

Review

The Incorporation of Entrepreneurship in Black Economic Empowerment Programmes in South Africa

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Entrepreneurship is sometimes seen as a process of few peoples. Although some persons have innate abilities as entrepreneurs, many can also develop this capacity in their life through a learning process. At the heart of entrepreneurship is the creation and/or recognition of opportunities. Therefore, entrepreneurship can help disposed people to change their social life, from poverty to wealth. On the other hand, Black Economic Empowerment (BEE) is a policy aimed at empowering previously disadvantaged people in South Africa. Therefore, what is the link between BEE and entrepreneurship? The history of the United States could assist us in explaining how entrepreneurship can contribute to job creation and change the lives of millions of people in South Africa. How this can be achieved? How can entrepreneurial mindset be implemented among the black population? These questions and others are going to ground the paper. This paper will explain why to focus on entrepreneurship as a remedy to improving black s' lives and reduce poverty. The paper will develop definitively, entrepreneurship as an alternative way of implementing BEE in an entrepreneurial context. Some recommendations will be given for an effective and efficient implementation of entrepreneurship within BEE programmes.

Keywords: Black Economic Empowerment, entrepreneurship, South Africa.

INTRODUCTION

Society is the social and physical context in which people establish or acquire businesses. Entrepreneurship is important for any society to generate economic growth for social-economic welfare of the population in general (Van et al., 2002: 3). In this regard, Michel (1990: 125) noted that entrepreneurship is at the heart of economic advantage. In a South African divide society, where a large part of the population lives in poverty, entrepreneurship is of great importance. Entrepreneurship enables those who are involved to improve their self reliance posture, which can assist them to raise their standard of living; thus contributing towards economic development of their region or country.

The whole paper develops a strategic framework in which BEE can be implemented in an entrepreneurial context. In the first instance, the definition of Entrepreneurship and Black Economic Empowerment are going to be developed with the accent to the latest versions of the concept of BEE. Afterward, entrepreneurship as an American weapon, a way of thinking will be explained. A direct link between BEE and

entrepreneurship is going to be highlighted.

Entrepreneurship defined

During the 1970s, entrepreneurship was defined as a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balance (Timmons, 1999: 27). This definition of entrepreneurship has evolved over the past decades; however the core of the concept remains the same. According to Timmons et al. (1987: 409), entrepreneurship results in the creation, enhancement, realisation, and renewal of value, not just for owners, but also for all participants and stakeholders. At the heart of this process according to Timmons, there is the creation and/or recognition of opportunities, followed by the will and initiative to seize these opportunities. Therefore, entrepreneurship requires a willingness to take risks-both personal and financial. During the 1990s, entrepreneurship was associated with the creation of start-ups. Today, entrepreneurship has

evolved beyond the classic start up notion to include organisations of all types at all stages. Thus entrepreneurship can occur-and fail to occur- in new firms and in old, in small firms and large, in fast and slow growing firms, in the private, not for-profit, and public sectors, in all geographic points, and all stages of a nation's development, regardless of politics (Timmons, 1999: 27). In simple terms, Antonites (2003: 29) defines the entrepreneur as an individual with the potential to create a vision from virtually nothing.

Entrepreneurship requires a willingness to take calculated risks, both personal (time, intellectual) and financial, and then doing everything possible to fulfill ones' goals and objectives. It also involves building a team of people with complementary needed skills and talents; sensing and grasping an opportunity where others see failure, chaos, contradiction, and confusion; and gathering and controlling resources to pursue the opportunity, making sure that the venture does not run out of finance when it needs most.

At any time, the entrepreneur needs certain resources to start a business venture, or to realize a business opportunity, either outside or inside the business, which are financial, and human resources (Van et al., 2002: 5). From all the definitions outlined earlier, entrepreneurship holds the promise of future growth, expansion and long-term financial gain; that is why sometimes a small business that is only aimed at the survival of its owner cannot be seen as an entrepreneurial venture (Van et al., 2002: 5). The next section develops entrepreneurship as the mean of job creation in the US.

