

# Entrepreneurship Policy Journal

April 2005 • Volume Two

## Through Entrepreneurship, Communities Build Nations

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**This edition includes articles presented  
at the conference held in Capetown, South Africa**



Auburn University



African-American Entrepreneurship Summit

## Instructions for Submission of Manuscripts

The Entrepreneurship Policy Journal continually seeks submissions that address important public policy issues concerning the community of African-American Entrepreneurship from any academic discipline or functional area of business. Very narrow, specialized or highly technical articles will be published only if they are relevant to business and entrepreneurship practices and are written in a style that is understandable to most business professionals.

Manuscripts should normally not exceed 4,500 words. For submission of new business ideas and concepts in a section called Innovations, contact the Editor-in-Chief in advance.

Manuscripts will be blind-reviewed by two or more referees. To preserve anonymity, the names and addresses of the author(s) should appear only on the title sheet.

Contributors must submit four (4) clean copies of the manuscript along with one (1) copy on a disk (Microsoft Word or raw text format) to Dr. Don-Terry Veal, Editor-in-Chief, Entrepreneurship Policy Journal. Authors must also include a brief biographical sketch and an abstract of 75-100 words. Manuscripts should be typewritten on one side of the paper, double-spaced with margins of at least one inch on all sides. References should be separate and listed at the end of the manuscript.

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# EPJ

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Entrepreneurship Education is the Practice of Freedom  
AUBURN UNIVERSITY, ALABAMA, FEBRUARY 12-15, 2002



## Editor in Chief **Dr. Don-Terry Veal**

### *“Through Entrepreneurship, Communities Build Nations”*

Welcome to the second edition of the Entrepreneurship Policy Journal (EPJ). EPJ is a publication established to provide a comprehensive examination of the realities, changes, and public policy outcomes that are influenced by the African-American entrepreneurship experience. EPJ is a resource for anyone interested in innovative, entrepreneurship ideas by examining perspectives from which all businesses, small businesses, micro-and medium-sized enterprises, as well as large national and international businesses, can benefit. EPJ contributes to the base of research on entrepreneurship, which in turns contributes to the growth of our economy.

## Volume II

The articles presented in this edition promote the premise that, “through entrepreneurship, communities build nations.” This volume features research from an international group of scholars participating in conferences held in the United States and in South Africa. Many of the articles were presented at one of the U.S. African American Entrepreneurship Summit or at the Empowerment Through Entrepreneurship Conference: The Path to Empowerment, held in Cape Town South Africa.

The purpose of the Summit, founded by Dr. Keenan Grenell in 1994, is to discuss and analyze African-American entrepreneurship and its impact on communities. The success of the initial Summit led to the development of an annual event which underscores the importance of business development and economics as a top priority for African-Americans.

Recognition of the success of the African American Entrepreneurship Summit led to organizers being asked to replicate the Summit at the South African Empowerment through Entrepreneurship Conference, held in November 2003, in Cape Town South Africa. The Conference examined ways to enhance regional economic development with a global economy through individual and small business initiatives. The South African conference showcased the Western Cape by generating a broader understanding of its business community, while creating an environment where networks can emerge into partnering opportunities for universities, small businesses, and individual joint initiatives.

### **Competitiveness in the Global Economy**

Having a conference on behalf of Cape Town South Africa was an excellent opportunity for U.S. participants, considering that the South African economy has become tightly woven into the global economy, and at least two thirds of the private sector is subject to international competition in the Western Cape alone. South Africa is perhaps the most prepared country on the African continent to respond to the challenges of the global economy due to its well developed infrastructure, a beautiful environment, natural resources, and the home of excellent universities (Preparing the Western Cape for the Knowledge Economy of the 21st Century).

### **Through Entrepreneurship, Communities Build Nations**

The idea that “through entrepreneurship, communities build nations” is not an isolated or novel idea with South Africa or the United States. Nation building models, through entrepreneurship development, were shared by participants during discussions of challenges and opportunities on entrepreneurship. These models were identified in various presentations on entrepreneurship or in eloquent speeches made. In regard to small businesses, there was much agreement with the notion that businesses which form alliances have a better chance of survival than those that don’t. Although ownership is still the primary model for world class businesses, a shared perspective was that small businesses have a greater impact through forming global alliances, considering that most lack the money, clout, and the political position to enable them to achieve it on their own. Global alliances help communities build nations through entrepreneurship.

