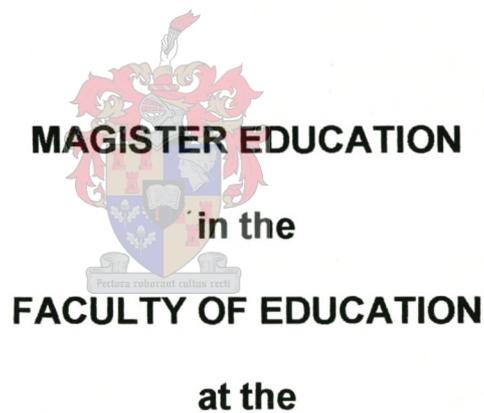


# **ENTREPRENEURSHIP, LEADERSHIP AND CREATIVITY**

**LEONIE AVENANT (PTD., BA., B.ED.)**

**Thesis: Submitted in partial fulfillment of the  
requirements for the degree**



**UNIVERSITY OF STELLENBOSCH**

**PROMOTOR:**

**Dr. L.P van Kradenburg**

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## VERKLARING

Ek, die ondergetekende, verklaar hiermee dat die werk in hierdie tesis vervat, my eie oorspronklike werk is wat nog nie vantevore in die geheel of gedeeltelik by enige ander Universiteit te verkryging van 'n graad voorgelê is nie.

L Avenant

Datum

## SUMMARY

In this masters thesis the nature and theory of entrepreneurship, leadership and creativity are discussed. The primary objectives were to identify the entrepreneur. The secondary objectives were to evaluate that when he incorporates his leadership skills and creativity if he can be a winner. Entrepreneurs create and manage change. Action-orientation is the essence of entrepreneurship.

In order to achieve the above-mentioned objectives an in-depth literature study was carried out. It was followed by informal interviews with different entrepreneurs, managers and leaders of big and small businesses. Young entrepreneurs were also interviewed. During this study it was found that leadership and creativity are necessary for entrepreneurship, in order to prosper in an increasingly competitive world.

Development of entrepreneurship, leadership and creativity becomes an important strategic objective of schools and other organisations. There is a need for training young people and adults efficiently. This situation poses definite challenges. On the part of educators it requires innovative and unique approaches to develop these abilities.

Entrepreneurs are leaders. Being a leader is a prerequisite to entrepreneurship. An entrepreneur must be a leader to attract, retain and get the most out of financiers, suppliers, customers, consultants, professionals and contractors. He must be a leader to get the best out of himself. Some entrepreneurs lead in such a way that their leadership is easy to observe and to understand, while others' ways are less visible or comprehensible; but they are all leaders.

One thinks that leaders are born with leadership talent. Some small elements of leadership may come with birth (Shefsky, 1994: 168), but those elements tend to determine the quality of the leadership, not the existence of leadership talent. People can be educated how to be leaders. This can also be taught at school. Entrepreneurial leadership develops by keeping perspective so that dreams can become reality, knowing why one must lead, identifying targets and staying

focussed. Like other forms of leadership, entrepreneurial leadership entails a blend of what is ethically correct and what is financially successful.

The entrepreneurial leader must be prepared for the stimulation and the responsibility of the position.

Creativity in entrepreneurship is challenging and stimulating. Intuition is the enabling factor in creativity. Once the entrepreneurial leader creates, he tears apart his good ideas. He will analyse how long his idea will take to develop, what the risk is and what the market is. He will estimate both sides of success, spectacular and worst case scenarios. His mind will be open for creativity to truth. He will be inquisitive, he will question everything and try to figure out how in the world everything can be done better.

## OPSOMMING

In hierdie verhandeling word die aard en teorie van entrepreneurskap, leierskap en kreatiwiteit bespreek. Die primêre doelwitte was om te bepaal of die entrepreneur suksesvol kan wees as hy leierskap en kreatiwiteit koppel aan entrepreneurskap. Die entrepreneur skep verandering en hy bestuur verandering. Die wese van die entrepreneur is daarin om daadwerklik op te tree.

Om bogenoemde doelwitte te verwesenlik, is 'n diepgaande literatuurstudie gedoen, asook onderhoude gevoer met verskeie entrepreneurs, bestuurders en leiers van groot en klein sake-ondernemings. Daar is ook onderhoude met skoolgaande en jong entrepreneurs gevoer.

Tydens die studie is bevind dat leierskap en kreatiwiteit noodsaaklik is vir entrepreneurskap ten einde voorspoedig te wees en vooruit te gaan in 'n wêreld wat toenemend mededingend raak.

Ontwikkeling van entrepreneurskap, leierskap en kreatiwiteit raak al hoe meer die strategiese doelwitte van skole en ander organisasies. Daar is 'n behoefte daaraan om jong mense en volwassenes effektief op te lei. Hierdie situasie skep werklik uitdagings.

Aan die kant van die opvoeders vereis dit unieke verandering deur nuwigheide in te voer en unieke benaderings te ontwikkel, ten einde hierdie vermoëns te ontwikkel.

Entrepreneurs is leiers. Om 'n leier te wees, is 'n vereiste vir entrepreneurskap. 'n Entrepreneur moet 'n leier wees ten om die finansiers, verskaffers, kliënte, konsultante, beroepslui en kontrakteurs

aan te trek, hulle te behou en die meeste uit hulle te haal. Hy moet 'n leier wees om die beste uit homself te kry. Sommige entrepreneurs lei op so 'n manier dat hulle leierskap maklik waarneembaar en verstaanbaar is. Ander se leierskap is weer minder sigbaar of verstaanbaar, maar hulle is almal leiers.

Daar word algemeen aanvaar dat leiers gebore word met leierskaptalent. Sommige beginsels van leierskap is reeds by geboorte aanwesig (Shefsky, 1994: 168), maar hierdie beginsels is geneig om die bestaan van leierskap te bepaal, maar nie die bestaan van leierskap talent nie. Mense kan opgelei word om leiers te wees. Leierskap kan ook in die skool aangeleer word.

Ondernemende leiers ontwikkel deur perspektief te behou sodat hulle drome werklikheid word, deur te wete te kom hoekom hulle moet lei, deur doelwitte te stel en gefokus te bly. Soos enige vorm van entrepreneurskap tree hulle eties korrek op om finansiële suksesvol te wees.

Kreatiwiteit en entrepreneurskap skep 'n uitdaging en is stimulerend. Intuisie is die bydraende faktor tot kreatiwiteit. Sodra die voornemende leier skep, haal hy sy idee uitmekaar uit. Hy analiseer hoe lank dit sal duur voor sy idee ontwikkel, wat die risiko is en waaroor die mark geleenthede gaan. Hy maak 'n waardebeoordeling van moontlike suksesse of mislukkinge. Hy is ingestel op kreatiwiteit, is ondersoekend en weetgierig. Hy doen alles in sy vermoë om 'n belangrike rol te speel om die wêreld 'n beter plek te maak.

Klem is gelê op die eienskappe, vaardighede, rolle en funksies van die voornemende leier en watter rol leierskap en kreatiwiteit in entrepreneurskap speel.

**STATEMENT BY LINGUISTIC PRODUCER  
VERKLARING DEUR TAALVERSORGER**

Hiermee verklaar ek, MARCIA HEUNIS, dat  
hierdie tesis taalkundig deur  
my versorg is.

M. HEUNIS

DATUM

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## **SECTION ONE**

# **INTRODUCTION AND PRINCIPLES OF ENTREPRENEURSHIP AND EFFECTIVE LEADERSHIP**

## **CHAPTER ONE**

### **DESIGNING THE RESEARCH STUDY**

#### **1.1 INTRODUCTION**

This masters thesis is not intended to be a balanced academic discussion or complete reference manual of entrepreneurship. It is written from a definite and pragmatic point of view, which boldly stated, is this: an entrepreneur can have success and be a winner if he incorporates his creativity, management and leadership skills. Entrepreneurs are dreamers who take action to make their dreams come true. The rapidly changing environment makes effective leadership critical because the entrepreneur knows if he wants to get something done and, if he wants his dreams to come true, he has to go for it. The business market is changing so rapidly that products and services which successfully met consumer tastes and needs a few years ago are nowadays obsolete. Proactive leadership has to monitor environmental changes, particularly the customers' buying habits and motives, and provide the force necessary to organise resources in the right direction.

## 1.2 MOTIVATION AND PURPOSE OF THE STUDY

The purpose of this masters thesis is to provide a conceptual framework for the orderly presentation of fundamental knowledge in entrepreneurship, creativity and leadership. The competitive intensity of dealing with modern technology like the computer, Digital Satellite Television is pushing more and more individuals to adapt, innovate or risk, creating a better life for themselves. An individual's personal aspirations, wishes and goals are continuously evolving and being constantly modified by his experiences. To start off as an entrepreneur you have to trust your instinct, sixth sense and abilities. Studying the leaders, managers and entrepreneurs who ran organisations for many years there is a focus on certain questions:

- Who are these people?
- What are their characteristics and backgrounds?
- Why are these people so effective?
- Why are they so successful?
- Why do entrepreneurs often become successful leaders - financially or politically?

Entrepreneurs are the New Millennium heroes. Books are written about them and admiration for, and identification with, the entrepreneur is the order of the day. No longer does society regard the entrepreneur as an outsider. Particular focuses are the following:

- a) entrepreneurship and why it is so important nowadays
- b) to explain why creativity and leadership are important in order to prosper in an increasingly competitive world

- c) why motivation and vision are important to match human needs to job demands

### **1.3 RESEARCH METHODOLOGY AND PROCEDURES**

In order to achieve the above-mentioned objectives, the research included (1) an in-depth literature study followed by informal interviews with different entrepreneurs, managers and leaders of big organisations and smaller corporations in South Africa and America. Not only were the very successful entrepreneurs interviewed, but also those who had had relapses and had recovered. (2) Personal attendance as group leader at the Vacation School for young Entrepreneurs at the Graduate School of Business, of the University of Stellenbosch for a few years and (3) attendance to be trained as a teacher in Small Business Management and Entrepreneurship at the Cape College. Appropriate literature was drawn from entrepreneurship, leadership, strategic management, organisational behaviour, resources research was done; as well as own research and personal experience as an entrepreneur.

### **1.4 RESTRICTIONS IMPOSED BY, AND PROBLEMS ENCOUNTERED WITHIN, THE STUDY**

An important problem concerning the literature study was the lack of literature regarding entrepreneurship and the relevant information required, therefore information that was closely related had to be obtained from travelling overseas and through e-mail. Restrictions were that successful entrepreneurs were difficult to get hold of, because of busy schedules, and the costs of travelling to and interviewing them were high.

## 1.5 CHAPTER ORGANISATION

The study is divided into seven chapters.

Besides the introductory chapter in which the problem is defined, the objectives and methodology of the investigation are given and problems encountered with the study are discussed, the chapters are organised as follows:

Chapter **two** provides an overview mainly of the theoretical aspects of entrepreneurship and serves as a framework for the subsequent chapters. The overview consists of the following. Firstly it considers the nature of entrepreneurship and what an entrepreneur does. It gives a historical overview and describe recent development tendencies. Secondly, it describes the entrepreneurial characteristics and behaviour.

In chapter **three** creativity and effective leadership are discussed. A description of what effective leadership entails, what skills are required of successful entrepreneurial leaders, and requirements for effective entrepreneurial leadership, are dealt with. The importance and role of creativity and entrepreneurial leadership are provided, as well as requirements for successful business opportunities.

Marketing is the focus of chapter **four**. The aims of the marketing plan are discussed, as well as the implementing of the marketing programme. Marketing communication, and the key factors and effectiveness about marketing communication are discussed. There are dealt with developing the personal characteristics, experience and attitudes. There is an overview of manufacturing, costs, consumer's market and competitors' prices.

In chapter **five** the business plan is discussed. The basis of the discussion is how to run the business by constructing a simple and workable business plan, dealing with customers and generating capital.

In chapter **six** the focus is on the different choices regarding a business which has the entrepreneurial leader has. Existing businesses and franchises as options are dealt with.

Chapter **seven** is the final chapter. It contains a summary and conclusion of entrepreneurship, leadership and creativity.

## **SECTION TWO**

# **THEORETICAL OVERVIEW OF ENTREPRENEURSHIP**

## **CHAPTER TWO**

# **THE ENTREPRENEUR: A SPECIAL AND CREATIVE LEADER**

### **2.1 THE NATURE OF ENTREPRENEURSHIP**

With the intensity of worldwide competition, there is a renewed focus on private enterprise. More and more people are starting their own businesses, and there is every indication that this entrepreneurial movement will continue to grow and expand at an astonishing rate. The days when corporate executives had jobs for life, and were admired by everybody are gone forever. Admiration for the risk-taking of entrepreneurs is the order of the day. Investors, psychologists, business, school educators and government officials are all eager to know more about the entrepreneur; what motivates the entrepreneur; which entrepreneurs are going to make people rich; and everywhere programmes are run to become engaged in entrepreneurial behaviour.

Entrepreneurship education has grown and changed because it is seen as a multidisciplinary study. Students can be taught entrepreneurship by taking subjects like psychology, sociology and political science, which all provide important insight, according to Kent (1990: 7). The entrepreneur

needs these insights in order to communicate during the educational process. Entrepreneurship education has moved from humble beginnings as small courses in business management to leading courses at many universities and colleges. Undergraduates, as well as graduate students, have interest in these developing entrepreneurial programs.

There are various reasons why entrepreneurs start out on their own: Firstly, entrepreneurs share a common sense of urgency and passion for accomplishment. Secondly, they do things first and attempt things that others won't try. It is this creativity, vision and leadership orientation of entrepreneurs that distinguishes them from others. With vision and creativity the entrepreneur experiences growth, and with growth comes change.

Successful entrepreneurs have passion, a clear focus, vision, and the competitive desire to excel and win. The entrepreneur is the one with leadership skills today. Because it gets tougher in the changing, modern world, which is so different from what it was a few years ago, only strong entrepreneurial leadership can let organisations survive and prosper.

De Coning (1988: 22) says that the entrepreneur of the New Millennium is more balanced than the workaholic, greedy twentieth century entrepreneur. He sacrificed everything for fortune, power, security and expansion. Nowadays you can always tell entrepreneurs by their vision or goals. They are not as money-minded as the entrepreneurs who went before them. According to Andrews (Bursk, 1971: 11) their goal is to express their passion for their work, and to express that passion with excellence and to transform it into profits. Because he is good in his work, and in control of his business, he has to see his job as a pleasant journey, but he also has to cherish his free time so that he does not stress too much.

Another reason, like increasing unemployment, makes it necessary for people to start informal businesses in difficult financial times in order to supplement the family income.

Many people are by their very nature entrepreneurial and only develop their skills once they are motivated and concentrate on their goals. The golden age of the entrepreneur is dawning, as some of the most experienced business people are leaving their jobs or are being retrenched, this drawing a bigger pool for entrepreneurs. The entrepreneurial spirit is alive and well, and the current entrepreneurial revolution is having a significant impact on the economic growth of countries.

Unfortunately, becoming a successful entrepreneur is not always as easy as it looks. As an entrepreneur one becomes a different type of manager, and although more and more executives are leaving their organisations to become entrepreneurs, the risk can be hazardous. If we look at the papers and read the news today. There is a 20% chance of surviving as approximately 80% of businesses do not make it in the first two years. (De Coning, 1989: 5).

According to Benfari (1991: 136) a weak point of certain entrepreneurs is the fact that the stronger their intuition, the more their ego becomes distracted with alternatives. Another weakness is competitiveness; Benfari says: *“Entrepreneurs view the world as an unforgiving stage on which there are winners and losers. Winning is an obsession for them, and they can be ruthless and brusque. When they have a high speed for need for aggression, they don’t give up until their goals are achieved. They are apt to run roughshod over any barriers that stand in their way.”*

The contributions of entrepreneurs to the wellbeing of humankind are very important. Nobody knows whether entrepreneurs are born or can be created like that. What is important is that Education has a central responsibility in identifying and nurturing those young people who can play a major role in the decades to come. Education can make a profound difference in the future supply of entrepreneurs.

## 2.2 DEFINITION

Who are entrepreneurs and what do they do? Kent (1990: 2) says that no one has precisely defined what entrepreneurship is, but even so, the contributions of entrepreneurs to the material wellbeing of humankind are both great and important.

The word entrepreneurship describes an attitude; not an actual job. According to O'Neill (1997: 2) an entrepreneur can be defined as *“an ordinary individual who does extraordinary things that other ordinary individuals hesitate to do.”* He continues to say that *“The act of doing is a distinctive element which distinguishes the entrepreneur from individuals.”* He therefore defines entrepreneurship as follows, *“the ability to generate change through innovation; to find new combinations of resources; to take calculated risks; to reorganise and improve existing operations; and to lead economic activity in times of uncertainty and profit.”*

The original concept of entrepreneurship was one of exploiting an opportunity for profit. As the process of entrepreneurship became the subject of academic research, entrepreneurship was seen as founding a business with attendant risks of financial, social and physiological failure. Entrepreneurship became associated with founding a new business or owning a small one. An Entrepreneur is someone who influences, persuades and leads others – a role model to others. Kuratko (1994: 3)

says that *“Entrepreneurship is the ability to create and build a vision from practically nothing: fundamentally it is a human, creative art. It is the application of energy to initiating and building an enterprise or organisation, rather than just watching or analysing. Entrepreneurship also includes the ability of an entrepreneurial or venture team to complement your own skills and talents. It sees chaos, contradiction and confusion. It is possessing the know-how to find, marshal, and control resources (often owned by others).”*

According to Sexton (1991: 12) an entrepreneur may be described as a person who can recognise an opportunity in the market place and is willing to marshal the resources necessary to exploit that opportunity for long-term personal gain.

Dissatisfaction with the status quo and the ability to recognise an opportunity, exploit it, and make the business grow, sets the entrepreneur apart from the small-business person, or from the typical manager in a larger organisation. Sexton (1991: 12) says that entrepreneurship, in reality, is an approach to general management that begins with opportunity recognition, and culminates in the exploitation of the opportunity. Although entrepreneurs may be considered small business persons during the early stages of their firms, their growth orientation is such that they soon outgrow the small business classification. Conversely, entrepreneurs may also be classified as managers because of their position within a larger organisation. However, it is not the position, but the approach, which differentiates the entrepreneur from others.