Entrepreneurship and job creation in USA

The history of the United States is an example that needs a careful examination. More than twenty years ago MIT researcher David Birch began to report his landmark findings in his seminal book "The Job Creation Process" (1979). In his findings, Birch surprised all politicians, researchers and the business world that the new and growing smaller firms created 81, 5 percent of the net new jobs in America from 1969 till 1976. During 1993-1996, eight million jobs were created in the US; with 77% of these by small enterprises (Timmons, 1999: 4-5). When one considers the history of Microsoft, a start-up in the late 1970s, Birch' job creation findings are not surprising.

In 1980, Microsoft had only 38 employees with revenue of US\$8 million. By the end of 1997, its sales were US\$6.5 billion with 21 000 employees. This is only for Microsoft. The overall contribution of small and medium size companies is shown in the change of American patterns of employment. During the late years 1960s, one of four persons went to work for a Fortune 500 company. In the 1980s, the Fortune 500 employed one of five workforces. By the late 1990s, that number was just one

of fourteen (Timmons, 1999: 4-5). This history of explosion of job creation by small and medium enterprises is directly linked to the one of centres of technology and entrepreneurship in the US. Therefore, in the US, creating jobs and fighting unemployment was directly linked to the promotion of centres and institutions in entrepreneurship, and ultimately the training of entrepreneurs. These entrepreneurs were trained to take risks by launching their own businesses. How could South Africa through BEE benefit from this precedent? The next section develops the expression BEE and its evolution.

BLACK ECONOMIC EMPOWERMENT

The term Black Economic Empowerment (BEE) started slipping into vocabulary of blacks' activists at just about the same time that "black advancement" was the term in vogue in the late 1970s. But it was only in the late 1980, that it began to be used strongly as a counterpoint to the meaningless "equal opportunity" that had been given prominence by the corporate sector. However the term as used in the 1980s may well end up being judged by the history of the anti-apartheid struggle prior to the elections of 24 April, 1994.

The term also found itself smack in the middle of the political turmoil that was unfolding in South Africa at that time. Therefore some of its most vocal proponents had to present it as a harmless exercise to the government, through all the utterances made by its proponents, that it was not Steve Biko "black power" movement in disguise. According to Paul Browning quoted by Steve Biko (1978: 22), the goal of BEE is to assist in the process of dismantling apartheid and creating a nonracial representative government in South Africa. The empowerment strategy has two distinct elements. The first is the breaking down of social barriers as a result of increased black incomes. This will lead to changes in lifestyles and greater communication between blacks and whites. This in turn will ease the process of political change. The second is the creation of wealth within the black community so that in a capitalist society blacks will be able to vote with their money (Madi 1997: preface). The concept has evolved and the next paragraph develops an update view of BEE.

The BEE Commission defined BEE as a strategy aimed at substantially increasing black participation at all levels in the economy. BEE is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer ownership, management and proportionate control of South Africa's financial and economic resources to the majority of its citizens. It also aims to ensure broader and meaningful participation in the economy by black people. From this definition, there is a key word that needs to be underlined and which explains the whole policy of BEE: BEE is a strategy

aimed to redress the imbalances of the past by increasing black participation in the national economy. As explained earlier, many ways have been explored during the last decade with poor results. Other ways can be explored as alternative means for implementing BEE. Entrepreneurship is one. The present initiative tackles the process in the South African context.