### **Two Nations, One Idea**

In addition to business challenges and opportunities, South Africa and the U.S. share experiences within the context of the Black Empowerment movement. In both countries, Black Empowerment is based on efforts to increase black business and enterprise development. The countries drastically differ, however, on the formational supports and sponsors for these movements. In the U.S., Black Empowerment is primarily sponsored by advocacy groups (such as the Urban League, the Wall Street Project, etc.) aimed at encouraging inclusion and increasing the impact of Black owned businesses. In the case of South Africa, the national government sponsors and leads the Black Empowerment agenda, an effort that seems to have a more immediate impact. This is an example of the “two nations, one idea,” model which deserves an integrated agenda dedicated to Black Empowerment, considering that both nations have needs for small business development that can increase through global business alliances and global objectives. More opportunities can result through the merging of national agendas aimed at helping to grow struggling communities. This helps communities build our nations through entrepreneurship.

### **Fourth Wave of Economic Development**

The merging of national agendas, through the two-nation one-idea model, should be firmly rooted in ideas similar to James H. Todd’s Fourth Wave of Economic Development model (EPJ, 2001). Todd realized the importance of the alliances of large corporations and players in the economy of a region: partnerships with government, small businesses, and academics. The potential of a two-nation one-idea model can only be successful through the complete recognition that economic regions develop independently of political boundaries. Success throughout this endeavor can be obtained through the utilization of universities in South Africa and in the United States, effective strategies for overcoming a rapidly changing world, and through applying lessons learned from government and the private sector. Through entrepreneurship, communities build nations.

### **EPJ**

Articles selected for this volume of EPJ address various aspects of entrepreneurship and are based on the author’s research orientation, while also embracing the goal of wealth creation opportunities for businesses and communities. The authors address topics dealing with the related issues of: Entrepreneurial Development, Entrepreneurial Education, Entrepreneurial Motivation, Entrepreneurial Policy, and Developing Entrepreneurial Resources. The volume concludes with a special presentation section, which includes conference presentations by David Wilson, for the John Sibley Butler Free-Thinking Persons Lecture, and Brian Dabson, keynote address at the Empowerment Through Entrepreneurship Conference.

We acknowledge the support that we received for this edition of EPJ from the representing members of

the Consortium for Higher Education Development in South Africa: Auburn University, University of the Western Cape, University of Stellenbosch, Cape Technikon, and Peninsula Technikon.

The Entrepreneurship Policy Journal is dedicated to:

- Providing an arena for sound, methodologically diverse and solution oriented policy discourse on entrepreneurship issues affecting the African-American community.
- Encouraging scholarly dialogue and communication among academics, policymakers, community leaders and practitioners.
- Improving the public policy process by integrating the perspective of African-Americans into formulation, implementation and evaluation of entrepreneurship policy.

*Editor in Chief*

**Dr. Don-Terry Veal**

*Dr. Don-Terry Veal is the Associate Director at Auburn University's Center for Governmental Services. Veal holds a Ph.D. from Northern Illinois University with a concentration in Public Finance. He served as the Director of Research and Development and Fiscal Administrator with the Akron Summit Community Action, Inc., and the Executive Planner with the Council of Economic Opportunities of Greater Cleveland, OH. He was also a Visiting Public Finance Professor with the University of Akron and is currently an Instructor with Auburn University's Political Science Department and the National Election Center. Dr. Veal's articles and research focus on public finance issues, and he was appointed to the advisory board with the Kellogg Foundation's Rural Entrepreneurship Initiative. As well as serving as the Editor-in-Chief of the Entrepreneurship Policy Journal, he was the Director for the Empowerment Through Entrepreneurship Conference recently held in Cape Town South Africa.*

## Towards More Effective African Co-operation in the Support and Facilitation of Small Business Development

**Professor Wolfgang Thomas**

University of Stellenbosch, and Centre for Tourism Research  
Cape Technikon

This paper is based on the following underlying assumptions:

- Small enterprises are vital in efforts to activate African economic development, job creation and economic equity.
- The obstacles faced by Small, Medium and Micro-Enterprises (SMME) in Africa are extensive, with many similarities in the issues all across the continent, but also many (sub-) regional differences. There is, thus, ample scope to learn from strategizing, policy planning and programme-implementation efforts in the different countries.
- At this stage there are relatively few efforts to facilitate (on an ongoing basis) efforts to interact between African researchers, policy planners and intervention practitioners in the small-business sphere.
- The New Partnership for Africa's Development (NEPAD) initiative can only succeed if steps are taken at sector and sub-regional levels to explore and pursue partnership strategies. The small-business-support sphere should be one of those "sectors," warranting increased research, training and communication efforts.
- In the Cape Town academic scene a number of developments have paved the way for a Western Cape-based, NEPAD-linked initiative

towards the facilitation of Africa-wide research on SMME support. These developments include the strengthening of small-business studies at several higher-education institutions, the expansion of the African Centre for Investment Analysis at the Stellenbosch Business School as well as the University of Cape Town Graduate School of Business Centre for Innovation and Entrepreneurship, the Cape Technikon's recently established International Centre for Tourism Research in Africa and steps to establish a think-tank capacity for NEPAD-related issues in the Western Cape.