O'Neill (1997: 2) says that, according to Burch, the word **'entrepreneurship'** is derived from **'entreprendre'**. **Entreprendre** means *“to undertake; to pursue opportunities; to fulfil the needs and wants through innovation and starting businesses”*. O'Neill continues by saying

that an entrepreneur is a person who initiates an enterprise. He then organises it. He acquires capital to finance it. By this the entrepreneur takes in consideration, the risk and rewards that accompanies his initiation.

Schumpeter (Kent, 1990: 42) says an emphasises that an individual can only be and entrepreneur if he is initiating new combinations. For him innovation is important and he feels once innovation is expended, entrepreneurship is lost. Kent also distinguishes five tasks that can be exclusively attributed to the entrepreneur. He says an entrepreneur is a person who:

- *Introduces a new product or service into the market, or implements a new approach to existing problems.*
- *Develops or implements new technology which could curb costs and improve efficiency.*
- *Exploits a new market by launching products, services or technologies which did not previously exist in the market.*
- *Discovers a new source of supply for a scarce resource or discovers methods to make the supply of existing resources more effective.*
- *Re-organises an existing enterprise, whether private or public, by innovative management.*

Discussions continue whether a child with the cold drink stand, the streetwalker and the drug peddler on the corner are entrepreneurs. All who are engaged in business, have exposure to risks (Bowler, 1995: 12). Therefore they are seen as entrepreneurs in the twenty-first century.

## 2.3 DEVELOPMENT OF THEORY AND PRACTISE OF ENTREPRENEURSHIP

### 2.3.1 HISTORICAL DEVELOPMENT

According to Bowler (1995: 15), the word Entrepreneur is derived from a French term that was originally used to describe people who provide service. According to the French, it was generally accepted that the first economist to recognise the role of the entrepreneur was a Frenchman, Richard Cantillon. He published "Essai" in 1755 in which he described an early market economy where he distinguished between the role of landowner, entrepreneur and hirelings. Cantillon used '**entrepreneur**' in reference to '**originator**'. In those days the early entrepreneurs to wage war against their enemies, provided the feudal lord with men and materials.

According to Smilor (1996: 57) there are about three knowledge revolutions. The first one was 10,000 years ago when originally the dream was just to have enough food and protection from the weather. Cavemen dreamt about hunting and collecting berries. The hunters and gatherers began applying knowledge to the production of food, and an agricultural society developed which supported large populations. So the dreams of the cavemen were replaced by the dream to have money, and only cultivating relatively small areas of land to feed masses.

In Sumaria people learned to write. They started stratifying and separated the Sumarian people who owned land, from those who worked on it. Productivity and unemployment problems started. Along the Nile productivity was so efficient that there was a surplus of labour. Soon they started building pyramids and so knowledge transformed the social structure.

The second Great Knowledge Revolution took place ten thousand years later when the Industrial Revolution took care of that and eventually gave birth to the dream of having a home, a job and financial security. According to Baumol (1993: 46), the standards of living improved and unprecedented levels of wealth occurred. Efficient world trade, mass production and suburban populations resulted due to inexpensive transportation. Division was now between those who owned and managed the production, and the factory workers. Nation-states were the ideal form of government.

During this time the entrepreneur, according to Richard Cantillon, started risking the uncertainty in order to make a profitable business and could be seen as the innovative function of the entrepreneur. Even when an entrepreneur is penniless he does risk something. The role of Cantillon's entrepreneur according to O'Neill (1997: 2) is to be aware of the level of demand and supply.

He is, however not expected to create a demand, and in that sense he is not an innovator. Successive French economists developed the concept of the entrepreneur further. Baudeau (1730-92) saw the entrepreneur as an innovator. According to him a person who invents and applies new techniques in order to reduce his costs, and thereby raise his profit, is an innovator. He felt an innovator needed qualities like ability and intelligence to have a degree of control over some economic events. Turbot, a contemporary of Baudeau, made a distinction between a capitalist and an entrepreneur. He said a capitalist was somebody who invested his money in land – then he was a landowner and a capitalist. Jean-Baptiste Say (1767-1832) helped popularise Cantillon's theory, but did not see risk or uncertainty as being central to the function of the entrepreneur.

Domestic markets that people had before were invaded during the 20th century by consumer electronics, automobiles, giant steel industries and retailing. Soon afterwards followed highspeed financial trading, telecommunications, airlines, insurance, trucking and banking (Smilor, 1996: 57). Because of microprocessing, the computer industry became a strong new competitor.

Totalitarian states such as the Soviet Union were overrun by technological process and collapsed. Capitalist countries had the problem of high unemployment, paralysis of government, and ethnic strife which all resulted in chaos. The economic crisis paralysed most of the world's developed nations because ineffective leaders led them. People in despair started raging or rebelling. Mass production and undifferentiated products and services did not lead to growth.

According to Smilor (1996: 57) today's Information Age quickly followed on the heels of the Industrial Revolution. In the Industrial Age competitive advantage came from water, minerals in the ground and farmland, while in the Information Age power came from inside people's heads. As a result, thousands of entrepreneurs developed, and had the vision of developing their goals. Their goals, as the millennium entrepreneurs, are to develop new products, new *distribution* channels, new marketing methods and new financial strategies which demand more than administrative ability, technical expertise and traditional management. This entails innovation, flexibility, emotional and intellectual commitment. They have to go with the flow and always find new ways of marketing themselves, and dream about effective strategies.

In the past entrepreneurs were seen as "robber barons" who exploited people for their own success. Social and clinical psychologists have described them as "jungle fighters". Researchers referred to them as

“rejects” and “not very likeable people”. Opinions are changing but today we still sometimes get this attitude from people. The process of determining what entrepreneurs are, kept researchers, occupied for a number of years, and one was tempted to consider the entrepreneurs role in economy to be like a strategist in a military venture, e.g. Alexander the Great or Napoleon Bonaparte, which is a misleading view. Some feel that the search for a definition of an entrepreneur has not progressed much in the historical development (Sexton, 1991: 6).

### **2.3.2. RECENT DEVELOPMENT TENDENCIES**

The nature and scope of entrepreneurship changed somewhat in the last decade. Business moved from the Industrial Age to the Information Age – and the differences between life then and now is as great as they were between the 18th and 20th centuries. Today’s business owners realise that education is an important partner in the success of entrepreneurs. According to Kent (1990: 212) it was significant that, in the USA alone, 1800 business owners who were delegates to the White House Conference on Small Business, voted for entrepreneurial education. They asked for encouragement of the advancement of entrepreneurial education and the study of free enterprise.

Today the environment in which the entrepreneur operates is much changed and has a direct and indirect impact on the entrepreneurial process. In the eighties entrepreneurship was considered for misfits and mentally retarded people, but today half of the students see it as a career to have their own businesses because universities and the society view

entrepreneurship as an advantage. Universities and colleges try to become involved.

In 1980 the small business was seen as an unattractive customer and a poor credit risk, but today the entrepreneur is seen as the key to growth of banks, accounting firms, consultants, suppliers and leasing companies.

Today society are crying out for help from the entrepreneur to find solutions to problems. In the meanwhile money and support resources are abundant, ready for the entrepreneur's opportunism. Drugs, aids, greenhouse heating, ageing population, nuclear waste, prison overcrowding and medical costs need new solutions by the entrepreneur, and a new way of thinking (Baty, 1996: 13).

In the nineties the entrepreneur has to deal with corruption, international problems such as political or economic welfare crisis, closure of factories, near collapse of major lenders, salary increases that cannot keep up with inflation and he has to find solutions if he is a committed entrepreneur. Entrepreneurship is playing a vital role in the 90's as it is playing a constructive role in society by extending human dignity by shifting from the materialistic to job creation. Entrepreneurs have specific goals, whereas in the eighties we had the yuppie ethnic which ended in the late eighties when young urban professionals had to go to big name Colleges, e.g. Harvard Business school and just cashed in on the good life by having the best of everything.

The man in the grey suit used to wear it as a way of showing his prestige. He is no longer wearing the white collar, because it is increasingly being recognised as "garb".

Previously, in order to succeed in the past in the traditional job, you only had to follow orders, which were based on performing routine tasks, but today there is a shift to identify problems and solve them quickly.

Senge (1994: 20) proposes five disciplines that are suitable for the entrepreneurs of the millennium: mental models, personal mastery, system thinking, shared vision and team learning. He has to act as designer, teacher and steward.

Jobs are disappearing, and in the past a layoff meant a temporary interruption. That meant that work would be slow, so a factory shift would be laid off. But today layoffs are permanent; a painful experience to so many, but also an opportunity for the entrepreneur where he can – with a new vision – become so creative that he can become a successful leader of his own corporation or organisation. According to Kent (1990: 264) success is measured by the results of the entrepreneur's creativity, his autonomy, and his ability to devise a new solution, develop a new idea and deliver new service.

The world is open for the entrepreneur as Internet is growing. Levinson (1997: 25) states that every eighteen months, computers double in power, and therefore halve in cost, a trend that is putting the massive power of mainframe computers onto the desks of millions of entrepreneurs. In a wired world, fewer people manufacture products directly, while more people think of ways to make the products more valuable through design, marketing, or engineering.

Entrepreneurs will become more important in the new millennium as companies will only employ 20% of their staff in a permanent capacity, and the rest will be part-time employees outside the company. They will be the specialised entrepreneurs who will act as temporary "contract workers".

### **2.3.3 DEVELOPMENT IN EDUCATION**

#### **2.3.3.1 INTRODUCTION**

The National Centre for Research in Vocational Education (USA) developed the Lifelong Entrepreneurship Education Model, in which it is assumed that everyone should have the opportunity to learn the basics, and those who are really interested in starting a business can continue to do so. Cape College started courses in Small Business and Entrepreneurship to enable students to gain insight into the effective functioning of small business in South Africa with a view to the efficient management of a business undertaking as prerequisite for success. The Graduate School of Business, University of Stellenbosch, offers Entrepreneurship courses for adults and vacation schools for young entrepreneurs. Business owners are already closely connected to vocational education because they recognise that all young people should be exposed to entrepreneurship education. The business owners know that there are tremendous benefits to be gained from entrepreneurial education.

Firstly, it spawns the next generation of business initiators. Secondly, the population of a country is more likely to be successful in all its endeavours if they are innovative, creative and risk takers. They get used to change and therefore develop flexibility which initiates creativity.

#### **2.3.3.2 RESTRUCTURING OF ELEMENTARY EDUCATION TO MAKE IT ENTREPRENEURIAL**

According to Kent (1990: 6) it would be impossible to prescribe a rigid programme of entrepreneurship education. Non-entrepreneurial teachers

in non-entrepreneurial settings cannot teach it. Therefore there is another approach to entrepreneurship education. Where the old school was founded on the practices of the past, including myths about entrepreneurs that were never right or relevant, the new school sees entrepreneurship as a career.

Kent (1990: 7) continues by saying that entrepreneurship is viewed as multiple ventures, where entrepreneurs start new ventures and the teacher adds interest and flavour to the course. *“Society must find ways to encourage and enlarge the entrepreneurial spirit; and the schools are a principal vehicle by which this can be done”*. Before, students were forced into moulds. The main motivation in the education was to avoid failure rather than to achieve success. Students’ intelligence was judged on their analytical skills and the innovative and practical intelligence were ignored.

Recent tendencies in schools are that teachers try to change the total classroom environment. The entrepreneurial spirit is fostered and programs implemented. Instead of producing correct answers on a quiz, emphasis is placed on processes of explanation and inquisitiveness. The emphasis is on the entrepreneurial student’s need for achievement.

### **2.3.3.3 ENTREPRENEURIAL CURRICULUM**

#### **A) GRADES: KINDERGARTEN TO GRADE 8**

The role of the teacher in recent entrepreneurial education is to be facilitator in the training programme, which relies on actionlearning. In actionlearning the kindergarten to grade 8 students learn by doing, that is, by taking an active role in business games, role-plays and exercises. There is very little lecturing as such. There is a lot of individual and group participation and interaction. The teachers do not “spoonfeed” the

students. The students themselves have to discover the learning points of the various activities. They have to apply these discoveries in their own situations. In this way the learning is both enjoyable and rewarding.

Because it is difficult to measure entrepreneurial potential in the elementary grades, students from Kindergarten to grade 5 are made aware of entrepreneurial opportunities throughout the economy (Kent 1990: 162). According to Kent, young adolescents in grades 6 to 8 have to study economic concepts, entrepreneurship attributes and business opportunities. It enables the students to examine their own personal development. They do this by studying role models and exploring the larger society. They learn about decision making in subjects like languages, science, mathematics, economics, computer science, history, geography, etc. Simple ideas are taught like the following; inspirational – anyone can learn; despite setbacks, anyone can have perseverance. They are encouraged to come forward with their unusual ideas. Teachers motivate them to enlarge the learning process by making them more conscious of reading interesting literature. They inspire the students and give them short assignments.

By experiencing entrepreneurship practically, the individuals are given the tools to develop their skills. Schools give the students the opportunity to sell their products at school during breaks. Once a week or month the teachers arrange that students have stalls at school. Banks sponsor some competitions, where teachers arrange for entrepreneurial students to compete against each other. Students are taken on excursions to businesses to gain first hand experience.

According to the Cape College the longer they are in the school system, the less the students are prepared to risk certain things (Cape College notes, 1998). In the past the teachers of kindergarten to grade 12 did not

foster entrepreneurial creative traits. It was found that only 25 percent of kindergarteners demonstrated entrepreneurial characteristics like need for achievement and a willingness to take risks. Once they are in high school only three percent school youngsters manifest that talent.

The role of the teacher in developing entrepreneurship from Kindergarten to grade 8 students is, to teach them to be creative thinkers and hard workers. They are taught that when they are prepared to take risks they are financially rewarded for their new and better ideas which they produce. Anyone can be creative in opportunities. Some are naturals and some are taught the skills and awareness.

#### **B) GRADES: 9-12**

Kent (1990: 145) observes that the best way of acquiring knowledge and knowhow is to learn by doing. Grades 9 to 12 therefore also have a programme of actionlearning. They learn from handouts from the teachers but their training programme requires certain fieldwork activities, which are undertaken by them either as individuals, or as groups. The fieldwork is necessary to test the market, to check certain business assumptions and to gather data on prices and costs. They also gain knowledge about the customers. They discover what the customers require or prefer. They learn more about their competitors. They draw up business plans that are based on real projects. Kent continues to say that some of the features that are predictors of a successful entrepreneurial programme for youngsters include the following:

- The success of the programme is inordinately dependent on the individual characteristics of the teacher or implementer.
- There is excessive logistical resistance to the implementation of the programme (e.g., planning for the programme is too time-consuming,

preparation materials are too costly, or the teachers do not believe that the benefits of the programmes are worth the administrative hassles of implementing them.

- There is serious cognitive resistance to the programme (e.g., the teacher is afraid he or she does not understand the programme well enough to teach it effectively).

## **2.4 ENTREPRENEURIAL CHARACTERISTICS AND BEHAVIOUR**

### **2.4.1 THE ABILITY TO IDENTIFY OPPORTUNITIES AND TAKE RISKS**

There are innumerable patterns of entrepreneurship, which allow entrepreneurs to start off with one venture and eventually change to another. An entrepreneur risks something every working day. Constant business planning is necessary, because financial and personal risks are sacrificed every day.

If his company folds, he can always find another job and rebuild his savings. An entrepreneur thinks about it often but he rather thrives on new, untested ideas because he thinks that the idea is fresh and unique. He thinks the possibility that it has to work, is good.

All entrepreneurs are highly intuitive and their sixth sense alerts them to opportunities and solutions that others just don't see. As an innovator the entrepreneur has intuition. Intuition is defined by De Coning (1988: 13) as "*direct perception of the truth; a keen and quick insight; pure untaught knowledge; immediate understanding.*" So the entrepreneur has to stretch his brain and identify opportunities and then transmit his faith and optimism at every opportunity. In order to identify opportunities the

entrepreneur has to follow his gut feeling and seize the opportunities as they arrive. Benfari (1991: 177) says he has to have an unshakeable belief in his ability to find solutions and solve problems.

According to Banfe (1991: 146) entrepreneurs face at least five risks. First of all the risk is huge when the entrepreneur sometimes risks his career if he sees an opportunity. For instance, he will be in a profession such as law or teaching which are structured to permit interruption for a few years in their careers. He then take the courage to leave and start a new business. Some professional people like senior executives, professors, scientists, etc. are among the least likely candidates to sit and wonder whether their jobs are still waiting so they cannot always take that opportunity to go for an entree. If they see the opportunity to be entrepreneurial leaders, they have to step outside their profession and take risks in their careers. Secondly Banfe says that personal risk can let the entrepreneur feel guilty, ashamed and it can degrade his self-image if he flops or his goals are not reached. Smilor and Sexton (1996: 94) say taking the personal risks to be an entrepreneur the long hours and no social life can ruin marriages, because of the strain on the household. Banfe says that the third risk to the family can cause divorce. Therefore the entrepreneur will do everything in his power to make a success of his opportunities.

The fourth risk of finances can cause the entrepreneur to loose his possessions or to live perhaps just above the poverty level if he tumbles in the start up. The fifth risk for the entrepreneur will be a very personal responsibility to investors. His money, for instance, most probably came from family or close friends.

#### **2.4.2 PERCEPTIONS AND PHILOSOPHY OF LIFE**

His perceptions and philosophy of life have an important influence on the success of an entrepreneur. Characteristics which will distinguish him from others according to Kent (1990:264), are discipline, passion for what he is doing and believing, love of life, optimism, honesty, a good self-esteem, generosity. He has to let go of his old notions of work and leisure. He is going to face issues that will force him to take stances. Suddenly he is responsible for his own company's structure, rules, discipline and timetables.

The longer he waits before he starts his own business, the longer the delay and the more difficult he is going to find it to start the business, and so he loses income every day. Distractions can sidetrack him, especially if he has a fear of failure after he was retrenched or fired. If the entrepreneur's perceptions are right, he can think positively and he can tell himself about his future business, "This is what I want and I am going to let it work".

Because the entrepreneur's priorities are changing, he has to think about an environment in which he can operate at peak efficiency and he schedules himself according to that. He has to accept mistakes and his outlook in life would not to be overreact but to try not to make every project "mistakeproof". Perceptions are very important, so the entrepreneur has to be flexible and try to keep adapting to his environment. He cannot lock himself in old frames and a box of beliefs but has to adapt to an increasingly varied mix of styles, perceptions and approaches. He has to do more with less, faster. If something does not work, change it!

