ENTREPRENEURSHIP AND DEVELOPMENT AGENDA: A CASE OF HIGHER EDUCATION IN SOUTH AFRICA

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ABSTRACT

South Africa is a multiracial, multicultural and segregated country characterized by high levels of unemployment, poverty, crime and inequality especially among youth and graduates. Attempting to solve these ills, the paper explored theories of entrepreneurship; thereafter provided realities, challenges and the development agenda of entrepreneurship in South African Higher Education. It has been shown drawing from reviewed literature that an entrepreneur displays a character of creativity and innovation, risk taking, initiator, strategists, decision taking, opportunist and team member in the business. Furthermore, the education system (especially in Higher Education) needs to provide entrepreneurial education that can drive to economic development. This is witnessed by the initiative driven by Department of Higher Education through Entrepreneurship Development in Higher Education. The programme is currently making entrepreneurship awareness to all public Universities and TVET Colleges; and collaborates with private businesses and government institutions like Department of Small business and development.

Keywords: Graduate Unemployment, Entrepreneurship Education, Economic Development.

INTRODUCTION

South Africa is a multiracial, multicultural and segregated [rural and urban provinces] country that adopted democracy in 1994. Its multiracial constitution indicated about 76% Black, 9% White, 9% Colored, 3% Asian in the 2011 census (SAnews, 2012; StatsSA, 2018). People living in rural communities were reported at 35% in 2016 where there are high levels of unemployment, poverty, crime and inequality that transpired from the apartheid and colonial regime pre-1994. The Gini coefficient as the measure of income inequality, ranging from 0 to 1, with 0 representing a perfectly equal society and 1 representing a perfectly unequal society, rated South Africa as most unequal at 0.65 by 2015 (World Bank, 2018). Unemployment rate in South Africa averaged 26% from 2000 until 2018, with remarkable around 38% among young people aged 15-34 (Sehume, 2018; StatsSA, 2018). Of the youth, graduate unemployment rate in 2018 was around 34% for those aged 15–24 and 10% among those aged 25–34 years, while the rate among adults was around 5% (StatsSA, 2018). Graduate unemployment had been a national concern more especially to the government and institutions of Higher Education (Gavin, 2014; Mail & Guardian, 2018; Sehume, 2018).

The South African government provided to poor citizens, among others, free primary health care; free basic education; old age and child support grants; housing; and free basic services (Oosthuizen, 2015; Fine, 2018). Objectives and strategies contained in the National Development Plan (NDP) vision 2030 document strongly adhered to elimination of poverty and reduction of inequality (NDP, 2011). As much as the country implemented a number of
programmes such as Reconstruction Development Plan (RDP) and Growth, Employment and Redistribution (GEAR) to fight these challenges, crucial issues of economic democracy and wealth creation for the previously disadvantaged citizens were ignored (Ngcamu, 2002; Gradin, 2018). Although these interventions had resulted in notable poverty reduction since 1994, the country continued to face the challenge of high poverty, inequality and unemployment (Davis & Thurlow, 2010; Sehume, 2018). The persistence of these challenges calls for a search of what could unlock the economic potential for poverty and inequality reduction in South Africa.

Today more than ever, we are witnessing a strong need for the country to transform from being job seekers to be job creators, an entrepreneurship concept (Shane, 2009). Furthermore, the measure of success of a developing state was seen on strategies that were employed to increase employment, incomes, and productivity (Mangaliso, 2001; Oosthuizen, 2015). According to Chepurenko (2015) entrepreneurial creativity could help to speed up the country’s economic growth and create wellbeing of nations. In order to foster continuous and sustainable economic growth, there was a need to promote innovative projects that were characterized by competent and knowledgeable entrepreneurs working in a dynamic business environment (Malerba, 2010). Entrepreneurs have the ability of human action to every economic agent with a potential to recognize a market opportunity, acts on it to improve their position. The innovative entrepreneurs could create new, competitive markets and businesses which lead to job creation (Malerba, 2010; Holcombe, 1998; Audretsch & Keilbach, 2008).