BEE and poverty alleviation

Since the first democratic elections in South Africa, there have been many policies aimed to empower previously disadvantaged persons. In 1994 the ANC adopted the Reconstruction and Development Programme (RDP) as a policy framework to guide in transforming South Africa from a divided society to one that provides equal opportunities for all its citizens. The main principles of the RDP were among others meeting the people's basic needs, developing the country's human resources; building the economy; and democratising state institutions and society. In 1996, many RDP's targets were unmet. (Tompaine, 2002) Two year latter, in 1996, the ANC adopted the Growth, Employment and Redistribution (GEAR) macroeconomic, a strategy for rebuilding and restructuring the economy in line with the main principles of the RDP. Where the RDP had promised basic services for all, GEAR promised "public-private sector partnerships" based on "cost recovery". Where the RDP set targets for reducing unemployment, GEAR called for "greater labour market flexibility". And where the RDP made a great show of highlighting the systematically enforced racial divisions in the economy, and the system's structural inequalities, GEAR talked about "economic stability", "sound fiscal policy", "foreign direct investment" and "strong export performance. According to Patrick Bond, almost a million jobs have been lost to GEAR. South Africa's unemployment rate is now conservatively estimated at 25 %. GEAR was drawn up by 15 economists; two of them from the World Bank, the others were from various African banks, the Reserve Bank of South Africa, neo liberal think tanks and corporations. Only one economist had any footing in the South African Democratic movement, and only one was black percent - and may be as high as 40 percent according to the origin of the sources.

According to Kingsnorth (2004), twenty-two million South Africans, out of a population of 42 million, still live in absolute poverty. During the same period, the Black Economic Empowerment (BEE) and thereafter the Broad Based Black Economic Empowerment (BBBEE) to correct the imbalances of the past were launched. The BEE, as one these policies provided limited results according to many experts and common peoples. Considering the level of unemployment and the shortage of housing among the black population, their low level of education and high population growth rate, it appears that

only a miracle can solve these problems. Entrepreneurship can be a major element to solve such problems. In general, as we explained earlier in this paper, with the high rate of unemployment and underemployed peoples, associated to the low level of absorption of the South African Labour market, poverty alleviation will be a chimera. During the period of apartheid, many blacks in South Africa were either employed or unemployed. However, with the new government, the focus is on poverty alleviation of this part of the population. The concept of BEE, which was as black affirmative action, has become black integration within the South African economy.

We examine in this paper the entrepreneurial aspect of BEE. The 2003 BEE report recommended various ways in which the process can be effectively and efficiently implemented. The BEE report makes recommendations to address the development of black human capital, and what is seen as at the heart of the struggle of many BEE initiatives, the financial capital.

To successfully address unemployment across blacks' population, two things need to be addressed:

- The training of future entrepreneurs through centres and other institutions on entrepreneurship;
- The accessibility of capital to small black owned enterprises. Here the focus is on SMEs, which are lacking financial support, contrary to large black owned organisations enjoying billions of rand loans.

Concerning the first point on black human capacity building, a multi-sectorial policy, going from higher education institutions to centres of training, is recommended. Black South Africans are not always educated enough to be entrepreneurs because of their history. Therefore, how to instil entrepreneurial skills to this large part of the population? According to the BEE Commission Report on BEE, the key components of the Integrated National BEE Strategy include among others the design and implementation of an Integrated Human Resources Development (HRD) Strategy. Thus, what is Human Resources Development in this context? HRD is a process for developing and unleashing human expertise through organisation development and personnel training and development for the purpose of improving performance" (Swanson, 1997; Swanson and Holton III, 2001) HRD is any process or activity to develop adults' work-based knowledge, expertise, productivity, and satisfaction, whether for personal or group/team gain, or for the benefit of an organisation, community, nation, or ultimately, the whole of humanity" (McLean and McLean, 2000). It is closely associated with organisational change and organisation development, institutional capacity development or (capacity building).

As we mentioned earlier in the case of the US, the proliferation of entrepreneurs was associated with emergence of centres and higher education institutions in

entrepreneurship. Here in South Africa, because of the fact that previously disadvantaged persons couldn't have access to certain kinds of training, opportunities for adult training, in house training and others formal trainings on capacity building need to be offered to these South Africans. Companies need to pursue policies aimed at enhancing skills of previously disadvantaged employees through short courses, trainings and others types of human development programmes. According to certain statistics, black employees accounted for less than 20% of the whole middle managers in the South African workforce. However, entrepreneurs are currently found at the middle management level of companies, who are, through their daily activities experiencing all types of frustration, not only with the external environment of their organisation, but also with the internal environment. Frustration is mentioned as one of the main reasons for embarking on entrepreneurial activities according to many entrepreneurs. Thus, the need to promote capacity building programs on black middle managers within South African organisations.