### 2.4.3 **ACHIEVEMENT**

An entrepreneur tries to excel in everything he tackles and he has the confidence to believe in his own ability. Confidence is defined as - having

full trust, assurance or boldness; sure of oneself, beliefs in the reliability of a person; having no uncertainty about one's own abilities. De Coning (1989: 8) says "What you should remember is that achievement is not only the end-result of your actions. Many a time, through circumstances, which we cannot control, even our best endeavours are thwarted. In the final analysis, your continued perseverance to achieve rather than the achievement itself, is the important aspect".

In order to achieve, the entrepreneur has to have courage, but courage is not the absence of fear. Courage is the determination to act in spite of fear. Fear is a competitive advantage because it keeps the entrepreneur sharp and alert.

#### 2.4.4 INNOVATION

To be a successful entrepreneurial leader, he has to have the ability to innovate – to start something new. The entrepreneur has to invent for instance, aspects of products like packaging, promotion, manufacturing, positioning and be able to "*pull up the anchor at a safe port and setting sail on the open sea.*" As entrepreneur he has to adopt a new approach, abandon a long-held belief, change behaviour and make way for new opportunities and so face the storms and potential dangers. The entrepreneur will become immobilised if he stays in the same environment and hangs onto the ideas he knows. According to De Coning (1989: 12) "*Innovation is not always something new. Innovation can also be achieved by finding a better way to do things*". The entrepreneur has to be one of those people who are always questioning established ways in which things are done, and continually trying to better them.

#### 2.4.5 FAMILY SUPPORT

The entrepreneur can easily be trapped in to becoming driven by work because the accountability is so high and rewards and punishments are so immediate. The entrepreneur's job is more demanding as a result of competitive pressure, new technologies and diminishing sources. The price of neglecting any of the important areas in his life, work, family, the community or himself, can be devastating, especially with ruined health and estranged relationships. It is vital to take off from the business in order not to burn out and to help him to stay alert and sharp.

Workaholics lead the way in unbalanced lives. Kids are growing up - it is a one-life performance with no encore. An entrepreneur's major reason for working is to support his children and he wants to be their hero. So he has to create an environment of support, togetherness and mostly love. Children are just as important as financial survival. An entrepreneur can have too much of any kind of work and will be out of balance and will lose the fun in his outset of planning and his kids will remember their home as a place of uncertainty and tension. He will put away a sacred day to have a good rest, take short occasional holidays, and keep his spouse and family informed and discuss all his plans that can disrupt the family; they will even help with his company's problems. The entrepreneur can test this by asking himself whether his children see him as a role model with optimism and hope or do they see a victor or victim (Smilor and Sexton, 1996: 95).

#### **2.4.6 THE ABILITY TO KEEP BALANCE**

The sense of balance is very important. If the entrepreneur works too hard the pressure gets more and the working hours longer. Some or other time the entrepreneur has to say good-bye to his business regardless of how willing he is to sacrifice for corporate success because life expectancy is limited nowadays because of stress factors. As a successful leader in his

business, the entrepreneur has to seek to become a whole person who can harmonise and integrate the important things in his life to balance out. Entrepreneurship takes a personal toll and disrupts and changes the life of the entrepreneur, and the entrepreneur cannot be victimised by change.

In order to have a balanced life, the entrepreneur should have the following attitudes: self-esteem, passion, love of life, determination, organisation, discipline, optimism, flexibility, honesty and generosity. The cost of these attitudes would be to give up old ideas, bad habits and weaknesses. Time to lead a simple lifestyle is very important, and the entrepreneur needs much momentum and energy, therefore, he needs proper equipment that will balance his time: computer, software, printer, scanner, modem, fax machine, telephone, answering machine, cellular telephone and phone lines for the phone, fax machine and computer. Five important fees for which he is responsible also have to be integrated in his life for success: rental of equipment, space, office furniture, the intuition, monthly marketing, insurance, on-line service charges and taxes (Levinson, 1997: 31).

Entrepreneurship is challenging and the entrepreneur knows there are five kinds of work if he wants to achieve and maintain balance in his life (Levinson 1997: 36). **Wage work** is when he sells his time to a company and they manage his time as in the "good old days"; **fee work** is for professionals who work as consultants; **housework** is done in, and for, the home; **study work** is to improve in many ideas aside from work; and **volunteer work** is a gratifying work when working for underprivileged people, religious groups, schools, hospitals etc. where he enjoys emotional and spiritual contribution. Planning all this is a built-in balance-provider.

#### 2.4.7 PERSEVERANCE

An entrepreneur will endure his setbacks as valuable experiences. To be able to persevere an entrepreneur has sometimes to be a loner in some way. He has to have faith in his own judgement and intuition or else the scepticism and criticism of other people can sometimes influence him.

Many entrepreneurs succeed in spite of the fact that they time and again made it to the top and tumbled down. They kept sustained champion performance and through consistency made it to the top as businessmen. In the bad times when customers reject his product, the entrepreneur's customers and colleagues don't care about his problems and he has to use other strategies. In his uncertainty and doubt, he has to believe that he will make it. He can be successful if he can take these punches because for him yesterday is history and today is all that counts.

It is important for the entrepreneur to be committed and therefore he has to love what he is doing. He must have confidence and stay focused if he deals with unexpected crises especially if he wonders why he ever started the business. He has to be passionate and excited about what he is doing.

If he has these qualities he will be able to persevere and experience joy and fulfilment. He will be able to endure against all odds, especially if he hits roadblocks and obstacles. For the entrepreneur there is no time for self-pity and negative thoughts. He has to show that he can handle stress. He is confident and enthusiastic about the future and shows perseverance. The rewards are huge - financially and personally.

#### 2.4.8 THE ABILITY TO BE A GOOD LISTENER

The entrepreneur can go on an emotional runaway train where he can experience fear, frustration, pain, rejection, humiliation and confusion within a few hours of one single day, but if he listens to his inner voice and focuses on positive outlooks, he will be able to listen well to his body, his friends, family, kids and especially his customers, because he is tuned into the environment and other people's emotional states. Benfari (1991: 88) says that the entrepreneur may recognise and take advantage of the situation.

#### 2.5 SUMMARY

In this section the nature of the entrepreneur was discussed. Hundreds and thousands of entrepreneurs are setting themselves up in a life where creativity and innovation are needed to achieve the entrepreneurial goals. Most people are reactive and wait for life to direct them. Then they try to respond and find themselves in a crisis. They find that they are living from one crisis to another.

An entrepreneur is proactive, because he visualises himself in his mind as being successful. He sees himself on the winning side, achieving his goals and experiencing success. When he sees himself as a successful businessman in his mind's eye, he challenges reality. He tries to achieve his desired future by being consistent in his everyday performance. Entrepreneurship is made up of human activity involving many characteristics.

Entrepreneurs have vision as mission, passion and they understand that success lies within them. They have a desire for independence, self-esteem, self-discipline and perseverance. They are willing to work hard

because they have a sense of purpose, tolerance and uncertainty. They know there are no shortcuts.

An entrepreneur is defined as a person who has the ability to spot opportunities for business. He has the courage to exploit opportunities and he has the ability to manage the opportunities. Entrepreneurs can learn from the explosion of technology and its impact if they look back into the past. Business moved from the agricultural age, to the industrial revolution, to the informative age.

Entrepreneurs are not born but made. They are born with certain qualities that they can develop. The critical and essential things that the entrepreneur does are to create and manage change. To maintain entrepreneurial characteristics and behaviour is often the greatest challenge for the entrepreneur. The entrepreneur finds a way of holding onto the spirit, purpose and direction. In such a way he can be innovative when he sees opportunities. He then takes risks. His perception of life can inspire him and others. He can be successful, even if he has setbacks.

The major goal of entrepreneurial education is that teachers provide young people with practical economic education programmes and experiences in the competitive and private enterprise system. The entrepreneurial education programmes are in partnership with the business and education communities. The teachers strive to develop interest, understanding and competence with respect to entrepreneurship and small business ownership. Business can be integrated into the school's curriculum by giving access to startup capital, and to support with appropriate outside assistance.

## **CHAPTER THREE**

### **CREATIVITY AND EFFECTIVE LEADERSHIP**

#### **3.1 INTRODUCTION**

Increased competitive intensity has been producing the need for more leadership at almost all levels in many organisations. According to Napolitano (1998: 15) leadership is not a position, or a place in an organisation, but an attitude.

An entrepreneurial leader needs to stimulate his own awareness of leadership in all its aspects because businesses became more complex because of growth, diversification, globalisation and technological development and so has been steadily increasing the difficulty of providing effective leadership. According to Kotter (1988: 13) the leadership challenge of the very top of complex organisations appears sometimes to be most overwhelming. Often because of important shifts in the business environment, leadership is no longer the domain of the CEO or a few top managers, but is increasingly needed for entrepreneurial leaders. The entrepreneurial leader needs to establish his understanding of the principles, requirements or functions of leadership. The entrepreneurial leader needs to develop skills to fulfil his functions and therefore he has to practice the methods to achieve his desired aim of becoming a better leader.

In his business environment, good leadership is required because the entrepreneur has to figure out the right thing to do in an environment of uncertainty caused by intense competitive activity. Malherbe (1973: 3) says that the leader has to get others to accept his new way of doing

things and demand skills and approaches which more than technical expertise, administrative ability and traditional management. Leadership challenge is sometimes overwhelming, as the leader has to face strategic decision making because it is complicated by many situations because of political and economical uncertainties, and the competitive and technological markets. It is not only the increasing need for leadership in more and more jobs but also the leadership challenge in these jobs which makes it more and more difficult to handle.

Visionary leaders who are determined and confident in their sense of direction, not afraid of risk taking, who are courageous, uplifting and inspiring, are very much on everyone's mind today. Because the world is much more complex and tougher nowadays, institutions like churches, schools, courts, museums and especially business are all in need of leaders with vision. An old Chinese proverb says: "Unless you change direction, you are likely to arrive at where you are headed. (Nanus, 1992: 4).

As the vision of the entrepreneurial leader always deals with the future, it energises ideas that jump-start the future by calling forth the skills, talents and resources to make it happen. Vision is a signpost that plays an important role in the startup phase of a business, as well as the entire life cycle of the business.

### 3.2 DEFINITION OF EFFECTIVE LEADERSHIP

Adair (1988:16) refers to effective and creative leadership as follows:  
*"Changing things is central to leadership. Changing them before anyone else is creative leadership"*

In this respect Nanus (1992: 10) has the following to say: *“Leaders take charge, make things happen, dream dreams and then translate them into reality. Leaders attract the voluntary commitment of followers, energise them, and transform organisations into new entities with greater potential for survival, growth and excellence. Effective leadership empowers an organisation to maximise its contribution to the wellbeing of its members and the large society of which it is a part. If managers are known for their skills in solving problems, then leaders are known for being masters in designing and building institutions; they are the architects of the organisational future.”*

In the dictionary, synonyms for the verb “to lead” are “to guide, conduct, direct, and precede”. So the leader can be part of a group but is also distinct from the group. Four approaches to definition of leadership are: a) a person possessing certain behaviour; b) a person able to move a group along a specific dimension; c) the person able to direct a group towards its goals; and d) polarisation of members of a group around some central person (Koontz, 1964: 517).

An entrepreneurial leader is seen as a pioneer, who will go with his own gut feeling. Family and friends will try to stop him because they have good intentions or envy him. The test for entrepreneurial leadership is whether the entrepreneur can go against others wishes and doubts, and goes for the challenge.

*“A leader then, is the kind of person (qualities), with the appropriate knowledge and skill to lead a group to achieve its ends willingly. This simple concept relates well to the original meaning of lead, which comes from laed, a word common to all the old North European languages (Dutch, German, Anglo-Saxon, Norwegian, Danish, Swedish) and more-or-less unchanged within them today. It means a path, road, course of a*

*ship at sea, and journey. A leader accompanies people on a journey, guiding them to their destination. By implication he or she holds them together as a group while leading them in the right direction” (Adair, 1988: 5).*

### **3.3 LEADERSHIP SKILLS OF THE ENTREPRENEURIAL LEADER**

#### **3.3.1 INTRODUCTION**

Entrepreneurs create and manage change, which is important in order to prosper in an increasingly competitive world. Their leadership skills include vision, direction, focus, motivation, financial management, communication and motivating others.

Not only is the entrepreneur an innovator but he has the vision to build an effective corporation by using the opportunities long before others see them. He sees the “Big Picture” and stays focused to achieve his vision. He believes one can influence the future by having a desire “what is there in it for me” and visualise the end. He is focused on, “by beginning with the end in mind” (Covey, 1992: 134).

John Ruskin once said, “*Not is there one way of doing things, rightly, but there is only one way of seeing them, and that is, seeing the whole of them*”. Traditionally tunnel vision was promoted because there was only focus on tasks that concerned the direct work. There is now a focus to the *Big Picture* - the entrepreneurial leader sees holistically and shifts from the Machine Age Thinking to System Age Thinking - an interdisciplinary approach where businesses form new alliances and partnerships with competitors and customers (Napolitano, 1998: 45).

### 3.3.2 ENCOURAGE AND PRACTISE COLLABORATION

The entrepreneurial leader synergises, because he encourages and practices collaboration; he works with others to achieve breakthrough outcomes. Long hours of work are necessary to achieve these goals and therefore the entrepreneurial leader is committed. He has a lot of energy and a strong work ethic. He inspires others and motivates them in such a way that he can rely on their loyalty and trust. He creates in them the motivation and by this the team effort contributes towards his success. He has to have the skill to delegate, but he also has to be directive and persuasive in order to experience growth. By equity sharing, allowing others in his company to make incentive plans, collaborating even with competitors in order to make a long-term vision succeed, he can maximise his ownership. He has to do risk taking and patiently take day by day to create new marketable ideas.

The entrepreneurial leader models value, which plays a vital part in his decisions. The relationships between values and needs are very close because the leader needs what he values and values what he needs. Koontz (1994: 522) says that the leader values the people he is in contact with, and knows he also needs them, and therefore acts accordingly. His values and philosophies are clearly stated in communication, because it has to have a positive impact on his business. The values have an important impact on leadership because understanding the stated values helps people to make appropriate decisions for the company.

The ultimate leadership skill of an entrepreneur is to maximise and actualise the potential of everyone and everything around him. In order to motivate others the entrepreneurial leader needs motivation himself. Motivation is important and it gives him power for recognition.

The de-emphasis on money and material things generally as a motivation factor has reached its apparent peak in the hypothesis of the needs of hierarchies developed by two noted social psychologists, A.H. Maslow and Frederick Herzberg. The two hierarchies are separate but similar. In Maslow's, physical needs occupy the lowest rung, followed in ascending order by safety needs to be free of deprivation, danger and threat, on the job and off; social needs to associate, to belong, to accept, to be accepted, to like, and to be liked; egotistic needs to obtain respect, recognition and status; and finally at the top, the need for self-actualisation which Maslow defines as "the desire to become everything that one is capable of becoming (Van Kradenburg, 1987: 253).

Herzberg divides his needs into five job dissatisfiers and five job satisfiers. As dissatisfiers, he lists company policy and administration, supervision, salary, interpersonal relations, and working conditions, which correspond roughly to Maslow's physical and safety needs. His job satisfiers are achievement, recognition for achievement, work itself, responsibility and advancement, which correspond to Maslow's social and egotistical needs and the need for self-actualisation. Herzberg (van Kradenburg, 1987: 303) says, "*The promise of money can move a man to work but it cannot motivate him. Motivation means an inner desire to make an effort.*"

It can be easy to make mistakes when the entrepreneurial leader deals with other people. He can assume that the people are just like him. Such an attitude is foolish because individuals differ enormously from each other, in their personal make-up and their reactions to the work situation. The entrepreneurial leader cannot just assume that his needs are mirrored in other people and that they will simply work harder if he offers them more money. According to Lawler (Van Kradenburg, 1987: 302) a person has a perception of his input in a business and his responsibility to his job and

what he is supposed to earn. The Entrepreneurial leader has to keep that in mind and change his skills with the changing world, which is globalising. As a leader the entrepreneur understands leadership as relationship and mutual influence. He no longer has to think that he is the hero and that he has to exercise autonomous power. He has a vision, is clearly focused and has a passion so that the people in his company will feel more committed if he handles them correctly and does not let them feel that leadership is reserved for only a few people.

A two-way interaction is constantly going on and the leader is the product of his followers. The entrepreneurial leader believes that the best is yet to come and he tells his people his plans and how he hopes to gain markets, share increase his company's sales and informs them about the next state of development. Sir John Harvey-Jones once said the following, *"Leadership is about getting extraordinary performance out of ordinary people."*

The Entrepreneurial leader leads his people in the company by creating a good atmosphere. He does it by allowing them to be creative and act independantly and he does not always act as a "manager". The more confident people feel about their jobs, the better they will do - especially if appreciation is shown they feel they have adequate compensation and if they feel they can trust their leader, they feel part of the company. A leader always tells the truth even if it is bad news for the company. If the entrepreneurial leader builds his company by sharing his profits, and treats others fairly, he will be happy and successful.

Prospective employees can be found by advertising in the plant if non-professional workers are needed - it also indicates to outsiders that there is growth in the company. Technicians can be found at technical schools and also at community and government sponsored training and retraining

programmes. According to Kotter (1988: 85) new graduates can be looked for at colleges, technicons or universities. If firms are laying off they can allow you to contact the employees. Newspaper advertising and personnel managers can help. In small companies, it is often difficult to write satisfactory job descriptions as the employee has to adapt to different skills and positions and when an employee is not performing well, the entrepreneurial leader is only kidding himself to allow the low performer to continue, and this can cause damage to the company. The entrepreneurial leader will have the skill to give the person notice (at least two weeks) to find another job.

### **3.3.3 RECRUIT AND SELECT THE RIGHT PEOPLE**

The right people have to be hired who share the entrepreneurial leader's vision. If you ask executives about their first hires as entrepreneurs, they can tell you horror stories. Baty (1990: 147) says a skill of the successful entrepreneurial leader is to construct an organisation with groups of people who understand the entrepreneur's vision to have a purpose for their work, to run it, by making everyone executive as well as manager. People are managers (the lubricant which makes the organisation work) because they focus on the plan of the entrepreneur and help execute it. They are executives too, because unlike managers they are part of a team in the company who is focusing on the future. They determine how to achieve the vision, because they believe in it.

Zoghlin (1991: 77) says that mistakes that are frequently made when hiring people, is when you are desperate, and you feel you cannot wait until a suitable person comes along, or maybe the person is right for the job but wrong for you, or the person is well-qualified but never before participated in an entrepreneurial venture. Friends can make some suggestions for candidates, or people can be found by word of mouth.

