businesses to maximise their BBBEE scoring, improve their profile and increase business opportunities. With extensive knowledge on BBBEE legislation, the company simplifies this ever evolving process for our clients to maximise results.

BUSINESS DEVELOPMENT
A business plan should form the cornerstone of every business as it is essentially a decision making tool to guide the strategy and management of the company.

A business plan is important for two reasons:

- o It gives stakeholders an assessment of the business and its composite elements as well as setting a road map for the future.
- o It helps businesses grow internally and is essential in securing external funding be it a bank overdraft, business loan, or any other form.

With the extensive resource of Adventure Finance, it gives the company the ability to produce quality documents that evaluate and map out the future growth of a company.

HUMAN RESOURCE

Adventure Finance is managed by Phakamani Shandu, a graduate from The University of KwaZulu Natal School of Business, holds a Bachelor of Commerce Degree in Finance, Economics and Marketing. He has years of experience in working with a number of companies in training, financial planning and business development. He also has a Diploma in Project Management among other qualifications that enable him to add substantial value to various business enterprises.

Adventure Finance emphasises passion, qualification and energy. This combination means our clients get motivated, reliable staff that produce the highest quality service.

Adventure Finance prides itself with recruiting the best young minds driven by entrepreneurship and community development. Quality assessments are continuously done to maintain the standard that Adventure Finance has come to be known.



APPROACH

Adventure Finance recognises the tremendous pressures and challenges that are faced by today's SMMEs. Our philosophy is based on listening and understanding our clients' needs and offering the right solution for your business at a price that is affordable.

FUNDING PROGRAMMES AND INSTITUTIONS THAT COULD ASSIST YOU

- Development Bank of South Africa
- Business Partners
- Ithala Development Bank
- Cooperative Incentive Scheme (CIS)
- Export Market and Investment Assistance (EMIA)
- Industrial Development Corporation (IDC)
- National Empowerment Fund (NEF)
- Public Investment Corporation (PIC)
- Kagiso Rural Equity Fund

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Appendix D: Profile of participant- Sipho Zuma

THE WITNESS

The ties that bind

26 Nov 2007

Andrea Arbuckle

Sipho Zuma and Karen Shone (née Aitken) are co-owners of Pangolin Manufacturing and Mhlaba Mapping. Their families have been close-knit Zuma's entire life. In 1983 Margret Zuma was hired to be the nanny for Sarah Aitken, Shone's younger sister. A year later Sipho was born. As children, Sipho learnt Western etiquette and English at the Aitken dinner table while Karen absorbed Zulu traditions, including phutu consumption and stokvel negotiations, at "Ma" Zuma's kitchen fire.

While attending Sweetwaters Primary School, Sipho was teased as the "twanging white boy" due to his impeccable English. He soon swapped schools to attend Laddsworth and later Carter, paid for by the Aitken household. Even though he was one of the first black pupils at these schools, he did not feel stigmatised and his cocky, devil-may-care personality left no space for insecurities.

After matriculating, Zuma studied business management and geography at the University of KwaZulu-Natal. He survived his first year by supporting himself through cricket coaching and working as a waiter. Athol Aitken then "came through" for Zuma with a two-year bursary from Aitken's business, Bostrade Marketing.

Having graduated, Zuma began working for Bostrade, which manufactures protective clothing for the forestry industry. He started on the lowest rung, sweeping floors, lifting heavy things and taking quick chocolate reconnaissances.

Shone, 10 years Zuma's senior, had by this time worn out five or six brooms, developed serious arm and back muscles and worked her way up through her father's business. She joined Bostrade in 1996 having studied public relations and her first company vehicle was an all-weather, third-hand 125cc motorbike.

Aitken, in anticipation of his retirement, began to increase both Zuma's and Shone's responsibilities during the course of 2006. "Sipho's loyalty, commitment to the family and vision for the business kept him with us, even when he got huge offers from other companies," says Shone proudly.

When the Zuma-Shone partnership bought the protective clothing division of Bostrade earlier this year, Pangolin Manufacturing was born. "The endemic, enigmatic pangolin has perfected personal protection by curling up into a scaly ball — we are into personal protection and the scaly ball represents the chain and teeth of a chainsaw," says Shone.

Buying his own business was not enough, so the ambitious Zuma enrolled for honours in environmental science. His expertise in GIS (geographic information systems) and quantifying data has allowed the two partners to diversify. The new entity is named Mhlaba (meaning world or Earth) Mapping.

An important lesson in business partnership came about during Pangolin's image makeover, which included repainting the factory.