The purpose of this paper is to present a case of a concise review of student entrepreneurship exploration in Higher Education as a mechanism to create sustainable employment, and expose entrepreneurship skills to students. Specifically, the paper intends to identify and analyze relevant literature by defining and providing theories of entrepreneurship; thereafter provide realities, challenges and the development agenda of student entrepreneurship in South African Higher Education.

**ENTREPRENEURSHIP DEFINED**

Researchers and practitioners have no exact definition of entrepreneurship, or rather currently there is not a single accepted definition of an entrepreneur that has been uniformly accepted in the literature (Carlock, 1994; Grant & Perren, 2002). Although there is no uniform standardized definition, at some extent the definition should be given for the benefit of addressing the issues at hand. For instance, Mises (1949) defined entrepreneurship as action process whereby an entrepreneur identifies an opportunity and take action for profit maximization. In the process there is beneficiation of an entrepreneurial spirit, human capital and venture capital to create successful business ventures. This definition was supported by Praag (1999) in Richard Cantillon’s theory, who saw entrepreneurship as an economic factor for exchange activities in the economy. In the exchange action, entrepreneurs earned huge profits in the process of the ability to bear risk associated with business ventures. An entrepreneurial venture was one that constantly seeks growth, innovation and had strategic objectives (Hebert & Link, 1988). The venture should promote profitability, growth, innovation and change.

In contrast to seeing entrepreneurs as risk bearers, Say (1767-1832) saw entrepreneurs as input factors in the production process especially in managerial positions to make decisions on most favorable economic opportunities. Say (1855) recognized that the entrepreneur acts as a leader and a manager in coordinating production and distribution in the business. Wealth was part of the process and was created by production. In addition, Marshall (1964) viewed an entrepreneur as an innovative person who grabs opportunities in order to run a business in a cost-
effective manner. Therefore, an entrepreneur is defined as a person who can fulfil a number of
different functions ranging from acquisition of financial capital, allocation of resources, decision
maker and innovation. In the Schumpeter definition, entrepreneurship identified new economic
ideas and converted them into opportunities (Bruyat & Julien, 2000). The identified opportunities
need resources and a practical action plan to be changed to profitable rewards (Sahlman &

Kirby (2002) defined entrepreneurship as an agency of change with characteristics such
risk-taking ability, need for achievement, locus of control, desire for autonomy, deviancy,
creativity and opportunism, intuition. In addition, Timmons (1989) explained that
“Entrepreneurship is the ability to create and build something from practically nothing. It is
initiating, doing, achieving, and building an enterprise or organization”. Lessem (1986) viewed
entrepreneurship as a difficult concept to define but easier to identify as entrepreneurs portray
some set of attributes and behaviors.

The perspective of this paper is to adopt the one that explained entrepreneurship as a tool
to address the ills caused by the previous apartheid era to the black South Africans (Mangaliso,
2001). It was not surprising to find academics, government, private sector and NGOs engaged
into activities that promote black entrepreneurship (Chibba & Luiz, 2011; Oosthuizen, 2015).
These stakeholders’ looked for strategies that would encourage black people participation in the
formal economy without making other races worse off. This culture entailed access to
entrepreneurial information, capital, skills and other activities that could build successful
business ventures.

In a nutshell, an entrepreneur should portray the discussed characteristics and should be
able to start a business and see it to be successful irrespective of how many times he fails. An
entrepreneur should be a person who do not give up easily and empower himself with knowledge
of developing legacy to his business for generations to come. Therefore, the business should not
end in the idea or vision stage, should not remain small and medium, but should be developed
into levels of creating wealth. In the process of developing the business, if the business is
succeeding, unemployment and inequality could be reduced as jobs are created (Holcombe,
1998; Davis & Thurlow, 2010).