The entrepreneurial leader duplicates himself through people who are willing to work hard.

According to Levinson (1997: 126) the entrepreneurial leader has to develop the skill to look for the right employees with some of the following characteristics:

A well-organised life, on and off the job; dedication to the achievement of the company's goals; pleasant personality, optimism, abundant physical and mental health, a desire for improvement, fearlessness to learn especially new technologies, and a balanced life with a personality that is compatible with the leader. People can be trained for things the company needs (Levinson, 1997: 136).

Erwing Kaufman (Smilor and Sexton, 1996: 103) said: *"Hire people who are smarter than you! In doing so, you prevent limiting the organisation to the level of your own ability. Someone has to be the smartest guy in the room. Never invest in that man! Put your bets on those who hire the best and smartest people they can find. If you hire people, you consider smarter than you, you are more likely to listen to their thoughts and ideas, and that is the best way to expand on your own capabilities and build the strength of your country."*

Koontz (1994: 52) says: *"the entrepreneurial leader has then to develop the skill to find the right person for his business to help him if he wants to grow and expand. Some people want time to be with their families, others have the urge for achievement, freedom, growth, recognition or autonomy, and if the entrepreneurial leader can apply his skills to make his people's motives successful and help them, his company will grow beyond description. "*

Often the people who are hired by the entrepreneurial leader are not encouraged to see beyond the immediate activity of their jobs, as can be gathered out of the well-known story of the man who passed by a construction site and asked a labourer, "What is that you are doing?" "Why, as anyone can see, I'm just laying bricks - one on top of another," the labourer replied. The observer posed the same question to a second labourer, who answered somewhat more thoughtfully, "I am building a wall." A third labourer, however responded to the very same question with a truly inspired sense of purpose and role, "I am helping to create a cathedral!" (Napolitano, 1998: 66).

The entrepreneurial leader needs more of the employee's creativity, thought and energy, and he has to let them see the brick as well as the cathedral, which helps with the vision and develop a sense of belonging, loyalty and history.

Empathy is a skill of the entrepreneurial leader - that is the ability to place oneself in the position of another person and experience his feelings, prejudices and values (Koontz, 1994: 521). Employees are human beings first, and employees second.

Placing yourself in the position of your worker or subordinate and how you would react if you were in his situation, is an effort of understanding his feelings. According to Levinson (1997: 133) the entrepreneurial leader sometimes knows nothing about the worker's personal life, ambitions, economic, personal and health conditions, spiritual values and loyalties. They are also fathers, mothers, sisters, brothers, daughters or sons.

When rewarding his workers, objectivity is one of the skills to develop or else the entrepreneur becomes emotional when he is evaluating a person or encouraging a person to achieve good results. A neat balance between

empathy and objectivity is difficult to feel, but each has its place in effective leadership.

Levinson (1997: 138) continues by saying that if the entrepreneurial leader expects extraordinary things to be done by his workers, he also has to treat them in an extraordinary way. He would give, for example, a certain percentage ownership (1%) or would give merit bonuses or extra cash if he sees an employee is doing more. Some people really will work very hard and long hours for their leader, and they will keep on dreaming up ways to give exceptional service to the business. The business will flourish in this way. Only those who deserve rewards must receive them fairly and not in the same way as the others. Perks can be a creative incentive by the entrepreneurial leader. He can give them a title, a new leased car, a larger office, new responsibilities or an extra holiday. Here creativity plays a very important role in the life of the entrepreneurial leaders because he has to think of all kinds of ways to continue growing. According to Baty (1990: 146) self-improvement for his employees, by sending them on courses to improve intellectually, physically and emotionally, will empower them, and the more trained and empowered they are, the more the company is empowered. His employees want to be associated with a winning leader.

It is important to duplicate yourself if you hire employees, so their track records have to be checked to see if they are really trained and skilled, because the cheapest form of manufacturing is to delegate. To use somebody else with the same enthusiasm and values who can achieve the extraordinary with the right attitude and training is according to Zoghlin (1991: 78) a good way of hiring talented people. The entrepreneurial leader needs a "duplicate" of himself, a person who can be a risk-taker and who is not afraid to make decisions.

“During the twenty first century, actual cloning of people could become a practical possibility in the laboratory - exact duplication, cell by cell. Until it happens, you’re going to have to do that lab work yourself, and your business is your laboratory.” (Levinson 1997: 147).

#### 3.3.4 **SELFKNOWLEDGE**

De Coning (1989: 19) says that self-knowledge is also important because it is impossible to empathise or to be objective without knowing yourself. Sometimes, as a leader, you have certain irritating habits or you lose your temper with other people, especially when you are tired. An entrepreneurial leader has to be constantly aware of his conduct; he has to act, think and anticipate at the same time. If the entrepreneurial leader allows his heart to rule his head he will fail as a true champion. According to Banfe (1991: 84) Albert Einstein said, “The true mark of a genius is the ability to hold two conflicting thoughts in your mind at the same time and still function.” An entrepreneurial leader cannot draw a line between his business and his family. If he acts like a tyrant and dictator at his business, he is no developer of his people and he will also bring across the same attitude at home. It is no use getting irritated. The entrepreneurial leader will try not to get frustrated. He has a passion for his business and therefore will rather be fascinated by what is happening around him, and he knows if things go wrong, it is just another opportunity or challenge.

#### 3.3.5 **VERBAL AND COMMUNICATION SKILLS**

The entrepreneurial leader has excellent verbal skills in order to sell and communicate. Because of his good communication skills, he is open to others views and listens to what they have to say. His own attitudes and habits are put aside and he adapts to different situations and people. He is a role model through his conduct in situations.

Subconsciously people are evaluating one's non-verbal communication and therefore energy, posture, smiling, tone of voice, the way one looks at his customer or employee and his sincerity and caring, are of vital importance. The entrepreneurial leader has to pretend to be in the other person's shoes to understand how he feels and how he observes. He has to pretend that he is followed by a video camera that is registering all his actions and therefore he will "perform" in such a way that he can walk back on his tracks and not regret certain actions and the way he communicated with others. He has to be extremely sensitive to the feelings of others.

### **3.4 REQUIREMENTS FOR EFFECTIVE ENTREPRENEURIAL LEADERSHIP.**

#### **3.4.1 WALKING THE EXTRA MILE**

Entrepreneurial leaders have certain challenges, which are critical in order to perform successfully. Until recently many entrepreneurs have had it easy because they operated their own businesses for their own convenience, very often from home.

From the 90's entrepreneurs as other people, started working longer business hours, started accepting credit cards, where they only accepted cash before, started making deliveries and became very competitive with extra services. Smilor and Sexton (1996: 12) say in order to be an effective entrepreneur leader, requires working 365 days a year, twenty-four hours a day. There are no breaks for the traditional weekends and there is hardly a difference between a Sunday and Monday and if there is a break, the entrepreneurial leader is occupied with creative thoughts in search of ways to get better results for his new "baby".

### 3.4.2 ADAPTATION

The only way to save time is by using the computer because it shortens the workday and makes it more productive. An entrepreneur has to accept credit cards, like Visa cards, Master cards, Discover cards, Diner's Club and anything else as long as the business does not lose money. A toll-free number and flexible financing is a requirement if he wants the business to flourish. An entrepreneur often finds himself in the middle of unfamiliar and unusual situations and he has to depend on his inherent or developed entrepreneurial qualities to help him adjust to special circumstances. According to Baty (1990: 177) an effective entrepreneurial leader does all in his power to say "yes" to every customer request, and he eliminates any practices which take unnecessary time that create bottlenecks.

*Many customers will be younger than the entrepreneurial leader and if he is rigid in his ideas, he can expect some friction, which can have a negative or positive effect on the new enterprise. Adaptation in order to say 'yes' to every request of the customer is essential. Even tradition has to be bypassed if it can help the customer in a special delivery. If the staff handles a customer complaint well, the entrepreneurial leader has to have the ability to celebrate the staff. Create a customer care line and also phone them or let them phone the business. In this way the entrepreneur can handle complaints and kind actions can lead to great word-of-mouth advertising and customers will come back for more business. Adapt also in the way to forget about the "pencil-and-paper" business and get an e-mail address, which is on-line twenty-four hours a day, as well as a fax-machine so that the customer and entrepreneur can communicate instantly.*

Gates continues by saying that other requirements for effective leadership are the cost to give up old ideas, old habits and old weaknesses and to

buy real equipment which can arm the one-person entrepreneur efficiently so that he does not need fancy offices, have high overheads and needs to employ many employees. This equipment gives him the opportunity to be flexible and efficient with much more freedom. The ten items are the telephone, answering device, cellular telephone, phone lines for the phone, fax machine and computer, the computer modem, printer, scanner and software.

Zoghlin (1991: 176) says of the entrepreneur that with the integration of the business into his life, there will be additional charges that cost money and provision will have to be made for fees for rental of offices, space, office furniture and equipment, as well as for insurance, taxes and monthly marketing and on-line service charges. Intimacy with the Internet is the ticket to the information age - point, click, and is informed quickly. There is still time to become digital and to go on line.

According to Levinson (1997: 152) the entire Internet, plus chat groups and bulletin board services, can be an on-line service, which can make the entrepreneurial leader much more efficient. He can just ask a question and all the information will be on the screen, ready to be absorbed by him. Kinds of information that can help him is professional advice about any aspect of the business, reports, statistics, customer and supplier contacts which can expand his customers and lower the costs. Look for potential marketing partners, competitors and information about products. Information will help the entrepreneurial leader to be more effective by making better decisions and fewer mistakes, but he has to do it in the right way.

### 3.4.3 WELL INFORMED

By being informed all the time, the entrepreneurial leader will be able to do business worldwide. He has to try to take his product to the global market. Businesses are not competing on the basis of price, but rather on the basis of innovation, quality, technology and productivity. The humans that are dealt with have to be studied in order to make a professional impact on them if one is doing business e.g. Asians treat the elderly with respect and want to see the customers. The British are slow in accepting ideas, but they like good quality. The French are proud, stylish and very hardworking and written contracts are the best for deals. They are very honest but suspicious. The Germans have a conservative, durable style and they look for quality. They believe that their products are the best in the world, while the Chinese are very creative. According to Baumo (1993: 241) the Japanese have long term relations and believe no decision is too small. The Italians like doing it in a grand opera. They make colourful and exciting promises. They are creative and friendly but their promises are hardly fulfilled. Indonesia and Thailand have an urge to learn from the Western world. It is important to start globalising and to meet these merchants. T.V. can help and "hook up the Internet."

According to Kotter (1988: 30) powerful and transforming visions which set standards of excellence and high ideals are essential for effective leadership. These visions clarify purpose and direction. It gives the business a sense of integrity that strengthens and uplifts everybody in the organisation and inspires him or her so they align their energies in a common direction. They are inspired and enthusiastic because visions encourage commitment. They reflect the uniqueness of the entrepreneurial's business and what it stands for. Everybody in the entrepreneurial leader's business has to be informed too. Everybody has to know what the clearly stated vision is and where the organisation is

headed. They have to know what major changes could be expected in the economy, social, political and technological environments in the future.

According to Baumol (1993: 9) the entrepreneurial leader has to choose the right vision and sometimes the best vision seems intuitively obvious but it has to be checked. A set of criteria would be: To what extent is it:

- future orientated;
- appropriate;
- capable of setting standards of excellence and high ideals;
- able to clarify its purpose;
- capable of inspiring enthusiasm and commitment; and
- able to reflect the uniqueness of the business.

#### 3.4.4 **PREPARED FOR THE UNEXPECTED**

The entrepreneurial leader is the coach for the vision, because his main purpose as coach is to empower people to act in the name of the vision. People come to organisations as individuals but they do most of their work in teams as they cluster around task assignments. The entrepreneurial leader needs the vision to select people for sensitive and critical assignments. He cannot do it alone.

Isolation can be avoided by setting up a vision taskforce of influential and farsighted people and giving them information collection and advisory responsibility on long-term directions. As long as the vision appears attainable the entrepreneurial leader knows he is realistic and not overly idealistic.

He will be prepared for surprises that can have a negative effect on his business: the surprise of something you expect to happen, and it does not; something you do not expect to happen and it does, and something you

never even thought about happens, with unfortunate consequences for your vision. So the effective leader requires to reduce surprises or to lessen their impact by thinking of alternative scenarios and forecasting, and anticipating the possible future events.

#### 3.4.5 CREATIVENESS

Creativity cannot be defined. Jonathan Livingstone Seagull (Banfe, 1991:83) once said, "Don't worry about creativity. Just learn to fly real well and when you do, the magic will happen. You'll go beyond the barrier without realising."

*The entrepreneur has to forget about the bottom line and has to try rather to be preoccupied with doing "the right thing". So he will secure the loyalty and support of his staff and customers. By being flexible and patient and delegating implementation decisions to others on the staff, they take ownership of the vision and experience pride in achieving it. Learning experiences take place in such a way that the entrepreneurial leader immortalises himself because he helps people around him to see how great they can be and lays foundations for their great leap forward. Banfe (1991: 84) says that creativity comes from not necessarily obvious thoughts, but from the empty spaces between thoughts, seemingly unstructured non thoughts."*

If we just can understand the future of visionary entrepreneurial leaders by looking at the still unfolding tale of Bill Gates. His creativity in entrepreneurship is so challenging and stimulating that it makes the entrepreneur's world very enticing.

At the tender age of 35 the energetic founder of the Microsoft Corporation has built a personal fortune of R30 billion almost entirely on the basis of

outstanding visionary entrepreneurial leadership. As a youth, Bill Gates thought creatively, visualised the future and became a billionaire. He was, like many of his high school classmates, considered to be a computer nerd. Unlike the others, however, he took the initiative to start his first two companies at the age of fourteen. The companies only lasted a while. After five years at Harvard he dropped out to write a mainframe computer language for Altair 8800, a microcomputer kit designed for hobbyists and sold through **Popular Electronics** magazine, and from that small seed and beginning came the Microsoft Corporation and was soon a fast-growing software colossus with 8,000 employees who dominated the industry. It soon outranked the 14 000 competitors with influence and capability.

The teacher has an important part to play in educating and developing creative talents. According to Banfe (1991: 94) some entrepreneurs argue that modern higher education “stresses logic and that tends to squelch creativity. Some experts believe that college education – two years, peaking at four – may foster creativity. They suggest that graduate school may not be all that great in some fields because advanced study reinforces logic and perpetuates entrenched thinking. Many innovators dropped out of school altogether.” Bill Gates did not get a MBA from Stanford and he holds no college degree at all. He is a smart and persistent, experimental entrepreneurial leader who always asks himself when he is studying future advances in computing, “What will that create a demand for?”

Gates and Allen wrote a vision to inspire themselves six years before the first IBM personal computer hit the market. “A personal computer on every desk and in every home”. Today the rest of the world is still coming to grips with that 16-year-old vision. Gates is beyond thinking about competing with other software companies. He thinks of the day when his

primary competitors will be Japanese electronic firms which have sold hundreds and millions of television sets, VCRs and compact disk players and he intends to make it happen.

The more professional and highly skilled the employees are, the more critical it becomes for the entrepreneurial leader to be able to challenge it by supplying meaningful job context which encourages commitment and exceptional effort from their side. Bill Gates loves brainstorming and is always available for his employees, whether it is personally or by electronic mail. Brainstorming is a requirement for effective entrepreneurial leadership because it develops the creativity skills. Banfe (1991: 94) says that Prof. James Adams, author of the book, **Conceptual Block Busting**, contends that creativity can be taught. Teachers can therefore be very active in teaching creativity because he says, "Creativity skills are a feat of mental aerialists engaging the draws on knowledge, logic, imagination, dreaming, and intuition to the ability to see connections and distinctions between ideas and things. There is an advanced medical imaging technique called **Positron Emission Tomography**, which enables scientists to view the activity in the brain. It shows that both sides of the brain, the creative right and the logic left, flicker on and off when a person is engaged in creative thought. Creativity is an ability to use both modes of thought.

Creativity plays a major part in the life of the entrepreneurial leader and parents have to communicate with their children and encourage them to be experimental and try new things. In such a way they stimulate their child's creativity and imagination. They have to fantasise with them and praise them and encourage them to read science fiction and play games. They have to know that learning is fun and that individuals can make a big difference to be visionary entrepreneurs. Many corporations of the 21st century have "entrepreneurs" who are challenged to create new products

or market thrusts, because it is proven over and over that creativity is not a divine gift. It can be learned.

### 3.4.6 **KNOWLEDGE ABOUT INDUSTRIAL RELATIONSHIPS**

A broad knowledge of industry like the market, products, competition and technologies are essential requirements for effective leadership. Also a broad knowledge of his corporation or company is essential e.g. the culture, history and who are the key players and what makes them tick.

Knowledge about relationships in the business and an excellent reputation and strong track record are essential - willingness to work hard, total commitment, the desire to succeed, a keen mind, analytical ability, good judgement, the capacity to think multidimensional and to be a strategist. Effective leadership requires strong interpersonal skills by developing good working relationships quickly. The entrepreneur has to have sensitivity and empathy for people. He has to have the ability to sell to customers and have high integrity. A high energy level and a strong drive are the motivation of the entrepreneurial leader. He strives for achievement and power (Kotter, 1988: 35).

He has the challenge of setbacks and must be able to handle discomfort. He has to have the financial backing and support of his family.

In order to be an effective entrepreneurial leader the entrepreneur has to work his mental muscles. By being creative and programming his brain to look for more and more opportunities he can create the most fascinating products. At the recycling market of Nairobi, Kenya, entrepreneurs create jewellery out of old telephone wire, Kerosene lamps out of tin cans sawed in half, large cooking pans out of oil drum tops and sandals out of treadless automobile tyres. Entrepreneurs have no equivalent to currency,

for acquiring something truly new, they can construct only from their own innards - using what they have in new and interesting ways.

In order to be effective the entrepreneurial leader will listen to his emotions of doubt, uncertainty, frustration, rejection, fear, anger and inadequacy. In his doubt he can build a frame of faith and hope. With frustration he can try to change his strategy in such a way that things will work out. If his products are rejected he does not take it personally; if he has fear it will help him to stay alert. He does not stay angry if somebody hurts his feelings, but forgets about it.

### 3.5 LEADERSHIP FRAMES

If you ask people to picture a leader, they will answer with scenarios like: "the leader has a title, the leader is highly visible - standing out above a crowd on a balcony, making a speech, leading the pack or setting a direction."