"Orange! Bright, imposing orange! We both thought the other had their heart set on orange as the colour to paint the factory," says Zuma. An orange patch was painted as

inspiration on the side of the building but for months that orange patch stared at them, daring them to paint or confront. One day Shone “innocently” inquired after Zuma’s favourite colour. When Zuma replied that it is green, Shone whooped with relief as she confessed her choice to be green, too. That day a green patch dwarfed the orange patch and the entire Pangolin staff was marched outside to cast their vote. It was unanimous. A week later the factory, situated in Mayor’s Walk, was transformed into such a luminous green building that it has been nicknamed “The Hulk”.

A simple lesson, painted in broad strokes of green and orange, etched itself on to their brains: “Communicate honestly and openly at all times!”

“Our staff drives everything. Without them, where would we be?” Zuma says, explaining their attitude towards employees. One innovative morale booster Zuma and Shone have implemented is a monthly physiotherapy session for all the Pangolin staff members. This is designed to help offset any repetitive stress symptoms from sewing.

Other upliftment projects, still in the pipeline, include an adult education centre which teaches English and basic skills and a community project utilising all fabric off-cuts.

And so the Zuma-Shone ties continue to strengthen through business, family and communication.

Article available at:

http://www.witness.co.za/index.php?showcontent&global%5B_id%5D=693

[Accessed: 16 November 2011]

Appendix E: The University of San Andrés' Karel Steur Chair in Entrepreneurship (Postigo, S & Tamborini, MF. 2002)

ENTREPRENEURSHIP EDUCATION IN ARGENTINA: LESSONS FROM THE EXPERIENCE OF UNIVERSITY OF SAN ANDRES.

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ABSTRACT

This is an unedited research about the development and the state of education in Entrepreneurship in Argentine universities. It also presents the pioneering experience of teaching in the first endowed chair in Argentina and South America the University of San Andrés. The objectives are to show the didactic and pedagogical model, the teaching methods and describe the evolution of students among entrepreneurial attitudes. The paper concludes by discussing the future of Argentina's educational system and the impact of the Karel Steuer Chair in Entrepreneurship on the entrepreneurial spirit of students at San Andrés.

Introduction

Academic and community organizations have undertaken to train entrepreneurs capable of revitalizing both the local and national economy by creating jobs (Béchard & Toulouse, 1998). This growing interest is a reflection of the significant increase in the offering Entrepreneurship courses of at North American and European universities in past decades (Vesper & Gatner, 1997; Fiet, 1998). One of the reasons is that education is one of the many ways by which the entrepreneurial spirit can be fostered, and there is increased consensus that it is important to incorporate Entrepreneurship to university programs. This consensus undoubtedly has to do with the positive effects that the emergence of new enterprises has on economic development, employment, and the dynamics of business activity.

In Latin America, the educational system has not contributed to the development of skills that encourage entrepreneurial spirit, or so it seems (Ussman & Postigo, 2000). Argentine universities are no exception. A recent study (Kantis, Angelelli & Gatto, 2000) demonstrated that Argentine society neither promotes nor values an entrepreneurial career, and that the educational system does not generate skills or competencies of entrepreneurs. Graduates lack entrepreneurial mentality, given that the education they receive as well as social expectations are, oriented towards employment and promotion. Nevertheless, throughout the last decade, this tendency has begun to change.

WHY TEACH ENTREPRENEURSHIP AT UNIVERSITY LEVEL?

We suggest, like Klandt (1993), "that entrepreneurial capabilities are not inborn but can be learned, and therefore assume that they may be enhanced or developed by a guided learning process". But, what are the implicit purposes of Entrepreneurship education? Authors such as Varela (1997), Korurilsky (1995), and Veciana (1998), amongst others, present the following: a) to legitimize entrepreneurship and develop an entrepreneurial culture with the purpose of fostering economic growth; b) to change attitudes towards the entrepreneurship function, the entrepreneur, and the entrepreneur's image among students; c) access to the "make a job" option; d) to develop and stimulate the entrepreneurial skills, producing in the mid and long term, a generation of new and better trained entrepreneurs, well informed about when, where,

with whom, and how to start a new business; e) to prepare students for a dynamic labor market f) to contribute to the development of intrapreneurs and; g) to produce knowledge by research in this field of study.