ENTREPRENEURSHIP THEORIES

Entrepreneurship theory was developed based on the consensus surrounding its
acceptable definition. This is with regard to the acceptance of the fact that entrepreneurs could be
trained so that they are empowered to establish successful businesses (Cuevas, 1994). Theory
could be further endorsed by advances in sophisticated research methods and statistical
techniques, a move towards the usage of bigger samples, the division and attention to
entrepreneurship and intrapreneurship form part of the theory development. Although there were
several theories on entrepreneurship, there were very few mathematical models, which formally
analyse entrepreneurial behaviour within a closed economic system. It was often argued that
entrepreneurship portrays an impulsive behaviour that cannot be projected using deterministic
statistical models (Mamede & Davidson, 2004).

Cantillon’s Theory

Cantillon's (1680-1734) was the first to think about an entrepreneurship role in the
production process, where the entrepreneur is a risk bearer that equilibrates supply and demand
in the economy (Praag, 1999). The Cantillon’s theory classified the economic agents into three groups: landowners, entrepreneurs and hirelings (Bull & Willard, 1993). The process framed maximizing venture profits in the process of optimizing residual claimant (Hebert & Link, 1988; Hoselitz, 1951).

The Cantillon’s theory was based on how export markets should strengthen economies of countries and create jobs to those communities at lower costs. Entrepreneurship innovative feature was essential for international competitiveness in trading markets (Ripsas, 1988). This strategy linked entrepreneurship to sustainable economic growth and job creation which is the focal point of this paper to view how entrepreneurship can unlock the economic potential.

**Marshall’s Approach**

The Marshallian approach viewed entrepreneurship as an equilibrium creation process in a perfect competitive market (Bula, 2012; Karayiannis, 2009). These markets had some small innovations used to compete with some small competitors so as not to disturb the equilibrium. Taking note of the fact that a perfect competitive market yields no profits, the Marshallian zero profit equilibrium would lead producers to innovate or develop new production methods and techniques to compete.

In Marshall's analysis an entrepreneur had full knowledge of the business (Grebel et al., 2001). An entrepreneur could predict changes of production and what consumer prefers. There was ability for an entrepreneur to see new opportunities for supplying new goods or services (Davidson & Wilkins, 2001). Most importantly, in the Marshallian view an entrepreneur was a risk-taker. However, the Marshallian approach was challenged that it did not explicitly explain what attracts an entrepreneur in a business that gives zero profits (Bula, 2012).

**Schultz Approach**

The Schultz approach differed from the Marshallian approach in that entrepreneurship was closely connected to situations of disequilibria and how to deal with those situations (Kilby, 1971). The entrepreneur is defined as a person who had the ability to bring the markets into equilibrium. This could be done through reallocation of resources efficiently by utilization of differing degrees of entrepreneurial ability. In the Schultz approach entrepreneurs had the ability to see opportunities and reallocate resources in disequilibrium. This could be achieved through either by experimenting or by investing in human capital (Bula, 2012).

The Schultz approach argued that entrepreneurship could be found in all spheres of life. For example, entrepreneurship skills can be useful ranging from people managing their homes, students, low skilled labour to business owners (Bula, 2012). Therefore, entrepreneurship skills could be provided to anyone ready to receive them. This implied that entrepreneurship could be analysed under the supply and demand framework (Hebert & Link, 1988).

**Kirzner's Approach**

The Kirzner approach is a Neo-Austrian approach to entrepreneurship that focused on bringing the economy to equilibrium by allowing entrepreneurs to compete among each other (Bula, 2012). The approach was against the fact that there is perfect information and knowledge about the business. In fact, it was the different information that entrepreneurs use to get profits and be creative about the business (Kirzner, 1989). If competitors could not discover new things,
they would stay in the state of disequilibrium while the knowledgeable ones exploited new business opportunities and moved the economy toward equilibrium.

The Kirzner's analysis of entrepreneurship postulated that an entrepreneurial venture is a risky process. However, the risk could be mitigated through an entrepreneurship process that includes many people who possess different skills (Knight, 1921). It is when great minds come together in an entrepreneurial process that risk can be tolerated and acquire some profits, though profits are not large.