How do people come by leadership ability? Research on this is exceedingly limited. In order to understand kinds of leadership, (Koontz 1964: 518) distinguishes four frames or lenses for leadership.

In **Structural Leadership** rationality, efficiency, planning and policies are very important. Clear directions are set and people are accountable for results. The structural leader tries to solve problems by restructuring and developing new procedures and policies.

The **Human Resource Leader** focuses on interaction between the individual and organisational needs. Problems are solved by participation and training.

**Political Leaders** negotiators and advocates who create coalitions, build power bases. They do not get alarmed by conflict but see it as an opportunity and as a source of energy.

The fourth frame is the **Symbolic Leader** who pays attention to ritual, ceremony, myth, stories and other symbolic forms. If they have problems, they create new stories or revisit values.

### 3.6 **IMPORTANCE AND ROLE OF CREATIVITY AND ENTREPRENEURIAL LEADERSHIP**

#### 3.6.1 **STIMULATES INNOVATIVE ENVIRONMENT**

Your creative, visual right brain is one of your most important assets, both in creating your personal mission statement and in integrating it into your life (Covey, 1994: 134). The more entrepreneurship is investigated, the greater is the hypothesis that entrepreneurship *"is a creative process, that entrepreneurial activity stimulates innovation, and that economic growth depends upon the existence of an innovative environment. If these premises hold, then there should be a high degree of correlation between entrepreneurship and economic growth"* (Kent, 1990: 30).

#### 3.6.2 **STIMULATES VITAL GROWTH IN ECONOMIC ACTIVITIES**

The role of the entrepreneurial leader is seen within economic activities, because he creates new employment opportunities by being an organiser, a contractor, a person who allocates resources to alternative uses and develops natural resources. He takes the lead in production because he is an innovator who takes risks associated with, change and uncertainty in its consequence and he progresses it until he finds rewards.

By looking at some theories the role of the entrepreneurial leader can be understood:

According to Mark Casson (Chell, 1991: 46) *'an entrepreneur is someone who specialises in making judgmental decisions about the co-ordination of scarce resources'*.

Baumol (1993: 10) describes the entrepreneur as one whose job is *"to locate new ideas and put them into effect ... he cannot allow things to get into a rut and for him today's practice is never good enough for tomorrow'*.

*Kent (1990: 32) considered entrepreneurship as an ongoing function in which opportunities exist for the gathering and co-ordination of resources. Opportunities will exist as long as new information is becoming available that could alter the efficient allocation of resources. New information may be either totally new knowledge such as scientific breakthroughs or the updating of knowledge"*.

### 3.6.3 **STIMULATES EDUCATION OF ENTREPRENEURSHIP**

Because of the foresight and imagination of the entrepreneurial leader he can be used in education for training, analytical and computational skills as well as for teaching skills such as delegation and organisation because

he has the knowledge and experience. According to Kent (1990: 3) entrepreneurial education needs to focus on developing innovative skills. It should be integrated in the formal education. Programs should be introduced in the earliest grades and continued throughout all formal education. The entrepreneurial leader can develop and expand the pool of entrepreneurial talent. He can broaden the knowledge of the population about the development and role of the entrepreneur.

Kent further suggests that one approach for teaching entrepreneurship is to focus on historical context and to describe the role of entrepreneurship in economic history. The second and parallel approach to entrepreneurship education is to develop the traits that are associated with entrepreneurial success. This approach will provide the entrepreneur with skills that he will need in order to function in the economic world. Any society can benefit if these entrepreneurial programmes are taught in schools and universities. Entrepreneurship education should be extended as far as possible in the education curriculum. The entrepreneurial leader can play a vital role in order to promote this.

Educators have to enhance the entrepreneurial qualities through formal education in the classroom. The role of the entrepreneurial leader should also be understood by the voters for entrepreneurs are prime promoters of change and therefore can have an influence on national, provincial and local levels.

Educators can learn from entrepreneurial leaders about their skills and knowledge and they can then start teaching that in the early grades through programme and seminars. For example, cognitive young students can have assignments in which persistence is manifested in order to stick to a task. According to a survey by O'Neill and De Coning (O'Neill, Terblanche & Keyter 1997: 11) the entrepreneurial culture in the Republic

of South Africa is almost non-existent. They claim that coherent policies and programmes to foster entrepreneurial culture are lacking. This has to be implemented already at a young age. Perceptions of entrepreneurs are negative in the community. South Africans regard innovation of entrepreneurs as too risky. They feel entrepreneurs start off their enterprise as an act of desperation. They feel it is not a normal way of life. Entrepreneurial education is not yet a part of the educational process at all levels of school.

The role of the entrepreneurial leader is to teach entrepreneurial education, which focusses on decision-making skills like risk taking, innovation, imagination and problem solving through active programs. Relationships in technical and scientific processes can be taught, as well as the ability to face new situations. Tomorrow's educated entrepreneurs will know how to maximise their goals and therefore will have an influence on having a better society (Kent, 1990: 6).

The role of creativity and entrepreneurial leadership is to let many people see that to set goals, objectives and perseverance can cause higher expectations and achievements in school and society. This is because when children are exposed to economic concepts which form a cognitive domain the environment of the entrepreneurs has more relevance, and this creates technological change, generates jobs and causes economic growth.

According to Visser (1998: 20) the role of entrepreneurial leaders is also that of making young people more aware of economics and aware that they are part of a large economic world, part of the labour force, involved in an integrated system where they can develop attitudes in which they can picture themselves as politicians, business owners, etc. They develop technical and managerial skills and possess a great deal of inner control.

### **3.6.4 INTRODUCE NEW PRODUCTS AND TECHNOLOGIES**

By being creative the entrepreneurial leader introduces new products and technologies which make customers more aware of the availability of the new products which create entirely new relationships between price and the amount producers will supply, in the market place. New jobs are created and others destroyed, investment opportunities are created and progress occurs, as ideas are adapted. Scientists are also innovators and invent products and have a relation with entrepreneurial leadership because they need to know that their ideas must be completed by bring those ideas to the market and then having it accepted. The entrepreneurial leader is important because he can take the lead in production and the free market system depends on their independence.

## **3.7 REQUIREMENTS FOR SUCCESSFUL BUSINESS AND EDUCATIONAL OPPORTUNITIES**

### **3.7.1 CREATIVE ENVIRONMENT**

No Company can play the Great Game of Business unless the employees feel like winners. In order to have the winners the entrepreneurial leader has to allow for a creative environment. As the headteacher of a school is also the school's chief executive (Adair, 1998: 149) he should structure the organisational climate of the school in such a way that there are plenty of opportunities for creativity.

Entrepreneurs create and manage change and they do this by taking risks. They build effective organisations and have the ability to maximise every kind of resource. They match real products with real customer needs, find new users and build relationships. *"Creativity is to the organisation what food is to an organism with too little it will anguish and die of malnutrition,*

*with too much, it will become bloated, arteriosclerotic, immobile, and will die. As for nourishment in organisms, there is a range of creativity, that is optimum for utilising creativity” (Baty, 1990: 139).*

According to Banfy (1991: 98) creativity is a tool that everybody has. People do not always believe that they are creative but the successful entrepreneur has the unshakeable belief that he will achieve what he believes in, because he believes he has the ability and creativeness if he seizes the opportunities on his way. Like Henry Ford the entrepreneur believes “*If you believe you can do it. Or you believe you can’t do it. You’re right*”. This attitude is essential for successful business and educational opportunities.

Therefore even in schools the principals and teachers are thinking more of laying broad foundations. They feel to have education for leadership, rather than skills training in the narrow sense. By thinking creatively, according to Adair (1998: 150), the students can improve their skills in taking responsibility and working with others to achieve a task (as leader, colleague or subordinate). Skills like effective communication (speaking and listening), decision-making and problem solving are encouraged in the academic and sport arenas.

In the early stages of the venture everybody wants to help and has creative suggestions and there is a creative environment of pleasure, sharing, open communication, problem-solving, involvement and excitement. Life is one long learning path and creative people have open minds and cannot work in non-creative environments.

An entrepreneurial leader will stimulate his brain cells and will not adapt to authoritarian innovation where he has little recognition for the ideas of people working for him or with him. He will try to implement their creative

ideas, encourage them to speak up in order to have a climate of openness. In such a way those can inspire everybody around them. The subconscious brain has to be “kicked into overdrive” by working in a creative environment. As a mentor of the business the entrepreneurial leader has, according to Smilor (1996: 104), a commitment to help his people grow in the creative environment and encourage them to take total responsibility and to do it with integrity and sincerity.

Everybody should know if someone’s idea is implemented in the business and it is important to catch somebody on doing something right. Keep criticism to a low level - do not attack people, but attack the problem because people are hungry for praise and compliments. Rather try a suggestion in an honourable and respectful way and praise before there is criticism and always try to criticise the action. Highlight the expectations and give feedback and ideas if the people need it.

The entrepreneurial leader will create such an atmosphere that his staff will communicate regularly with him and they will feel free to talk to him. He will build team spirit by socialising with them in some informal way, make them aware of how he appreciates them and he will encourage them to improve their personal self-esteem according to Adair (1998:176) by studying further and even attending seminars. This improves their skills and develops high performance in the business environment.

According to Sexton (1991: 250) technology companies often have competitions to see who can be the most creative. “*Miner developed a role motivation topology based on the concept that an effective organisational performance is based on the fit between the organisational system and the motivational pattern of the key performer (entrepreneur). His studies of task motivations showed a series of pushes or pulls of the motivational systems. Pulls resulted from the prospects of financial rewards, community*

*status, and personal intrinsic satisfaction. Pushes, on the other hand, tend to keep the entrepreneur involved in the organisation despite increased complexities or functional role changes. They include five separate role patterns, related to individual achievement, risk avoidance, behaviour feedback, personal innovation, and planning/goal setting. As Minor points out, the task motivations of the growth-orientated entrepreneur are significantly different from the hierarchical or bureaucratic system in which status quo managers tend to operate”.*

The requirement for successful business as well as entrepreneurial educational opportunities will be to have such an creative environment where there will be a change from an organisation driven by an individual entrepreneur with traits such as autonomy, risk taking and change to an organisation that incorporates the entrepreneurial spirit. Promoting efficiency, interdependence and co-ordination through others does this. The entrepreneur has to allow such an atmosphere of growth and change although he maintains the original vision, but he adds control systems gradually, avoids hierarchical structure and provides employees with equity positions in his business. He does this by delegating or managing through others. So the business will still carry on even long after the entrepreneur has ceased involvement in it. Although the employee is working in a creative exciting environment he will look for other privileges besides a good salary.

### **3.7.2 EFFECTIVE OPPORTUNITIES FOR EMPLOYEES**

The employee will accept things like vacations, sick leave and holidays and the entrepreneur has to decide on a few days plant shutdown or partial vacations for the staff. Insurance like medical cover and life insurance is important and should be implemented as soon as circumstances permit such as when the group is growing.

In a small company don't make vague promises about stock plans that you would be unwilling to put in writing, and be certain that stock purchase privileges are related to performance in an agreed upon way.

There will be no profit sharing. The entrepreneurial leader can only help by tax deferred savings. Bonuses and commission can be in the form of cash or merchandise but try not to be trapped in a Christmas-bonus, as some people will eventually see it as a birthright instead of a privilege. In work related fields education payments can be made for tuition.

Other benefits of things such as 5-day weeks, flexitime or even permitting employees to leave to fetch children from school or allowing experience and skilled retired people to work for a few hours a week, to contribute to the growth of the company and a good environment.

When employees feel like winners, they care about what they produce, they care about meeting goals and they care about the leader. According to Michael Hammer the "task worker" is the last vestige of the Industrial Age. In the modern business every worker is no longer a log in a machine but has to be involved in the entire process and therefore has to improve and adapt constantly to changing circumstances. This will make the work more interesting and challenging and they become more empowered and informed. Repetitive, one-dimensional work is despised by human beings. At some steel jobs for instance, welders have to know algebra and geometry to figure weld angles from computer-generated designs. This is an extension from repetitiveness to exceptionally broad and enhanced self-awareness of creativity, according to Banfe (1991: 96).

The service personnel of photocopiers need to understand Internet and computers in their jobs that enable them to perform their unique tasks. Computers eliminate certain jobs but also take the drudgery out of many other jobs because up to date accurate information can improve quality and good performance to customers, too. If the entrepreneurial leader wants more sophisticated workers they need better tools and digital tools bring more intelligence to business operations.

### 3.7.3 **COLLABORATION BETWEEN LEADER AND TEAM**

According to Robbins (1977: 42) leadership is often seen as a way where Leaders lead and followers follow. There is a complex relationship between leaders and followers, as the leader is very much the product of the group, shaped by the group's aspirations, values and human resources.

One of the reasons why so many entrepreneurial leaders are so successful is the motivation and quality of people working with them. Managing the teams is holding onto talent, guiding, motivating and choosing team members who have creativity, love for learning, versatility and humility.

Business is a team sport and daily, monthly and yearly goals are built around teamwork. The leader or his management must act as a cheerleader to keep the team motivated and reward them if a goal is reached. People need much love, care and encouragement and therefore the entrepreneurial leader or his manager will respect the richness of diversity and imaginative ideas and will have respect for individual differences. They have a firm belief in decency and give the employee the tools to adapt to change so that the employee will also develop a passion

for the products and processes. He will also feel personally responsible for the successes and failures of the company.

In teamwork the leader sets an example by being dependable because he meets the deadlines. He is predictable because his team will know what he does. He does not have tantrums and have sudden policy shifts. He has value of the common good because he will put his self-interest aside in order to further a project of the team. He will be emotionally safe because he will not abuse his people. They believe in his credibility because if the entrepreneurial leader says he is going to do something, he will do it.

He is sets an example to the team by having trust, no allowing gossip to occur, and share information by been open to the team about the health of the company. He avoids personal criticisms and favours. He rather shows appreciation by knowing what excites the employees. He shows open appreciation and has the ethic - the basic of fairness. He is fair in promotions, benefits and hearings. He gives as much weight to people concern as to economic concern. "*Respect will flourish where wise leaders walk the walk, not just talk the talk*" (Smilor and Sexton, 1996: 84).

Teams rarely succeed if their focus is murky or incoherent. Each piece created by a team has to fit together into a coherent whole, and this is done by continual feedback, and team members know on a daily basis how their contributions are applied. In such a way they feel ownership. An entrepreneurial leader's task is to facilitate those creative tasks through discipline. He looks at the different perspectives of his team members and does not allow chaos in the organisation that is often caused by conflict.

A lack of conflict can make teamwork stagnant, uncreative, apathetic and inflexible. Few members will feel responsible or be enthusiastic. Where

there is just enough conflict, it can encourage creativity, new ideas and stimulate innovation. It can create new ideas to problem solving. The entrepreneurial leader has to respond to the individual needs, economic pressures, and legal requirements of his team.

Rigid controls can be replaced by empowerment and everybody can share responsibility and authority. The entrepreneurial leader knows that people can be moody, unpredictable and temperamental. They are very different from each other and often feel insecure or are secretive about their whereabouts. Some report late, others break things or steal, where others go slow or go on strike. Others will work overtime, go the extra mile, smile and care as if the company belongs to them.

Smilor and Sexton (1996: 87) say, "Leadership is therefore guided by several truths if you want teamwork to work. These are:

- *Influence is earned, not seized. It is the result of hard work and comes from the earned respect of others.*
- *Leaders are defined by their followers. True leaders are elevated from the pack by their colleagues. They achieve leadership because it is granted to them.*
- *Leadership springs from accepting imperfection. People want to follow other people - imperfect and human.*
- *Power increases as you give it away. Sharing power prevents stupid mistakes.*
- *Power built on fear is an expression of importance, not leadership. Fear and ego cannot replace strength and character.*
- *No matter how bright your reflection, it will always fade away. Good leaders avoid the distractions of fame.*

*To put leadership into practice, follow these seven directives:*

- *Tailor your leadership skills. Each situation will require a different set of skills.*
- *What is inspiring leadership for one employee may be insulting to another.*
- *Open yourself to feedback. Soliciting ideas from others often requires that you give up some control and that you are open to personal criticism. But the benefits of such an open door policy in terms of respect and employee morale are worth pursuing.*
- *Symbolise your beliefs. Sweeping actions representing your leadership, as long as they are sincere, can serve as important markers to others. They send clear signals about what you believe is important.*
- *Reject showing signs of power. Avoid ostentatious displays of wealth, layers of personal staff, or a specialised vocabulary few people understand.*
- *Give people the tools to lead. These include information, responsibility, control, and awards.*
- *Let people run with good ideas. If you encourage experimenting with ideas and taking risks, excitement and innovation will follow.*
- *Encourage acts of civil disobedience. Learning to fight for ideas, and allowing others to, is a trait well worth cultivating. It encourages in-house entrepreneurs”*

#### **3.7.4 A CASE STUDY: A GOOD EXAMPLE OF PARTNERSHIP AND TEAMWORK**

Can leadership, partnership and teamwork be taught in schools? By giving the students the example of the following case study of Gates; for instance, the school can play a role in fostering leadership and teamwork. Role models like Gates and Cutler are essential in teaching entrepreneurial education. So leadership can be taught by example.

A good look at teamwork is when we look at the building of the entrepreneurial team of Bill Gates. In 1980 IBM needed a personal computer operating system, DOS, which helped Microsoft to become the world's largest software firm. By the late 1980's DOS was deficient and totally inadequate for future technology. The partnership of Microsoft and IBM unfortunately collapsed. Microsoft had to beat IBM to survive and five years later Microsoft had the answer: Windows NT

Two entrepreneurs, Bill Gates and David Cutler, were a cohesive, committed and creative team. Cutler was the team leader. He was the executive at Digital Equipment Corporation (DEC) and so he wrote VMS, an operating system that played a key role in the mini-computer industry. He had to develop a new operating system, so he had different teams who had to work on a system that could handle speed, memory and complexity. He divided and subdivided his teams, but had daily meetings and test teams. Daily they had a feedback and every programming error was made public there and then. Each member of the team had a sense of ownership, contribution and achievement and felt responsible - so they were performing highly because they knew their contribution was vital. *"When groups excel far beyond anything that could reasonably be expected, they usually have a compelling vision, soul, and dose of magic. For Gates and Cutler, developing a compelling vision was relatively easy. Windows NT was to be one of the most powerful and complex pieces of software ever created, running faster and doing more than any operating system before it. A team's soul and magic spring from the commitment and passion displayed by its leader"* (Smilor and Sexton, 1996: 124).