Considering these objectives, the field of Entrepreneurship Education can be, according to the distinction made by Laukkannen (2000) in Education “about” Entrepreneurship and Education “for” Entrepreneurship. The first is based on the construct and transference of knowledge about the field, while the second focuses on the learning experience and the development of competencies, skills, aptitudes and values (Ussman & Postigo, 2000). Therefore, the teaching methods used in each of these areas are not the same. Veciana (2002) states that education will be an increasingly needed but insufficient condition for the creation of new ventures, and emphasizes that empirical evidence reveals a positive relationship between formal education and venture success. In this regard, the author explains that the failure rate for new ventures created by individuals with low levels of education is almost 80 percent, while the rate for ventures created by graduate students is well under 20 percent.

According to Laukkannen (2000), the introduction of entrepreneurial education at the undergraduate level can be understood as a strategic response of universities and business schools to a more demanding environment and to the on-going evolution of societies that makes entrepreneurial capabilities and action increasingly useful, even necessary. From a more global perspective, Kourilsky (1995) states that the economic growth of countries will hinge on the ability to create new jobs through entrepreneurship. In any case, there are a number of difficulties when trying to focus education towards entrepreneurship that rise from the existing differences with a type of education that we can describe as generic or management oriented.

We can conclude that education is a genuine and useful tool to stimulate entrepreneurial spirit. The available evidence on the positive relationship supports the introduction of entrepreneurship courses into academic curricula. Such courses are all the more important in Latin American countries where education clearly does not foster entrepreneurial spirit, and where the creation of new ventures that generate employment and economic development are urgently needed.

ENTREPRENEURSHIP EDUCATION IN ARGENTINA

An important change has been taking place in university education in Argentina since the 1990's.

This change can be observed in both private and public universities, and consists of an increase in academic offerings and a changed perception of the role of universities as generators of qualified labor, as agents that influence and contribute to the development of the environment. We also note that this description is an initial exploratory study that will provide us with an overall picture but without the complete and detailed information that an in-depth nation-wide analysis would require.

In Argentina, approximately, 33% of the public universities and 20% of the private ones are engaged in some activity related to Entrepreneurship in some of the two areas: education “about” Entrepreneurship and “for” Entrepreneurship. Now, it would be interesting to determinate the variables involved in the emergence of entrepreneurship at Argentine universities, but unfortunately this is beyond the scope of the present paper. Still we can mention the variables that seem most important in order to help us understand ongoing changes. Among the most relevant factors, the growing unemployment rate and five years of economic stagnation have increased the demand for entrepreneurship education. At the same time, senior students get their degrees but have unfavourable chances of getting a job suited

to their skills and requirements. Thus, they are forced to consider independent projects that will give them the opportunity of developing a professional career. In addition, big firms are increasingly recognizing the value of having individuals with entrepreneurial profiles on their staff. Academic interest in this field has collaborated to accelerate the development of this phenomenon. The global trend of encouraging the creation of new ventures that began in the 1980's has been present in Argentina as well. Other factors that have probably been of great importance are the emergence of the new economy and the traditional process of reproducing what leading international universities do in terms of entrepreneurship, at the domestic level. In conclusion, these were the factors that enabled the emergence in the last ten years of entrepreneurship in the traditional educational system of Argentine. The educational system at the university level has come to reconsider its role due to the requirements of the environment. This transformation is evident in the development of the discipline of entrepreneurship, especially in universities oriented towards business or engineering.

KAREL STEUER CHAIR IN ENTREPRENEURSHIP (KSCE)

This section presents the pioneering experience of teaching in the first endowed chair in Argentina and South America at University of San Andrés. Reporting on this kind of experiences is a very useful exercise that contributes to the debate on how entrepreneurship education can be improved (Mason, 2001). San Andres University's objective has been to provide an education based on leadership, social responsibility and entrepreneurial attitude since its foundation. It seeks to encourage the development of an entrepreneurial spirit and culture that enables the emergence of new enterprises. A recent study (Grau Baena, 2002) shows that 71.5 % of the students in this university want to start their own businesses.

Courses, seminars and other activities developed in the area of entrepreneurship go back to 1997 at which time relevant information was gathered and the pedagogical model of the project began to be designed. Commitment to the project was strengthened with the creation of the KSCE in 2000.

The main objective of the chair is to foster the entrepreneurial orientation and social conscience of students, who have to be capable of identifying opportunities, developing new projects, assuming risks, and acquiring an ethical commitment with their society. Contrary to other universities in Argentina, San Andrés has an integrated academic program on entrepreneurship. This means that students from every undergraduate orientation have the possibility of developing their entrepreneurial potential since their first year. This academic track has been conceived to match a four-year degree. It includes three units in an obligatory first year course, two special seminars, and three electives. This integrated program establishes a solid and complete academic offering for undergraduates.