**Schumpeter Approach**

In Schumpeter’s theory, an entrepreneur used innovative skills to create new opportunities for investment, growth and employment (Baumol, 1993; Clemence, 2009). The Schumpeterian models supported that the reward and inducement to innovations and risk taking in entrepreneurial activities is profit. In this approach, it took innovation to shift an economy out of the static equilibrium. The Schumpeter entrepreneur displayed innovation through any of the following steps (Clemence, 2009; Hagedoorn, 1996).

- Launch of a new product or a new species of already known product.
- Application of new methods of production or sales of a product (not yet proven in the industry).
- Opening of a new market (the market for which a branch of the industry was not yet represented).
- Acquiring of new sources of supply of raw material or semi-finished goods.
- New industry structure such as the creation or destruction of a monopoly position.

Furthermore, a Schumpeter entrepreneur had a social responsibility (Bull & Willard, 1993). This implied that as much as an entrepreneur gain profit, the society is being improved in the process and there could be economic development.

**Knight's Approach**

The Knight approach acknowledged that an entrepreneur is distinguished by the innovative role, however the approach focused on risk, uncertainty and profit. An entrepreneur among the characteristics possessed, should have strategies on how to manage risk associated with business ventures and how to deal with uncertainties associated with business (de Meza and Southey, 1996). There were relevant solutions to risk such as shifting risk to insurance companies and diversification of business portfolios to name a few.

As much as there were strategies to mitigate risk, it was not easy for an entrepreneur to have a calculated solution to make profit. One of the reasons was that profit is a unique phenomenon which cannot be insured. Its uniqueness could be attributed to many factors like prices, consumer preferences and technological changes. The Knight’s entrepreneur should be in a possession to address these unique situations, at the same time manage the uncertainties that exist in the business environment while focusing on making profit. According to Bula (2012), an entrepreneur can make a positive profit if three tasks are carried out; an entrepreneur

- Initiates useful changes or innovations.
- Adapts to changes in the economic environment.
- Assumes the consequences of uncertainty related to the company.
The Knightian theory of entrepreneurship could be viewed as a modification of the theory by Cantillon (Hebert & Link, 1988). The Cantillon failed to distinguish between risk and uncertainty, and allowed that the economy is in equilibrium—a function which is not entrusted. The equilibrium set-up could not explain how an entrepreneur makes positive profit.

**Biological Theory of Entrepreneurship**

The biological theory of entrepreneurship looked at issues of gender differences between men and women (Eagly, 1995). There were some behavior patterns that had been seen to influence the entrepreneurial process and affect the society (Udry, 2001). Psychologists had recognized that there exist levels of differences between men and women in risk-taking behaviors. Risk-taking activities had long been a central concept in the entrepreneurship literature, especially relative to managerial activities in businesses. Management needed to develop a framework of designing several aspects of the firm in entrepreneurial ways and addressed the degree of entrepreneurship in a company’s management practices (Brown & Eisenhardt, 1998; Eisenhardt & Martin, 2000). It had been alluded that Stevenson’s entrepreneurial management descriptor include entrepreneurship characteristics such as strategic orientation, commitment to opportunity, and commitment to resources, control of resources, management structure and reward philosophy (Baumol, 1993).

The biological approach viewed entrepreneurship as a process that entails risk taking in the gender difference context. It had been found from previous research that men are better risk-bearers than women (Busenitz & Barney, 1997; Cooper et al., 1988; Powell and Ansic, 1997). Men tend to run into failure or other negative moments more often than women and can successfully bear with that. Women were generally risk-averse and scared to enter new territories, hence most of their businesses failed within five years of their start-ups (Barsky et al., 1997). Furthermore, it had been suggested that women are skeptical to make loans to big banks or be engaged with external investors to issue shares because of risk-averse nature. Women were less likely to be engaged in high risk business adventures and less likely to embark on extensive business risks. Sunden & Surette (1998) attested that men are found in all types of businesses while women were seen dominating in small businesses for survival.