Cutler was known for his outbursts and bad temper but the team had such good humour that they gave him on his 50th birthday, a framed piece of his own office wall - which he had destroyed when a part of a computer could not run properly, and he destroyed it in a moment of rage. As a team

discovers its soul, so peak performance emerges. Bad news must be responded to in order to find a solution to the problem as soon as it arises. When Internet arrived it was bad news for Microsoft on a colossal scale because it was not the top priority before, but Gates and his teams used their digital nervous system to respond to that crisis and on August 24, 1995 they introduced Windows 1994 and Microsoft won the battle. Windows 95 was the most ambitious software product to reach out to the general consumer. At that time Gates did not have an overall strategy for Internet because he did not see the Internet as a network for academics and teachers, which would blossom into the global commercial network of today. But a few employees saw the events unfolding and they were free to drive the power to show initiative, and by December 1995 Gates went public with his Internet (Gates, 1999: 174).

### **3.7.5 GOOD CUSTOMER RELATIONS**

In order to run an effective business, clever entrepreneurs have realised that customers are prepared to pay for service, quality and convenience, especially if the service or product is smarter, closer and faster. That is why extraordinary service is a requirement for successful business.

The entrepreneurial leader will find that he may assume many roles during the life of his business. He may be seen as an innovator during the preventure planning stage - where he brings together existing products or services in a way that is unique or new or he may be an inventor where he brings a new or improved product to the market.

He has this role as an opportunity seeker, but to have a successful business, he requires clients. There are two kinds of customers: the one is always trying to make a deal. No matter what the quality is, he just wants a good price.

The other customer who makes business successful goes for value and quality service. Farkas (1999: 23) says because customer service is such an important part of the business, satisfaction has to be guaranteed. They have to have the opportunity to complain and give feedback. If the entrepreneur just makes empty promises, he can kill the business, because he will lose customers' trust. He has to face the customer and also train them how to get the maximum benefit out of the business. In the olden days if there was a response from a customer, business leaders only learned about the problems when they were already serious. Information had to be dug out which was often incomplete or late and every step was time consuming and the complete picture hardly ever appeared.

Entrepreneurial leaders strive to constantly deliver their best performance and they do not give customers what they expect but manage to give them the unexpected. They give more, better and faster service, maintain high standards and try to excel in specific areas and not in all dimensions. For instance, they will concentrate to do their best in all areas but excel in service, price, style, technology or convenience.

The entrepreneur will put his customers into categories: those who are repeating purchases, referring other customers, responding to new offers, demonstrating loyalty and those who did not make purchases in order to make an impact. He will care for and nurture his loyal customers, pay more attention to their needs and keep relations close and warm. People often buy with emotion and justify their purchase with logic. Therefore the entrepreneur sees his deal with his customer as a process and he has to develop the idea of the psychology of marketing.

He has to be so creative by influencing the customer's unconscious mind, because right-brained people according to Gould (1996: 44) are guided by emotional, instinctive reactions, and left-brained people by sequential and logical reasoning. Not only by reading their body language and listening carefully, but also by looking at the following emotions, the entrepreneurial leader can be creative to reach the customer's senses, namely the sense of imagination, joy, pride, humour, wonder, sexuality, discovery and sense of mystery.

Levinson (1997: 185) focuses on the following emotions:

- **Achievement.** *By owning your product, the customer demonstrates to the world that she has accomplished something notable in her life. Your product or service becomes part of the customer's identity.*
- **Pride of ownership.** *Many people pay more attention to the pride they'll feel if they purchase a product than to the features and benefits that you offer.*
- **Security.** *This blanket emotion includes money, love, acceptance, power, and control. Emphasise it if you can offer it.*
- **Self-improvement.** *We are really a nation of self-improvers; self-help books, courses, and seminars prove to be big sellers. If a product helps improve a customer's life, let him know it.*
- **Status.** *Everyone knows that any car gets you from point A to point B, but some cars bestow far greater status as you drive to point B.*
- **Style.** *Guerrillas know that everybody buys style, and the style they buy is the one that fits their own desired style, real or imagined.*
- **Conformity.** *Never estimate the power of a peer. People hunger to be part of a group, and they often show it with their purchases.*
- **Ambition.** *This emotion makes people opt for purchases that will help them get more out of life, be it money, love, security, or power.*

- **Power.** *This unconscious need motivates many purchases because everyone wants control, especially over their own lives.*
- **Love.** *While working in advertising agencies, I was always told that the happiest possible ending to a TV spot is to show the promise of marriage. I'm not quite certain how the big spenders - Budweiser, Coke, Nike, McDonald's and General Motors can offer this emotion, but now you know it. If you can integrate love into your strategy, do it. The Beetle has already told us that it's all need"*

Some customers will destroy your business. The sooner you get rid of them the better. When it comes to payment for a service or a product, they will be abusive to you or your staff in order to delay payment. They will find fault and want work to be redone. They want little gadgets to be made and eventually they want to pay less. Some customers want more and more for less money. It is best to get rid of those people in a fast and decent way.

Other customers again, can help your business by being demanding. Pushing you to the limit by getting the maximum value for their money will encourage the entrepreneur to perform faster and better. This will encourage growth because the entrepreneur has to be more creative in order to fulfil the demands.

### 3.7.6 TECHNOLOGICALLY INFORMED

New technology had brought a paradigm shift and the entrepreneurial leader knows that success involves more than the slow accumulation of knowledge or knowing where to look for customer information. By being creative and allowing growth in the business, the entrepreneurial leader will use Internet to provide information and communication to his customers. Because the customers are more informed, they have more

control, and they are more confident on their decisions because there is better dialogue and feedback.

Internet is a low-cost, self-service model which can be used for sales but is also a good device and channel by which companies can interact with customers in ways which were not possible before. Today the primary competition for on-line stores is physical stores but as e-commerce takes hold on line stores will be the competition. By word of mouth - that's through Internet customers can tell their friends about the product or service.

Just by studying the case of Dell, one can observe how many billions of rands are saved by having customers on line on Internet.

According to Gates (1999: 96), Dell was one of the first major companies that moved to e-commerce. Michael Dell took excess inventory from local dealers at cost, upgraded the machines, and sold them over the phone for less than the dealers were charging when he was at the University of Texas in 1983. He then left it within a year to start his own computer company and when Internet gained momentum Dell knew he could extend Dell's direct relationship with the customer from the customer's phone to the customer's desktop. He wanted to integrate the Internet in his overall business strategy by on-line commerce and support and when other companies were still thinking about it; he broke into Internet commerce.

As a good leader (Gates, 1999: 97) Dell studied his customers. By becoming technologically informed he could analyse what his customers' needs were. He did not know how customers wanted to use the Internet and they did not know too, but he relied on their feedback and suggestions, which came in on line. His sales persons were trained to make the customer's problems go away and today Dell is already offering

International transactions in thirty-six countries and eighteen languages. *"Internet eliminates lots of costs, not just sale costs. Each week about 50,000 customers use Dell's Web site to check their order status. If just 10 percent of these customers called instead of using Dell's on-line service, those 5,000 calls at R16 to R30 each would cost Dell between R90,000 and R150,000 a week. Each week about 90,000 software files are downloaded from Dell's site. Answering the same number of requests for software by phone and sending each customer the software by mail would cost Dell R100,000 per week. Each week more than 200,000 customers access Dell's troubleshooting tips on-line. Each of these hits saves Dell a potential R30 technical support call. The savings over a year add up to several billion dollars."* According to Farkas (1997: 25) these self-service options improve Dell's efficiency, but the benefit also accrued to customers. Dell's on-line system saved one large company 12 million rand a year in help-desk costs.

Marriott International, the world's largest hospitality company saw the high potential of Internet. The company now provides special places on the Web site for travel agents and meeting planners who can search for properties, amenities, number of available guests and meeting rooms. They have detailed meeting floor plans and thousands visit Marriot's site because they need not make a trip to view a hotel property. Hotels make high-speed connections in standard rooms for their customers (travelling one's). Both Dell and Marriot found the Internet to be a great way to extend their relationships with customers and recognised that commerce is a combination of interaction over the Internet, and personal contact. The entrepreneurial leader will combine Internet services and personal contact in programmes that give their customers the benefit of gathering information, assessing product value and price performance, checking order status, diagnosing and solving problems.

### 3.7.7 ANALIZING THE NEED OF CUSTOMERS

Baty (1990: 172) says that by knowing the customer, the entrepreneur can let the customer feel unique by creating human-bonds that last much longer than a cold-hearted business bonds. The stronger the human bond, the stronger the business bond.

The entrepreneurial leader has to make a thorough analysis of his business's customers. He has to know who his customers are, what they buy, their characteristics and the reasons why they buy his product or service. O'Neill et al, (1997: 49) says market tendencies, like growth and changes of the customers preferences and purchase power have to be analysed by the entrepreneurial leader.

A customer is always right, and if you think the customer is wrong, refer back to the first rule. Never argue with a customer, never compete with him or try to impress him. You must never take him for granted or let him feel inferior.

There are personality types that can clash. A very talkative, responsive (extrovert) person can clash with a focused, reserved, private (introvert) person. Some people feel their way, around and you have to be warm-hearted, personal and kind to that customer. Other people, again, think and they are critically analytical, objective and tough-minded about your product.

The judging customer will go by lists and schedules and be very structured, while the perceiver is spontaneous, impulsive and more flexible. The entrepreneurial leader knows that people do not like anything to be sold to them. The customer must feel that, the decision to buy, was his decision. The entrepreneurial leader will have to use psychology in

selling his product or service by looking at non-verbal buying signals of the customer like: leaning forward to the entrepreneur and product, open palms, handling of products, smiling or verbal buying signals like questions or comments: "*How long is the warranty; I only wish I could afford it*" (Levinson, 1997: 189).

### 3.7.8 ANALYSIS OF THE COMPETITION AND INDUSTRY

According to Gates (1999: 186) one of the requirements and a key in all successful companies, is to learn from mistakes and constantly improve the product because you have to listen to what the customers have to say about their problems with the product and its shortcomings. There must be a focus on the unhappy customers, what they want to have in the product. By technology the news has to be directed to the right people to convert complaints into better products and services, fast. Unhappy customers are always a concern, but also the greatest opportunity.

Advantage over competitors is a requirement for successful business and the entrepreneur has to be exceptionally creative in strategy formulation for competing against other businesses. A principal step in establishing a competitive advantage is the development of a distinctive and unique competence. Each business has to develop an area of competence, which includes quality, image, service, flexibility and location.

To determine which area should be nurtured, a study of the business's weaknesses and strengths, compared with those of the competitors, should be undertaken. Most entrepreneurs tend to think of the competitor as a business, which has very nearly the same product for the same markets as their own. But competition is much harder to define - competition is "*any other entity which is competing for the same funds that you are competing for*" (Baty, 1990: 97).

You can still try to put yourselves in the customer's shoes by imagining what the buyer's real alternatives are. It is through analysis that you can determine which area has the best chance for sustainability. It is something that is of value to buyers and which has created an awareness of the business on the part of the consumer but in many industries it is the competition rather than the consumer which determines how much you sell. To determine whether your competitive edge is realistic the following questions have to be answered (De Coning et al., 1989: 45).

- “- Is your competitive edge based on facts?*
- Do you know specifically what your customers want?*
- Is your competitive advantage based on a factor that is important to your customers?*
- Is your competitive edge compatible with your firm's capabilities?*
- Does your firm have the necessary resources, for example, finance and personnel, to accomplish it?*
- Will you be able to inform your customers of your advantage?*
- Is your competitive edge based on conditions that are likely to change rapidly?”*

According to O'Neill et al. (1997: 51) there are ways in which you can learn as much as necessary about competitors. The imaginative, creative entrepreneur knows that the imitator has much more advantage over the innovator, as the innovator had the development costs, market testing and unsuccessful false starts. England has long been the pioneer in the inventive technology but has to stand back for Japan and the USA.

O'Neill continues by saying that knowledge about the competitors is very essential if the entrepreneur wants to work out the intelligent development of an offensive strategy and defensive tactics. By just misreading the plans

of the established businesses, or not taking a gap in the market, will could make it necessary for the entrepreneur to abandon the market. When the changes in the market exceed the business's ability to compete effectively, plans have to be made for exiting. Try to find out about their pricing policies, formulae and overall profitability. Observe marketing set up, sales force incentives, dealer policy, areas of product development, advertising techniques, market research, quality and costs of materials, production rates, and identify their major customers.

Baty (1990: 184) says: *"Present and former employees, dealers, reps, suppliers, distributors and even potential customers can be a good source of information. The entrepreneur has to use his practical techniques to get his information from them from a different angle.*

*He must have an open mind to stay alert and find inspiration to beat his competitors. Attend conferences, read professional journals, meet other companies' sales people, read books and trade magazines. Stimulate your brain cells and refrain from bribery, employee "plants" and espionage techniques. Try to be ethical or else you can damage your own integrity and reputation.*

*Other criminal methods are camouflaged questioning, photography, false job interviews, breach of confidentiality in negotiations, hiring employees from your competitor to obtain certain know-how or other trade secrets; trespassing on a competitor's property to spy, bribing his supplier or workers for trade secrets, eavesdropping, theft of drawings, documents, samples or even blackmailing or penetrating, in this technological world, the competitor's computer to scrutinise for information."*

Rather go for published materials, market surveys, financial reports, trade fairs, exhibits and competitors' brochures. Analyse the competitors'

products and read reports by salesmen and purchasing agents. To rent job-hoppers will require minimal training because they know the business but they do not become loyal employees because they can help another firm with your business plan in their files. Rather sketch a strategy and goal and do not be afraid to start with only one market or one region of the country. As a novice entrepreneur without a track record you think small, at least in the beginning, and price your products below those of larger companies. You have to be flexible. Competition mainly exists out of quality of service and redesign (Van Wyk de Vries, 1987: 183).

The creative entrepreneur must be able to play the game by whatever the rules the particular industry dictates. He must then remember whatever his competitors do, what the major expectation of customers is to react negatively, perhaps forcefully if his business disappoints them, so they expect ethical behaviour in the marketplace safe products and service to avoid industry hassles from regulators and consumerists, image, pride and reputation (Nanus, 1992: 66).

### 3.8 **SUMMARY**

More leadership is required at all levels of the organisation. Because there is a growing need for leadership, there is almost a radical shift from only a decade ago. In the 1960's too much leadership created problems. In the twenty first century the forces of growth, diversification, technological development, globalisation and diversification, made business more complex, and an urge for leaders developed. Even executives are dreaming of becoming entrepreneurs

The leadership skills of an entrepreneur are vision, direction, focus, motivation, financial, communication and motivating others. He maximises

the potential of the people around him. He is a model mentor who truly believes in developing the potential of people. He is a trusted friend and advisor and motivates his people in the business.

Many talented entrepreneurs and managers have good track records of hiring the right people. The entrepreneur can fall into a trap where he can employ the wrong people. During the interviews he has to pay close attention to each applicant's values and personality. If there is a clash between the applicant's values and personality and that of the entrepreneur, he probably will not fit in with the business.

Because they have a sense of purpose, uncertainty and tolerance, they know there are no shortcuts.

Entrepreneurship is defined as a person who has the ability to spot opportunities for business. An entrepreneur has the courage to exploit opportunities and he has the ability to manage the opportunities. An entrepreneur is often driven by intense commitment and determined perseverance. He burns with the competitive desire to excel and win and win. Entrepreneurs can learn from the explosion of technology and its impact if they look back in the past. Business moved from the Agricultural Age, to the Industrial Revolution to the Information Age.

Entrepreneurs are not born but made. They are born with certain qualities that they can develop. The critical and essential things that the entrepreneur does are to create and manage change. To keep these entrepreneurial characteristics and behaviour is often the greatest challenge for the entrepreneur. The entrepreneur finds a way of holding on to the spirit, purpose and direction. In such a way he can be innovative when he sees opportunities. He then takes risks. His perception of life can inspire him and others. He can be successful, even if he has setbacks.

By setting up the win-win situation and setting them goals to work for, will stimulate the interest of the employees. The entrepreneur has to develop the skill to let them feel like winners. Then they will care for the products of his company. He has to place himself in the position of the team of workers and share with them the "Big Picture". The daily, weekly, monthly and quarterly goals are built around the teamwork.

If the entrepreneurial leader expects extraordinary excellence of his workers, he has to have self-knowledge. He has to be self-confident and accept mistakes. He is always looking for change therefore he is programming his brain for change. He spends much time in developing these skills. He also knows the importance of what he transmits through his body language. Research has shown that the brain works better and is more open to suggestions when the entrepreneurs is in a relaxed state. When the entrepreneur is too deeply concerned he does not listen to his people. He has to be a role model in all situations.

Requirements for effective leadership have certain challenges. Solutions do not come overnight. The entrepreneur has to learn to trust his creative mechanisms. He has creative ideas to adjust to his younger customers and technological competition.

The entrepreneur is an innovator and in his minds eye he creates the experience that he has already achieved his goal. With his foresight and imagination he can hear, see, touch and feel in his imagination that he has achieved his goals.

Requirements for successful opportunities in business and entrepreneurial education are to let the success mechanism influence the brain and nervous system so much, that the entrepreneur feels he is a success. The

most important thing that the entrepreneur has to do is to stay in touch with his mission. When the entrepreneur does what he loves to do, he is more excited and therefore achieves greater success. The leader sets an example. Sometimes in a company the manual workers in the team give productivity that is among of the best in the world. The entrepreneur does always lack the work ethic, but he sometimes lacks the entrepreneurial ethic.

Conflict is essential in teamwork, because enough conflict can encourage creativity and stimulate innovation in the teams. The member of the team will walk the extra mile if the entrepreneurial leader has the proper skills to build the proper team.

The entrepreneur has to listen to his emotions and when there is bad news in his company, his employees have to be informed immediately.

He plays open cards, because his employees, in such a healthy business, have the ability to cope with the problems and stresses in an orderly way.

The entrepreneurial leader constantly strives for best performance, therefore he will nurture his customers. He maintains high standards and values his customers. Satisfied customers are the best advertisement and are a good marketing weapon. The entrepreneur has commitments to make because his customers are his investment. They measure him. They are a heterogeneous group of people and if the entrepreneur lets them develop the skill to make use of his services, he is a successful businessman to his customers. He has a warm and satisfying relationship with his customers.

The entrepreneur must have the business skills to structure his business in such a way that he does not have pitfalls when he has to deal with his

competitors. He must be able to stay alert in order to beat his competitors.  
He has to develop skills to evaluate his competitors.