In relation to the institutional positioning the KSCE is independent from the Department of Business. It does not have the rank of other academic departments but it nonetheless reports directly to the Academic Dean. This institutional status relates to the purpose of the program, which is to foster the entrepreneurial spirit of all students throughout different orientations and not just among business majors. The financing of its activities is also independent thanks to the support and contribution of a donor; thus becoming the first nominated program in South America. The teaching staff includes: three full-time university professors with academic orientations in the area of entrepreneurship, an average of three internationals visiting professors every year and a group of executives in residence. An executive assistant coordinates five student interns, and a teaching assistant in working with the full-time professors helps with on-going research projects, papers, and the guidance of students working on their senior theses related to the discipline.

Outside the university, a group of entrepreneurial alumni help with the writing of case studies and mentor student projects. Finally, the chair has a support network for its activities consisting of entrepreneurs with and without college degrees. The entrepreneurship program is structured according to two groups of activities: a) Academic Development, and b) The Entrepreneurship Center.

a. Academic Development

Didactic Model: The general objectives, the teaching objectives and the specific objectives of the program are based on the model present by Béchard & Toulouse (1998). In brief, the Karel Steuer Chair of Entrepreneurship's Model feet's an Entrepreneurship awareness and business creation program by identifying and defining the following teaching objectives: the entrepreneur's personality traits, cultural forces, technical expertise, visionary process, and stages of business creation. To reach this pedagogical target some objectives have been set in this group of concepts: knowledge, abilities, attitudes, values, motivation, intuition and social skills.

Academic Program: All of the courses are one-semester courses. Except for the units included in the "Introduction to Business" course, which is obligatory for first year students in all majors, the rest of the courses and seminars (Social Entrepreneurship, Creativity and Innovation, Finance for entrepreneurs and Business Plan and Venture Creation) are electives therefore, these classes don't have a captive audience and their success depend on students' interests and appropriate promotion.

Research Program: The fields of study developed by the program's on-going research are: Entrepreneurship education, Corporate entrepreneurship, Social entrepreneurship and Venture capital and financing.

Local case study writing unit: The purpose of this unit is to develop case studies of local entrepreneurs. The writing process implies the active participation of the entrepreneur.

Teaching Methods: Different methods are used to teach the courses in the academic track. The most popular are: lectures, entrepreneurs as guest speakers, case analysis, discussions, writing business plans, working with entrepreneurs (mentoring), and the senior thesis. It is a top priority of the program that students develop real experiences, such as having contacts with entrepreneurs, facing complex situations, learning through problem solving, and being capable of making decisions under uncertainty. The teaching process is based on "active learning" and "problem based learning".

Profile of students: Although the program has a detailed track record of every student that participates in activities and courses organized, we will present the results only for the "Business Plan & Venture Creation" course. The course objective is to guide students in the development of their ideas and business plans. Through teamwork, students have to design a business development plan for a particular start-up project. The course is one semester long, and is given twice a year. It consists of two lectures and one tutorial a week, a total of six classes hours per week. The average number of students attending the course each semester is thirty-five.

b. Entrepreneurship Center

The program wasn't conceived to exclusively contribute to the development of entrepreneurial skills among students. This second area of the model is the link between the academic world and that of "real entrepreneurs". The relationship between the two is important for the dynamism of the model, and benefit, the learning process as well as the evolution of the pedagogical process. In this area, twelve annual conferences about entrepreneurship are held that, specifically target for the local community. The purpose of these conferences is to generate a forum for discussion and to promote entrepreneurship by highlighting its relevance, its potential, and its current situation.

Once a year, a special event called "Entrepreneurs' Day" (E!Day) is organized. This event consists of inviting a group of heterogeneous number of entrepreneurs on one same day to talk about their "life experiences". This activity contributes to an early stimulation of entrepreneurial capacities and encourages students to identify several entrepreneurial models. Complementary activities in this area are also being developed to achieve a better offering of courses and to strengthen the network and alliances of the program. These activities include: open seminars jointly organized with other universities, courses to develop entrepreneurial skills among non-professionals, special conferences, an executives in residence program, and a small unit of strategic support for start-ups.