**Sociological Theories of Entrepreneurship**

This approach suggested that entrepreneurship is a social venture that either address needs of the society or teams from the society come together to pursue a business. According to Ruef (2001), there were three essential principles on how teams are formed: Homophily choice, purposive choice, and opportunity structure choice. Homophily choice is when entrepreneur teams are formed by people with similar characteristics such as gender or ethnicity. Purposive choice is based on choosing teams on the basis of some valuable skills such as education or experience. Then, opportunity structure choice is a platform for the first two principles to function. For instance, teams need to know each other for them to develop a successful business. Some authors believed that teams lead to successful business enterprises (Kamm et al., 1990). Entrepreneurial teams were in a mutual relationship where they come together to establish a business based on shared interest. These individuals worked together starting as early as from pitching the business idea. It had been found from Bird (1989) that teams bear some psychological benefits derived from working together compared to the burden of making decisions by Solo entrepreneurs. Solos faced consequences alone while entrepreneurial teams
spread the responsibility across individuals. Teams were crucial in entrepreneurship because individuals bring different skills, unique biological traits and different views to make successful businesses. Having to take responsibility and contribute to teams can make team members more confident in their decisions. Francis and Sandberg (2000) noted that friendships “may hold teams together and stimulate heroic efforts during difficult times.” This could be true if teams are chosen with integrity so as to provide a source of support to its members.

**ENTREPRENEURSHIP IN SOUTH AFRICAN HIGHER EDUCATION**

As mentioned in the introduction, South Africa needs to address the growing challenge of graduate unemployment. In that action, initiatives from government policy makers, institutions of learning and businesses have to be explored to bring possible solution to this escalating problem. The diverse nature of South African provinces with multicultural and racial issues had not made the problem easy. For instance, in South Africa a large population of people were placed in rural provinces or migrated from rural provinces to urban ones, especially to townships (Fine, 2018; Gradin, 2018). The rural province set-up is dominated by people who lack a culture of entrepreneurship. These people do not know how to access capital, have no entrepreneurial skills of innovation and creativity, no access to information, and lack role model (Leibbrandt et al., 2007; SAnews, 2012). As it indicated that entrepreneurs need to attend business events in order to enhance entrepreneurship skills, in rural communities there are very few events that exist which most people don’t know how to access them. This reality might have spilled over to students in different diverse institutions of higher learning. A higher percentage of students in all public institutions come from these rural communities and face unclear curriculum issues with respect to entrepreneurship exposure (Gavin, 2014).

In order to address the challenges of South African graduate high unemployment rate, the Department of Higher Education and Training (DHET) through Universities South Africa (Usaf) is engaged to the new collaborations of government, private sector and academia in order to stimulate growth through the entrepreneurship route (Usaf, 2018). Student entrepreneurs should deliver sustainable enterprises that have a positive impact on the lives and communities of its citizens. DHET developed a programme called Entrepreneurship Development in Higher Education (EDHE). It began by awareness campaigns to alert students to consider entrepreneurship as a career in order to participate in the economy. EDHE project intends to provide strategic focus, create enabling environments, collaboration, partnering and unlocking what is existing to institutions of higher learning (Usaf, 2018).

EDHE programme aimed to raise student awareness of entrepreneurship career, an alternative to scarce formal employment and means to partake in the economy (Usaf, 2018). EDHE is extending its recognition by collaborating with private businesses, communities, Technical and Vocational Education and Training (TVET) colleges and government structures in particular Department of Small Business and Development (DSBD). Collaborations had been witnessed by participation of Higher Education institutions together with small, micro and medium enterprises in DSBD annual colloquiums (the dti).

The EDHE project was piloted in 2017 in a conference that formulated representatives from 19 public universities (Usaf, 2018). The conference was followed by national Student Entrepreneurship Week (SEW) hosted by the public universities, where institutions designed entrepreneurship activities that suit their student ecosystem. In 2018, in addition to the conference and SEW, EDHE launched a one-day roadshow to 13 universities. The roadshow
provided an edutainment programme with competitions and inspirational talks by well-known role models.