## CHAPTER FOUR

### THE MARKETING

#### 4.1 GROWTH

Gates (1996: 141) says that you either *move with speed or die* because customers want high quality products at low prices and they want it now. According to O'Neill et al.(1997: 74) every business stands a good chance of succeeding if the entrepreneur deals with the golden rule that there should be focused on the requirements of the customers. The entrepreneur has to deal with a shrinking time to market while keeping quality high and price low. Whether the business is a producer of products and service or a supplier to that producer the marketing concept or marketing approach are mostly determined by the needs of customers. In order to start the marketing attack, the entrepreneur has to have a plan, because customer satisfaction in products and service should be the ultimate aim of the entrepreneurial leader's business.

According to De Coning et al. (1989: 37) a person never reaches a situation where all his needs are met because if his circumstances improve, he also has a desire for newer and better products and services.

In previous chapters the entrepreneur and the initiation process were discussed. It was noted that the entrepreneur differed from other managers in large and small firms on the basis of a psychological propensity for growth or willingness to grow.

Creativeness is needed because growth does not occur without a serious effort on the part of the entrepreneur. If the business of the entrepreneur grows fast enough he can outgrow the problems of running a small

business. Growth is not automatic but can be nurtured, pruned or terminated and a large business can be complex. The entrepreneur will then have the problem of maintaining, among his employees, the entrepreneurial spirit and desire needed for growth.

The entrepreneur has to exploit opportunities, which will affect the growth rate and the upper limit on the growth of the business. He has to undertake a reconnaissance mission according to Levinson (1997: 198) to become an expert in the marketing field. He has to learn more about the most important weapons for marketing.

#### 4.2 **MARKETING SEASONABILITY**

Many people use the word marketing when they in fact mean selling. Marketing means that the entrepreneur includes all the activities which make it possible to get a sale. According to Baty (1990: 156) it includes things like *“market research, product specification, product management, pricing policy, literature preparation, advertising, publicity, packaging product roll-out, product services and support, user training, training of customer service personnel, establishment of OEM sales/arrangement, analysis of competition, and selection of sales channels.”* The order cannot be placed unless the above “weapons” are not in place and all these actions can affect the growth of a business. It is better to face problems of growth than face problems of decline. In the earliest phases of the business growth, there will be a big divergence between the image the entrepreneur wishes to project to the market and the actual substance to back it up.

Prospective customers will feel uneasy if they buy from the entrepreneur’s business, if they were used to other big firms. Poor literature, clumsy

presentation, being behind and not delivering the product on time is the main concern.

Sexton (1991: 61) feels that fast growth can bring different problems like inability to develop support systems to staff the business, always being behind, creates or exposes problems or inadequate skills or losing sight that new competitors are always entering the market. There is also the hassle of turf battles, new faces, new departments and new positions, which the entrepreneurial leader has to face. Instead of having joy in abundance of the fruit of his labour, the rapidly growing business needs extra resources like equipment, cash and people.

In the twentieth century the entrepreneur created good marketing materials for his product but the twenty-first century demands entrepreneurs who can expertise in their customers. According to Van Wyk de Vries (1987: 132) marketing is to be focussed, consistent, disciplined. The entrepreneur has to know whom he is selling to and he must use his creativity to know how he can keep on selling. He cannot just take a gap in the market and go blindly into it.

According to Phillipson (1995: 112) the entrepreneur has to choose a target market, which has potential to grow over time. Sometimes the market can become static but it can still grow. Change in life styles can have an effect on the market trend. In the twentieth century. Convenience for the consumer lead to the use of the microwave oven, e-mail, ready made foods to be delivered, the cellular phone and the Internet.

The entrepreneur has to stay in touch with these trends by staying in touch with the technology driven high tech industries and reading popular literature and business publications. He has to watch everything from the

point of being an explorer. To stay ahead of the competition, even six months is too long to bring a new idea to the market.

#### 4.3 **TARGET MARKETING**

It is unlikely that the entrepreneur can sell something to an entire market, therefore he should target for a segment of it. Niche businesses (these are businesses that dominate only a very small sector of the market) are of the most successful businesses in the world. Most of the prospective customers will never see the plant, conference room, beautiful office or shop of the entrepreneur. They will only see the advertisements, documentation or products, so things that the customers see cannot be small-time. A well designed brochure with good photographs and good literature on the product or service or a Web on Internet can make a big difference. Brochures can be used for press releases, trade-show handouts, training aids for schools and seminars and for free give away offers (Baty, 1990: 157).

The target market is the people who are the most receptive to the product and the better they know and, the better they are understood the better the product will sell.

Time to market is shrinking for every business. Whether the entrepreneur sells it physically or whether he gives information about his service and products, he has to do it with speed. It has to be better and faster than his competition. Using digital information to be first to market can radically improve the entrepreneur's competitive position. The survival of the business sometimes depends on the speed of marketing. Services can be in off peak time, special rates can be asked in off-season or if using midnight flights. Gates (1991: 155) says that everybody must realise that if

you don't meet the demand of the customer quickly enough, your competitor will do it.

A compelling look and a good brand name which is easily recognisable, pronounceable and is occupying the consumers' mind can increase market coverage. Human beings constantly have to adapt to the business's changing image. So the entrepreneur has to be a leader in this field. By being creative and doing things *right*, even if it costs a bit extra an entrepreneur can let his business look professional (Phillipson, 1995:99).

### 4.3 STRATEGIES

Different strategies are essential and the entrepreneur cannot switch off. He has to be aware of what his competition is doing and how they make their presence known in the market. According to Phillipson (1995:99) somebody, such as an advertising company, can handle the public relations and publicity if the business is growing.

The pricing of the product is essential and the entrepreneur has to do physical research in order to determine pricing strategy. A markets driven strategy where the entrepreneur prices his service or product based on what the market believes it is worth is the best approach.

Often, according to Baty (1990: 159) engineers are prone to price new products on the cost-plus where he calculates what it will cost him to produce his product or service and then he adds on what he believes is an acceptable margin. He neglects the fact that the product may be worth far more to the user. He will be amazed to see that he can actually sell it for much more. He cannot fall short because he is new on the market. He can rather start with a high price until the demand is saturated and then lower the price gradually. The entrepreneur tries to have a unique product and

therefore he has to increase the price of his product. The entrepreneur can also try different prices in different regions.

Marketing is an investment because the sales will rise, the brand name will become known and people will want to have it. The entrepreneur has to keep on brainstorming. He has to learn from his mistakes and constantly improve. The entrepreneur will study demographic factors like location, age, occupation and education because they are typical measures of markets. Markets can be segmented into age, language, aspirations, life styles, tastes, income, sex, education and culture and occupation. De Coning et al. (1989: 40) refers to geographical aspects because the location, whether rural/urban or whether the customer can reach him with ease can make a difference. It can also determine their kinds of needs, which arise from where they live.

#### 4.5 **ADVERTISING**

According to Phillipson (1995: 95) advertising is a way of communicating with the customer, through e-mail, Internet, newspapers, radio, TV, leaflets in mail boxes, demonstrations, telemarketing and direct mailing. With direct mailing the entrepreneur is in direct contact with his future customers by letters or telephone or the Internet. He will stay interested in his customer and so keep them for his business.

Personal selling, when he is face-to-face with his customer is more time consuming and expensive but very effective.

Packaging of the product must be functional and user-friendly and the entrepreneurial leader has to keep a consistent image of every aspect of his business.

The business of the entrepreneur has to have an after sales service and customer care. He can also recruit reps to whom he pays commissions. The rep has to believe in the product he is selling. In many countries the reps are well-connected politically and are quite sophisticated according to Baty (1990: 160) about how to get government business. The entrepreneur can also try to go into international markets in such a way.

Marketing is an art and the most important function of the entrepreneur's business is to get and keep profitable customers. The entrepreneur has to keep good relationships with his customers. According to O'Neill et al. (1997:56) marketing can then be defined as **doing whatever it takes to have that relationship.**

Sponsorship for sport teams is a form of promotion, which can provide substantial media exposure. Creative thought is essential for successful marketing. As long as the entrepreneur has initiative, he can run good campaigns without much money. People rather buy from friends than from strangers. Community involvement is essential so that people can be aware of the conscientiousness of the entrepreneur. Action speaks louder than words. Some of the most successful businesses are concluded on Internet, so the entrepreneur should objectively understand every aspect of his business that he can.

Gates (1996: 206) says the entrepreneur has to use data for statistics like track trends and patterns on which to base analysis, planning and decisions. Detailed information is also collected on the Internet on the individual customer so that the entrepreneur can provide personalised service. *"By creating a flow of digital information from start to finish, businesses are able to create tight loops among knowledge management, commerce, and business operations. Every juncture includes not just what happens within your corporate walls, but also what happens with both your*

*customer and your suppliers. Knowing your numbers can help you transform all of your business relationships and give you a significant competitive advantage”.*

Gates (1999:210) states further: *“Digital data gives you higher-level business benefits, too. Capturing and analysing digital data in real time can create an information cycle between business, its partners and its customers that can reshape a company’s entire behaviour”.* If the store knows the customer’s status, he can send him a postcard or an e-mail invitation for a special event. If the entrepreneur knows the customer’s preference, he can let the customer know when new things are arriving at the store. The people who deal with customers and with competitive problems need to be engaged in looking at their business in every way possible every day.

According to Gates (1999: 215) the analysis of the business should always support action and not just more analysis. He says that analysis should lead the entrepreneur step by step to decision and to action. The entrepreneur has to think, act, evaluate and adapt. To get digital the entrepreneur will have more efficiency in manufacturing, billing, shipping and other operational processes. Data digitally is also the quickest way of getting information to respond to the customer’s needs before the competitor does. The entrepreneur will know what customer put in a big order and what customer backed out. He will know immediately if the month’s result for marketing looks skew. Going digital, even in the more remote locations, will change the entrepreneur’s businesses. Computers and other digital device will become more and more common.

If the entrepreneur creates a web site, he can link to partnerships, which can improve quality and are responsible for quick deliveries to the customer. 80% of Coca-Cola’s sales are from international markets. Coke

used technology to create a flow of information and established worldwide communication, with its own customer e-mail system. According to Gates (1990: 240) power comes not from knowledge kept, but from sharing that knowledge. So Coke is the leading company in selling 160 brands of beverages that includes juices, coffee, teas, sport drinks and many others across almost every country in the world.

According to Levinson (1997: 200) there are differences between marketing in the twentieth century and marketing in the twenty-first century. The entrepreneur of the twentieth century had to invest money. The twenty-first century entrepreneur invests time, energy and imagination. The twentieth century's entrepreneur's decisions were based on judgement, intuition and guesswork where the twenty-first entrepreneur's decisions are based upon psychology and science of human behaviour. The measuring sticks were sales, turn over, traffic, response rate, cost per order and volume earlier but now profits count. The size of business was ultra-large. According to O'Neill et al. (1997:6) marketing is now geared to small businesses, start-ups and home-based businesses with limited marketing budgets. Before marketing was orientated to make the sale and then look for new customers where the devotion of existing customers is now much more important. They are followed-up by the creative entrepreneur.

The twentieth century marketing was enshrouded in a cloak of mystique. The entrepreneurs are eliminating the mystique and they feel in control. Before marketing was based on competition. Today it is based on co-operation. Sales were the key to the entrepreneur's kingdom, now it is relationships. Entrepreneurs believed that advertising and direct mail didn't work, sometimes, but entrepreneurs of today believe it can work with marketing combinations.

Most entrepreneurs rely on the price and performance of their product to penetrate the market but there are many reasons why people buy and don't buy. The ability to sell to government and military markets is different from that to sell into foreign markets.

According to Sexton (1991: 227) the entrepreneurial leaders of big companies know lots of things that the little companies do not know. So sometimes it is better and cheaper to form an alliance with another small company than starting an in-house program. Partnerships will give the entrepreneur added credibility with the financial community.

Zoghlin (1991:79) says the market place is not a place for "moaners", it does not care about the entrepreneur's losses, his overdraft or his marital problems and excuses just makes people angry. So the entrepreneur will look for a partner with guts and enthusiasm, who can contribute to low cost, exploring new markets and who has no hidden agendas. The entrepreneur must have the courage to end the partnership when it does not benefit and is no longer good for both parties.

#### 4.6 **SUMMARY**

When the entrepreneurial leader thinks of business, he has to be creative in the way he is doing his marketing and promotion. Marketing time has to be built into the business, no matter how busy the entrepreneur is. Growth does not occur unless the entrepreneur attempts serious efforts to make his business grow.

The entrepreneur must be an expert in knowing the needs of his customers. He has to be aware of what they buy and where and when they buy. By doing marketing research, at the right place, at the right time

to the right customer. As different age groups buy different products, the entrepreneur studies the demographic factors like, age, income, gender, occupation, etc. He must also know how buying decisions are made. He has to select a specific sector of the total market, which is called target market. Target market means a specific segment of customers with similar tastes and needs. He focuses on that segment.

The entrepreneur identifies his strengths and weaknesses. He then collects data in order to do his marketing. He collects information through observation, surveys (e.g. questionnaires) or basic experiments where consumer panels are asked to try out products or services and they report back. He does proper research. He then markets effectively by having certain strategies and doing all kinds of advertising. He has different approaches of selling and tries all kinds of strategies to improve his marketing success rate.

## CHAPTER FIVE

### THE BUSINESS PLAN

#### 5.1 AIM OF THE BUSINESS PLAN

Sexton (1991: 142) says: *“The entrepreneurial process of venture creation begins with opportunity recognition, with its concomitant evaluation and resource accumulation. Once the venture reaches the initiation stage, the process begins to be one of producing and marketing a product or service, building the organisation, and responding to the external environment. To be effective (i.e., successful) the process must be grounded in planning. This may be considered the driving force behind the acts of creation, initiation, growth and transition. During the pre-venture stage an analysis of the business concept should be performed to judge its feasibility. If the feasibility analysis indicates that the business is go, a strategic business plan should be prepared”*.

The most obvious reason for preparing a business plan is to receive funding. According to Banfe (1991: 101) the definition of a good business plan is one that gets the money. The entrepreneur has a concept that he hopes will become a reality, because the business plan is his vision and concept of what the business is or will be. The survival and profitability of any business venture depends on a good business plan. According to Sexton (1991: 154) a business plan is a systematic way of approaching and solving future problems and is an expression of the entrepreneur's vision and concept and thus it is the entrepreneur's document. Because the business plan interprets the objectives of the entrepreneur's business and describes the means of achieving them, it has a planning function. It

also has a control function because the entrepreneur can check whether performance matches the target.

A friend can go through the plan in order to raise questions or point out things that are not clear. Although outsiders can help in the business plan the entrepreneur is responsible for the development of the overall vision and concept of the company. The business plan is written for the entrepreneur. In order to process credibility it is important to have a business plan because a complaint from investors are that many plans have overestimated revenues and underestimated expenses. The financial planning is very important, because it will enable the entrepreneur (Zoghli, 1991: 159) to analyse his income, liabilities, expenses and assets.

A well-researched business plan will be viable if you make more money than you would if working for a boss. Many entrepreneurs failed because they did not do enough homework on their business plan which determines the quality of his future. As entrepreneurship is a way of life, the entrepreneur has to warn his family about the changes and sacrifices and also if a "salary" is going to be available for the household. The business plan can determine whether there is growth or not.

As the banker will require some sort of business plan, they can also evaluate the entrepreneur on the basis of the quality of the business plan. According to Benfari (1991: 136) entrepreneurs often lack planning and accountability skills. Because their administration is their weakest suit, they often fail to follow through their business.

Inadequacy in the market plan, competitive threats, profit potential (expected rate of return), market attractiveness were part of the refusal reasons for funding by banks. The entrepreneur rather has to deal with realistic and attainable objectives, which will not destroy his focus. The

outline of the business plan must be completed in such a way that the executive summary will provide a brief overview of the market in which his company will operate. The summary will also state what services and products will be delivered by the business.

Sometimes the financial part of the business plan is over emphasised and sometimes over enthusiastic business plan writers can go overboard with the description. The entrepreneur should rather not use too many adjectives to describe his business plan. The summary usually consists of one or two pages, which highlight the most important aspects of the business plan.

## 5.2 THE OUTLINE OF THE BUSINESS PLAN

The summary usually contains the company name, address, person to contact, telephone, business description, market potential, management team and financial summary. According to Baty (1991: 149) the reader of the summary should be able to know how the investor will exist, the strengths and weaknesses of the team and the distinctive competency.

So when the entrepreneur describes his business he can have the following model for concept development as Buskirk (Sexton 1991: 149) provided it.

*“What value is to be exchanged?”*

*To whom?*

*For what?*

*By what means?*

*Where?*

*Made by whom?*

*Marketed by whom?*

*Financed by whom?*

The entrepreneurial leader structures a business around the intensely personal things that make him a unique individual. He has to be the centre of the business so that all the components can revolve around him. He has to maximise his profit. The profits have to grow but he cannot sacrifice his heart and soul and family. So he has to structure the business in such a way as to promote growth and diversity.

According to Visser (U.S: 1998) the entrepreneurial leader knows that he can burn out or lose spark, therefore he has to have a business concept, which will describe the basis of his business. He will have specific goals in such a way, which can be broken down into little chunks, so that he can move systematically towards achieving them. He can set dates and compare the growth. Entrepreneurs who have difficulty seeing the business from the perspective of potential buyers will draw up the business concept so they can stay focussed.

Banfe (1991: 103) says that the business plan includes the following:

**Executive summary:** A brief overview of the market in which the business will operate.

**Business description:** The entrepreneur wants to obtain certain results in specific time frames.

**Products and services:** The entrepreneur has to decide whether he wants to purchase or manufacture the product himself. He needs capital layout for manufacturing. He must know what range of products or services he is going to have. He must have attractive packaging for his products. He has to know how he is going to store his products and how he is going to distribute the product with speed. He has to know how much the product is going to cost and patent his brand. The entrepreneur has to differentiate

himself from his competitors by developing for himself a brand with which people can associate. If he delivers a service he will develop a plan and create colourful, high quality presentations to promote the service and also have special promotions.

According to Bower (Cape College: 1998) market research and analysis is very important for his business plan. The entrepreneur has to define his market so he has to identify his customers and their needs. Then he has to study them to find out about their buying decisions. If he segmented them into age, occupation, location, sex and income, he can segment the market according to needs and tastes and cater exclusively for that segment of the market. If the entrepreneur makes analysis about life styles and tastes of his market he can market his product successfully. Numbers give the entrepreneur the factual basis for the directions in which he takes his product. Members tell him what his customers dislike and like. The analysis is timely information which drive entrepreneurs and their employees too quick actions.