As mentioned before, except for the units included in the "Introduction to Business" course, the rest of the courses and seminars are elective. Then, the "Business Plan & Venture Creation" course has to compete with elective courses offered by other departments and enrolment depends exclusively on student interest. The program must promote its activities on campus to inform and capture student attention. Results show that students learn about the existence and content of the course through announcements and signs posted on bulletin. In terms of the tools provided, the experience of having to present their Business Plan to potential investors, and the effect of the course on decision to start a business, the understanding of Entrepreneurship, and respect for entrepreneurs. Approximately sixty percent of the students believe the course augmented their interest in creating their own business, over fifty-five percent said the course developed their capabilities, their confidence to start something up, and their ability to detect opportunities.

The most relevant results concerning career path preferences can be summarized in the following:

- a) according to both surveys approximately fifty percent of the students intended to attend graduate school, at the beginning and at the end of the course, b) the preference of students to work on a big company has decreased at the end of the course, c) fifty percent of the student are thinking about create their own business after graduation, while at the beginning of the course only thirty percent considered this option, g) the previous rate rises considerably when the option corresponds to create their own business after working a few years elsewhere, h) eighty percent would like to spend some time working abroad, i) an important number recognize that employers do not provide jobs for life anymore (approximately 50%), j)

Finally, a surprising one hundred percent of the students were open-minded about creation their own ventures. This question sought to elicit student's perceptions of their chances of becoming entrepreneurs. The percentages are similar before and after the course. This could be due to two reasons: first, the economic and social context in Argentina; and second, the challenge of obtaining financing. We must take into consideration that the students had to present their BP to a panel of potential investors.

Entrepreneurs in Argentina don't really have a positive image. That is why we mentioned the need to legitimize the entrepreneurial career. It is important to promote successful local ventures so that society in general and students' in particular can relate and identify themselves with entrepreneurs. The results show that students image of entrepreneurs before taking the course was very close to the general negative perception of entrepreneur. This can be seen in answers converge to the extremes (strongly agree or strongly disagree). The results after the course show a more equal distribution.

Regarding student intentions to create their own ventures, we found that around thirty percent want to create their own venture immediately after graduating. Even though the impact of the course is important, the students still prefer to attain work experience before launching themselves as entrepreneurs. The reason for this result may be the theoretical rather than practical focus of the course as compared to other traditional entrepreneurship courses at the university level.

CONCLUSIONS

➤ In the last few years several universities in Argentina have made headway in implementing initiatives to foster entrepreneurial careers and business start-ups. However, if we are to witness a genuine transformation in the university system, one capable of having an impact on Argentine society as a whole, there is still a great deal to be done. Universities' must give this challenge the priority it deserves on their strategic agendas (Postigo & Kantis et al, 2002)

➤ The creation of KSCE has broadened the career options of students at University of San Andrés and is effectively promoting the entrepreneurial spirit among them. During 1998 only eleven percent of the students wanted created their own business and two years later, this figure went to seventy-two percent of the total population (Grau Baena, 2002; Rueda & Martin, 1999).

➤ There is a growing demand for entrepreneurship related courses and activities in universities, as shown by the growing number of new courses that are being offered every year. In the case of University of San Andrés, the number of students choosing courses from the academic track of the entrepreneurship program has been increasing steadily year after year. However, it is important to note that many students are have been unable to take the course because of scheduling conflicts or because regulations prevent them from taking a course outside of their major and finally, despite publicity some students are still unaware of the course.

➤ As in other universities (Mason, 2001), demand for entrepreneurship activities is based on strong student interest in starting a business, a belief amongst many students that the course will enhance their employability, and, in some cases, simple curiosity.

➤ The course also had important and positive results and outcomes. Students said that the course increased their knowledge and understanding of entrepreneurship, as well as their respect for the area. Interest in starting a business has increased, and most students also believe that their technical ability to start a business has increased, as they now feel they have greater ability to identify and evaluate opportunities. Finally, the students consider that the course improved their entrepreneurial skills. Even though the results were very positive and the student's answers are very encouraging, work experience is still an important requirement for starting their own ventures. There is no doubt one reasons for this phenomenon, in part, resides in the theoretical focus of the Argentine education system that not confront students with the challenge of practical problems.

- One of the many challenges remaining for our country is the redesign of the educational system in light of the extensive evidence that there is a positive relationship between entrepreneurial education and the probability of success of new ventures. However, the situation is promising given the increase in the number of universities that have begun to consider entrepreneurship are increasing related in the past years. Regarding the models and teaching methods used, there is no general agreement on the best ways to handle entrepreneurship education. That is why it is interesting and important to report and share experiences.
- Unlike, the rest of the universities in Argentine, San Andrés has an integrated academic program on entrepreneurship. Consequently, undergraduate students from every major have the opportunity to develop their entrepreneurial potential.

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