The new era should focus to transform traditional education institution into entrepreneurial education institutions whereby students acquire the skills from early stages until tertiary levels (Audretsch & Keilbach, 2008). The premise is that once it is known what is needed, and why, it should be possible to determine how it can be produced. The South African traditional education system deadened the requisition of attributes and skills to produce entrepreneurs (Mbiza, 2018).

Institutions of learning, organisations and firms (from small to large firms) can adopt strategic entrepreneurship to unlock potential economic activities. According to Kuratko (2015), strategic entrepreneurship can take one of five forms - strategic renewal (adoption of a new strategy), sustained regeneration (introduction of a new product into an existing category), domain redefinition (reconfiguration of existing product or market categories), organizational rejuvenation (internally focused innovation for strategy improvement), and business model reconstruction (redesign of existing business model). As one of the objectives of EDHE project is to provide strategic focus to institutions of Higher Education, the project need a buy-in to all stakeholders. For instance, there should be commitment from University management to shape the curriculum towards entrepreneurship orientation and create student entrepreneurship ecosystem; staff capabilities to provide the skills and students interested to be entrepreneurs. Furthermore, outside the institutions there should be support from businesses to mentor student entrepreneurs and government policy makers to promote student entrepreneurs.

**CONCLUSION AND RECOMMENDATIONS**

The paper aimed to explore how entrepreneurship in South African Higher Education (SAHE) can be used as a development tool to stamp out youth and graduate unemployment. Firstly, the exploration began by defining entrepreneurship, followed by providing entrepreneurship theories to enlighten the issue. Lastly, realities, challenges and development plans in the SAHE context have been conceptualized.

It has been illustrated that entrepreneurship is a phenomenon where there is an entrepreneur who displays a character of creativity and innovation, risk taker, initiator, strategists, decision taking, opportunist and active participant among others in the business. The afore-mentioned theories also endorse these characteristics. These theories ranges from Cantillon with innovation; Marshall with innovation in perfect competitive markets; Schultz bringing markets to equilibrium with grabbing opportunities; Kirzner with competition, opportunities and risk taking; Schumpeter with innovation, risk taking and make profit; Knight differentiating between risk and uncertainty; biological theory of entrepreneurship to see men as risk takers than women; and entrepreneurship as a social venture made of teams.

In this note, it can be seen that South Africa need graduates that can possess entrepreneurship traits. This could be achieved through the education system by providing entrepreneurial education that can drive to economic development. It is recommended that Universities need to contribute to the development of entrepreneurs by providing entrepreneurship skills (communication skills especially persuasion, creativity skills, critical thinking and assessment skills, leadership skills, negotiation skills, problem-solving skills, social networking skills, time-management skills) in the learning process. This could be achieved by engaging in a number of activities such as:
Transform South African Universities to be entrepreneurial Universities, by including entrepreneurship studies in the curriculum across faculties. Considerable changes are required in both the content and process of learning offered by Universities is to enable their students develop entrepreneurial skills.

- Create centres of entrepreneurship and innovation; and incubators within the Universities. Centres could even extend the service by providing short courses to communities like TVET colleges and unemployed people in general targeting rural and township communities.

- Allow Universities to have online flexible entrepreneurship programmes to be registered whenever students need to be empowered with entrepreneurship skills.

- Engage in entrepreneurship orientation and awareness programmes to provide information about entrepreneurship and encourage students to consider entrepreneurship as a career.

In conclusion, engaging and exploring entrepreneurship in Higher Education is believed to be a catalyst to create employment, as students can start their businesses while studying. This initiative could sustain businesses as students gained basic skills from their qualifications and entrepreneurship skill. Sustained businesses create employment and can attract investment, which accelerate economic growth and ultimately reduce poverty and inequality.

REFERENCES