Zoghlin (1991:176) says the entrepreneur has to decide if he is going to offer terms like 30 days or cash, cash discount or other preferential terms. He has to know how to offer the consumer something better and different than his rivals so that he can have a competitive advantage. The entrepreneur has to keep up to date with publications, Internet and journals to see whether the industry is stable, growing or declining.

Consumers are also a very valuable source of information and the entrepreneur can see for what particular products they go. He can do surveys or he can interview them, by using questionnaires. Market research is invaluable because customers use the entrepreneur's products.

The entrepreneur will also have in his summary his primary objectives (long and short term) and a financial overview. The financial overview, according to Banfe (1991: 110) has to include income statements, balance sheets and statements of changes in financial position. Cost volume and profit analysis and proposed financing and capital structure has to be included in this plan.

### 5.3 **MANAGEMENT AND ORGANISATIONAL STRUCTURES**

Management and organisation is a very important part in the structure of the business plan. When the entrepreneur knows the nature of his product and he identified his potential customers and competitors, he needs enough capital for the set-up costs to run the business from day one. By having accurate planning and delegating his work to effective management, the organisation can run smoothly.

Entrepreneurs do not only need the business plan to please the bank for financing but he can see how he can best expand by delegating responsibilities. As the business grows, the policies and procedures become more structured and is often incapable of responding quickly to changes in the market place.

### 5.4 **SUMMARY**

The goal of this chapter is to indicate that the entrepreneurial leader needs more and different training to expand his leadership capacity in order to keep up with his growing business. The business plan is the axis around which his business exists. Therefore the entrepreneur must make his basic business and financial decisions at the beginning of his entrepreneurial career. He has to plan his finances. According to Zoghlin (1999: 149), "*To plunge into a new business without such a plan is to invite failure.*"

Shefsky (1994: 168) says that people do not always learn how to be entrepreneurial leaders during school days. Independence and control are principal motivating factors for people to become their own bosses. To launch his own business, the entrepreneur has to describe his new enterprise in a Business Plan. The Business Plan is a great way (Banfe, 1991: 102) to articulate the start ways and evaluate how good the idea really is. He continues to say that a Business plan "is a linear path of what is suppose to happen, with measurable milestones and short term targets. It is necessary for development, expansion, and operation of a business. When recruiting key employees: desirable potential candidates are more apt to cast their lot if they have a clear understanding of the new venture. Describing the business team in step. A well-written business plan is ammunition. Bankers like the Business Plan. Suppliers can effectively evaluate credit accommodations with a business plan.

## **CHAPTER SIX**

### **THE ROUTE TO REAL EMPOWERMENT**

#### **6.1 ALTERNATIVE BUSINESS OPTIONS**

The entrepreneurial leader does not always know what kind of business he should launch. The focus in many countries is still on being employed rather than on developing employers of other. The only a tiny percentage of people can be employed in such a way. Therefore franchising has an important role to play if the entrepreneur has to make a choice. He also has the option of going into partnership or to buy an existing business.

#### **6.2 THE FRANCHISE OPTION**

“Franchise” means privilege or freedom and comes from the French language. According to O’Neill et al. (1997: 96) in the business it means that franchising is giving the entrepreneur the opportunity and freedom to own his own business. He can manage and direct it in the way he wants it to be. Franchising is good for the person who is too afraid to start on his own. He is scared to start right from the beginning

Franchise is based on sound principles. It is collaboration between the independent entrepreneur and a company that wishes to expand. The company wants to expand its own business. The entrepreneur’s skills are used and transferred to the company. The entrepreneur and company benefit because both have responsibility and they can build up genuine wealth.

According to Ross Marriner's research (1999:62) there are now over 500 franchise systems operating in South Africa. About 90% of the franchise systems are developed locally. Growth in franchising was slow because South Africa was dominated by a small number of large corporations. The corporations used their power to neutralise small business that was seen as threats. Marriner recommends that entrepreneurs consider only franchises that are members of FASA (Franchise Association of SA). "People who are considering going into franchising must research the field carefully and see to it that they choose the right partner. Going into a franchise with the right partner gives the new entrepreneur a big step up the business ladder. The Department of Trade and Industry and FASA have been holding talks for some time and are slowly moving closer together. In time we hope to have legislation that will keep the fly-by-nights out of the industry."

Marriner's (1999:62) view is that South Africa needs a co-ordinated strategy to develop a culture of entrepreneurship. The culture must rather be to have work providers rather than work-seekers. Internationally the failure rates of franchises are lower than 5%. Whereas about 80% of independent businesses fail in the first five years. The percentage is even higher overseas and Japan has over 95% failures. Australia has about 25% franchising in retail business. America has about 42% retail businesses. Most of these entrepreneurs would not be self-employed if they did not go into franchising.

Finance is much more available than before. In his thesis Marriner's finding was that 40% of black adults were illiterate and 23% of the potential workforce is unemployed.

De Coning (1997:24) says that research findings confirm information about black people – where black managers experience the prevailing

organisational culture as something hostile and foreign. *“Empowerment as a product of leadership, values, ethics, perceptions, strategic positioning, culture, structure and communication, is an apparent impediment to black managers’ access to entrepreneurial power. The research confirms the importance of preparing (training and developing) black managers for positions; developing suitable career paths for them; and not practising tokenism in terms of affirmative action. Because no access to entrepreneurial power is possible without empowerment, the findings raise serious questions about participating organisations’ abilities to allow employees access to entrepreneurial power.”*

President Thabo Mbeki seriously supported this subject during the campaign for “black empowerment” in business during November 1999. Now that the racial restrictions to advancement have been removed, franchising can speed up the process.

Sexton (1991: 287) reported that Schwartz was doing research on women entrepreneurs because of sexual stereotyping where they had certain problems (e.g. financial) because of the perceptions that bank officials had of them. Need for achievement, persistence, aggression, independence, autonomy, self-confidence, leadership and locus of control were the same in both sexes.

Because of better financing for people from historically disadvantaged communities and for women entrepreneurs, there is a development in franchising.

According to Zoghlin (1991: 132) franchises differ from one another in many ways. Perhaps the most important difference is the service fee that franchisee pay and what they receive in turn. Entry costs of franchisee

vary up to approximately R150 000 but today one of the main problems of franchising is the high cost of entry for certain kinds of franchise.

The collaboration between the entrepreneur and the company is governed by a franchise agreement. The franchiser (company) allows the franchisee (the entrepreneur) the right to use his trade name, business methods, and give proper training in all areas of the business.

The entrepreneur agrees to make royalty payments to the franchiser, he pays an initial franchise fee, advertising and bookkeeping. Zochlin (1991: 132) says that the entrepreneur has certain restrictions in the way he conducts his business. In an independent business the restrictions are absent.

The entrepreneur, who will make a success of franchising, has to have certain qualities to live up to the standard of the franchiser. He has to be special in the way he is working. His willingness to work, his input and output and his ability to operate within the parameters of the big company makes something special out of an entrepreneur.

O'Neill et al. (1997: 102) says that except for being under the control of a franchiser, the entrepreneur sometimes starts with a very big debt he owes the franchiser. This can cause problems in their relationship. The franchiser has first option to buy the business, which can have an influence on the selling price and deal.

The performance of other franchise outlets can cause a bad name for another franchise outlet. Before taking up the franchise, the entrepreneur has to think of all the money and time he is investing and sacrificing. Some entrepreneurs are prepared to take the risk.

The benefit as a franchise is that the franchisee does not always have the necessary knowledge to start a business. The entrepreneur will have the benefit of having guidelines in management skills. He will have to advantage of the franchiser's specialised knowledge that is required when he experiences operational knowledge. He has direct access to the director who deals with his problem, immediately. O'Neill et al. (1997:103) says that rapid expansion can take place despite limited capital.

The entrepreneur will have the benefit of on-going training for him and his employees by the franchiser. Other benefits like buying products in bulk, having the equipment to start the business and purchasing products easier and cheaper, are another advantage.

Financially it should be easier to raise capital at various commercial banks, the Small Business Development Corporation and the Industrial Development Corporation (De Coning, et al. 1989: 139). In such a way the entrepreneur can fulfil his undertakings.

### **6.3 PARTNERSHIP AND STRATEGIC ALLIANCES**

Vital decision-making is available to all entrepreneurs. The entrepreneurial leader has to decide what he wants and then make the decision to set about achieving his goal.

Most entrepreneurs have doubts in achieving this goal because they doubt about their level of entrepreneurial ability and business experience among the staff and small business support institutions. To utilise his creative mechanisms to help him solve this problem, the entrepreneur can form strategic alliances and partnerships.

It is important for the entrepreneur to identify his weaknesses and then go into partnership with a company that can compensate for the entrepreneur's weaknesses. Van Wyk de Vries (1987: 133) says that there should be a good relation between the two partners and the agreement should be done willingly. The entrepreneur needs to develop a profile for the partner that he thinks would be the ideal partner. Big companies cannot always accommodate small orders in a large-scale manufacturing environment. The small company cannot always find appropriate distribution channels to reach customers. The small company of the entrepreneur may also have marketing problems. Both partners are going to have an advantage financially, getting products developed, getting it to the market and getting the highest possible return in the form of money.

Banfe (1991: 77) says that there are a few advantages and disadvantages in partnerships. Large companies can get ripped off because of their financial support. Because the entrepreneur's company is still young, it will not be able to deliver on agreements. The entrepreneur of the young company is concerned whether his technology, products or employees can be pirated or stolen away by the alliance with a big company.

According to Smilor (1996:151) controlling of the alliance can be an issue if the large company thinks it should control everything. Failing is another issue, because the entrepreneur takes risks and he can tolerate failures. On the other hand very few executives in large companies are rewarded for failures. Compensation can also be a matter of concern. The entrepreneurial company has fewer employees and stockholders than the large company. Perception of time is another issue because a large company can wait weeks or months with decisions and payment whereas the entrepreneur often makes his decisions in a few hours.

Advantages of partnership and strategic alliances are that both gain new knowledge and expertise. New products and processes are developed. There can be new ways of manufacturing and fabricating. The entrepreneur can benefit from the faster manufacturing and distribution of the products. The entrepreneur gets insight into the running of the big company, there is more collaboration, learning and developing of skills. There is a much faster growth in this alliance.

According to Baty (1990:197) big companies have strategic partnership with smaller business in order to get access to new or interesting technology. There are many models for these relationships where the entrepreneurial leader can really try to get the best benefits. By being creative and using the models to his advantage, he can survive, especially if he has a temporary problem in his own business financially or if he wants to get access to bigger markets. Examples of models are:

- *Big partner (BP) markets little partner's (LP) products, either on a resale or referral basis.*
- *BP licenses some portion of LP's technology.*
- *BP undertakes the contract manufacture of LP's product.*
- *BP sponsors contract R and D in LP's product.*
- *BP becomes a favoured user of LP's product.*
- *BP becomes an equity investor in LP.*
- *BP and LP form a joint venture company for the exploitation of a particular market or technology. This is usually a separate corporation, controlled by BP.*
- *BP and LP engages in joint research activities, perhaps jointly bidding on government Rand contracts that neither could get alone.*

Baty (1990:200) says that the entrepreneur has to establish relationships with the highest official in the Big Partner hierarchy that he can reach.

The entrepreneur has to take all the opportunities to get the value out of the partnership. He has to be honest and clear about the relationship and end it if the benefits no longer justify the costs. The trick is how to capitalise on, learn from and recognise the differences and enjoy the differences.

#### **6.4 SOLE PROPRIETORSHIP**

According to Zoghlin (1991: 184) a sole proprietorship is a business owned by an individual. The entrepreneur can have sole proprietorship where he owns and manages the small business as one man, assisted sometimes by other people. He supplies the capital, by having cast or arranging for a loan. The disadvantage of this form of ownership is that the liability of the owner for the debts of the business is unlimited. The law makes no distinction between the owner and the business. Another disadvantage is the fact the entrepreneur lives in a very insecure world because his business can lack continuity. The existence of the business depends on the good health and life span of the owner, according to Banfe (1991: 76).

#### **6.5 CLOSE CORPORATION**

Zoghlin (1991: 184) says a corporation is an entity unto itself that may be owned by one or more individuals. The entrepreneur can have a close corporation where he can have himself, or a maximum of ten people (actively involved) in this close corporation. The close corporation is a legal entity. It is distinct from its members. It has perpetual successions, where the members have limited liability.

The entrepreneur's ownership is not separate from his management and all the members may act on behalf of the corporation. The entrepreneur has to see to it that he prepares annual financial statements. He can look at his entrepreneurial options and examine if he favours the close corporation.

## 6.6 **PUBLIC COMPANY**

According to Banfe (1991: 78) publicly held companies have stockholders and are governed by the rules of the Security Exchange Commission (SEC). The entrepreneur has the security that the life of the public company is indefinite, unless it is liquidated. The name of this company must end with Limited and, he can have shareholders (not less than seven). The public buys shares in the company. The shares are freely negotiable. Reviewing the high success rate of this division, it is also a popular business option for the entrepreneur. The best systems and strategies are of no use unless the team of the public company, and the entrepreneur are trained in using them. Shares are traded on the open market and public reporting is essential.

## 6.7 **PRIVATE COMPANY**

Only the entrepreneur can form a private company. He can have at most 50 people to form this private company. As the environment has become so competitive, the entrepreneur must rather make a choice of more than one person in this private company. The liability of the shareholders, who chose the board of directors, is limited. The profits are distributed in proportion to the number of shares held by each shareholder.

## 6.8 OTHER BUSINESS OPTIONS

Other business options are the consumers' co-operative society and the agricultural co-operative society. The entrepreneur has the choice. In this consumers' association the consumers buy merchandise at factory or wholesale prices and sell it to the members at reasonable prices. Profits are divided among the members. It is done in proportion to the amount of business they have done with the amount of business they have done with the society and not in proportion to the capital invested in it. In the agricultural co-operative society farmers are members. They organise to sell their agricultural produce and render other services (Bowler, 1995:44)

If the entrepreneur is hungry for success he has to think carefully about the different business options. He has to make a choice between whether he wants a steady, undramatic growth or a booming growth. He must decide if he wants to start from scratch and do his own recruitment, advertising, marketing and selling his own products. His strength can then be his teams and his strong positive leadership. Or he can decide on franchising. The entrepreneur has to do his homework. If his business fails, he has no one to blame but himself.

## 6.9 SUMMARY

The entrepreneur has several business forms available. Therefore it is important that he looks for a fit form. He has to determine which one will affect his personality, his profit, taxes, growth and resources in order to meet the challenges of the market place.

Franchising is one option. Franchising is very demanding, and it usually appeals to former executives. Because the franchise offers a combination of an independent business that is backed by the support of large

organisations, Zoghlin (1991:128) says that many ex-executives see franchises as more comfortable fit than the autonomous operations.

Franchises differ from one another in differing ways. The fees the entrepreneur pay varies widely because the established, well run franchises have very high fees. The benefit is that the entrepreneur hardly has flaws in his business as everything is running smoothly.

As an entrepreneur thrives on new untested ideas, the other business options can give him more freedom. He must just remember that entrepreneurship is synonymous with risk. Often the newspapers report on entrepreneurs who “bit off more that they could chew”, who overextended themselves and ended up in a bankruptcy court.

Other business forms are the sole proprietorship, partnership, corporation and the public company. The entrepreneur has to examine all the different legal forms to ensure the most suitable business form.

## **CHAPTER SEVEN**

### **CONCLUSION AND RECOMMENDATIONS**

#### **7.1 CONCLUSION**

Entrepreneurship, as a distinct enterprise group, is becoming an increasingly important force in the current and future development in the politico – economic climate worldwide.

The work that is presented in this master thesis is primarily an attempt to address various conceptual issues regarding entrepreneurship, leadership and creativity. The purpose is to present a methodology rather than a set of results to test hypotheses. There is a problem in identifying the entrepreneur, as there is no standard, universally accepted definition of entrepreneurship. Investors, psychologists, business school educators and government officials are all eager to know more about entrepreneurship.

The entrepreneur is the one with leadership skills and creativity today. He has a vision and goals. Once the entrepreneurial leader is motivated and is concentrating on his goals, he is playing an active role in the political, social and economic world.

Another conclusion was that there should be special programmes to aimed at specifically, black entrepreneurs, as well as young people, to assist them in crossing the bridge to today's entrepreneurial world.

In conclusion, a considerable amount of literature and information on characteristics of entrepreneurship exist. However, no detailed study has

been undertaken for South African entrepreneurial leaders. It is therefore hoped that this study will open the way for future inquiries.

## **7.2 DETERMINATION OF ENTREPRENEURSHIP, LEADERSHIP AND CREATIVITY**

Entrepreneurial behaviour is labelled in terms such as opportunistic, innovative, imaginative, adventurous, pro-active, and adopts a broad financial strategy.

Increased competitive intensity produces the need for effective leadership at almost all levels of life. Leadership challenge is not just anymore for top managers, but is increasingly needed for entrepreneurial leaders. The entrepreneur has to establish his understanding of the principles, requirements or functions of leadership. In practise this involves making, important decisions by allowing his people to share in his vision. He hires extra ordinary people whom he can duplicate. He is constantly developing his entrepreneurial leadership skills.

Creativity plays a challenging role, but it was evident from the investigation, by means of interviews, that these creative ideas are very often smouldered by educators in schools.

Creativity is dependent on education. Education is an important adjunct to the development of creative talents. Advance study reinforces logic therefore innovators very often drop out of school. Business people should also be free to use their imaginations, inventiveness, and qualities that are considered irreplaceable regarding entrepreneurship.

### 7.3 **RECOMMENDATION**

There are two final steps which are required in order to complete this study: firstly to make recommendations and secondly to make suggestions for further study in areas related to the research.

Entrepreneurs should make greater use of participation in education as a method of motivation. The narrow mindedness of people and their way of thinking about entrepreneurs has to be replaced by continual training and education in entrepreneurship.

Educators in the lower and higher grades should encourage student to be creative. They have to create opportunities for students to take leadership and to build their entrepreneurial skills.

The industry should assist in bridging the learning process of the student. They industry can ensure this by seeing that students are well equipped to meet the challenges of entrepreneurship. They can encourage students to spend some of their vacation time working for them.

Finally the following: Let intuition roam and commitment be solid. Only by being creative and taking risks, can the entrepreneur develop his leadership.

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