In universities, courses in entrepreneurship must be implemented at all levels and all fields. A law or modern languages student needs the same entrepreneurial skills as the business student; the same with the medical student. A business plan is needed to open a clinic or a centre of research in law. Opportunity recognition is not there only for business students, but to all those who are willing to embark on any entrepreneurial activity.

According to the BEE commission, the finance issue is at the heart of the struggle of many black owned organisation. Financial institutions have failed to provide finance to poor organisations, and the provision of services by the formal banking sector is inappropriate when it exist, but non-existent in most of the cases. The main recommendation in this regard was the intervention of the government through the establishment of the National Empowerment Funding Agency, the creation of the state bank, and the control of financial institutions annual empowerment report. Small black businesses need to have access to finance.

At the University level, financial institutions must launch students' loans, not only to finance students' studies, but also to finance and support any sustainable projects in which students would like to embark. The focus must be on this group of the population because it is the most vulnerable and the one group facing the highest rate of unemployment. Many young graduates spend many years in order to have their first job. If the opportunity is given to them for finance accessibility, they will become creators of jobs, instead of peoples looking to be employed. Combining financial support and promoting policies on capacity building at all levels and in all fields of entrepreneurship in South Africans institutions of learning will enhance the entrepreneurial skills of many of these previously disadvantaged people in south Africa, and ultimately their abilities to create companies. It is not

a panacea, but a contribution aiming to efficiently and effectively support the implementation of BEE in an entrepreneurial perspective.

RECOMMENDATIONS

As a way forward towards realizing a full blown entrepreneurship into Black Economic Empowerment programmes, the following recommendations need to be implemented:

There is need to provide opportunities for blacks to raise funds to enable them start up and expand their business enterprises in a manner that will be significant to them.

The government should mandate financial institutions like commercial banks to produce and issue more friendly loans to previously disadvantaged individuals in South Africa. Such loans would have low interest rates and long duration for repayments.

Blacks should be exposed to training in technology from time to time. This keeps them in tune with trends of the technological world and thus avoids drudgery in their business.

There should be efforts to reinforce in blacks the concept of risk taking and patience in wealth creation. This instills positive change of entrepreneurial attitude. They would thus develop a habit of success out of failure which is the only way to making money in the long run.

Entrepreneurial trainings have to go beyond the traditional teaching in the classroom. This implies the need to involve blacks in experiential training. This could be through involving blacks in mentorship networks involving experienced entrepreneurs in their training. These experienced entrepreneurs will complement efforts of the instructors by functioning as mentors and role models.

The government should set machinery in motion to provide an enabling environment for entrepreneurship especially within black communities. This includes formulation of policies, provision of good roads, pipe borne water, electricity etc.

There should be strategies for the protection of intellectual property, as well as openness in handling of innovations. Any new discovery with high potentials for entrepreneurship should be encouraged and fully funded.

CONCLUSION

I wish to conclude by stating that collection of data in a race-disaggregated manner is imperative but the data should also be disaggregated along ethnic lines. Marginalisation of certain groups in multiethnic societies have the potential of threatening social stability and once more retard development in a country and the continent in general, which is already ridden with conflicts,

inequalities, and lopsided development. The introduction of affirmative actions regarding the Black group in South Africa, the negotiating capacity of civil society groups like COSATU (Congress of South African Trade Unions) should be strengthened. These are some of the priority areas to move forward so that empowerment does not remain at the level of the rhetoric but becomes reality instead. Entrepreneurship is a central pillar to economic growth and development, as well as employment generation and poverty alleviation. It is therefore necessary that aggressive efforts should be made to see to its full development in South Africa among black economic empowerment initiatives.

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