The paper will explore steps to link these developments with the more concerted action and research in the small-enterprise-support sphere.

Further, this discussion paper contributes to the broad "African" debate: How can we, as academics in the field of small enterprise and entrepreneurship research and teaching, contribute towards a pro-active, creative and "bridge-building" initiative in a field that is quite central to Africa's economic-development challenges, about which many people inside and outside the continent are rather deeply concerned, given the unfolding of the global economy?

The paper consists of three parts: a section on the significance of small enterprise in African economic development, followed by an overview of

the conventional approach to support for (SMMEs) and current frustrations about the success of these strategies, policies and programmes. The third section looks at the challenge of a broader “African,” interactive approach towards small-enterprise support and facilitation, including practical proposals for action in the NEPAD framework.

## 1. Small Enterprise in African Development

In conventional approaches to economic development the main focus falls on the different economic sectors and the growth, expansion or relative stagnation of each of these sectors: agriculture, forestry and fishing, mining and quarrying, manufacturing, construction, energy and water supply, trade, tourism, financial and business services, transport and communication, personal, social and professional services as well as government administration. It is then understood that in each of these sectors, larger enterprises or corporations, parastatals, foreign firms and, in many cases, public-sector bodies are the main players, with SMMEs only playing a negligible role – or only present in the “informal-sector” segment of these sectors.

Naturally, in some sectors we regard smaller businesses to be dominant (like in trade, personal services and subsistence or small-scale agriculture). Along these lines, we are used to figures suggesting that “60, 50 or 40 per cent of total value added in an economy is contributed by smaller enterprises” or “50 to 70 per cent of all jobs are created by or through small business” etc. In the more developed economies (which includes South Africa) these relatively high percentages of employment or value-added contributions of the SMME segment still do not prevent the general perception that big and medium-sized enterprises, together with parastatals and the public sector, “really run the show” as far as economic development and global competitiveness are concerned. If it comes to dilemmas around rising unemployment and how to address poverty in distant rural areas, our praise of the SMME sector is high, but if we look at the dissemination of state support and the

grassroots implementation of support programmes, the vast SMME sector remains a distant second in public-sector concerns.

If the above is true about South Africa, it would seem all the more true about other parts of the continent. Larger (local and foreign) companies play a significant role in most African economies, and even more so the public and parastatal sector, but in percentage contribution to employment their share is much lower than in South Africa. On the other hand, small and micro-enterprises, including statistically unidentified “informal enterprises,” make up the bulk of all economic activities in (probably) the majority of Africa’s 53 economies.

To understand the size and importance of the SMME sector in Africa, one has to differentiate between different types of “smaller enterprises,” such as:

- Subsistence farmers in the agricultural sector as opposed to small-scale commercial farmers and part-time income-generators in “urban agriculture,”
- Subsistence mining operators (reported to be more often illegal than legal), as opposed to small-scale commercial miners,
- Part-time (ad hoc) fishermen, as opposed to regular fishermen, small-scale fishing firms and aqua-culture operators [the same could apply to (il)legal game hunting or farming],
- Backyard producers of craft products and light manufacturing as opposed to small-scale industrialists,
- Water carriers, suppliers of generator electricity and gas-fuelled cooking and heating equipment, as well as battery suppliers and re-fillers, as examples of small-scale operators in the “electricity-, water- and gas-supply sector,”
- Home-based traders (spazas), door-to-door salespersons, corner and side-walk sellers of single products or small ranges of goods,

regular hawkers and market sellers, small-scale shops and specialized sales outlets as categories in the trade sectors,

- Township shack builders, informal “repairmen,” building material “assemblers” and sellers as well as small builders in the construction sector,
- Informal money-lenders and small-scale business consultants or business-development service suppliers in the financial sector,
- Different informal and small-scale training suppliers, private crèches and child-minding groups as well as (small) private schools in the education-service sector,
- Home-care and nursing suppliers, traditional-medicine suppliers, sangomas and related services in the health sector,
- The wide range of personal services, including hairdressers, beauticians, and “legal” advisors, and
- Small NGOs, religious “groups” and other non-profit operators, volunteer groups and self-help initiatives.

In examining this list, it can be noted the many gaps in our perception of “small-scale enterprise in Africa” (in particular, once we understand the dynamics in particular countries, let alone the full spectrum of 53 economies), leading the reader to realize that clearer understanding of these environments should probably be the top challenge in this sphere. Research should help us to understand, critically appraise and possibly adjust conventional statistics about SMMEs in African economies and their value added. For native South Africans, such research might help to “unlock” the informal sector – that under- and overrated segment of our economy which is conveniently ignored or brought into the limelight whenever it meets the needs of policy leaders. How many parallels are there between township hairdressers in South African and Malawian town(ship)s? How are they (and we) addressing the training needs of such hairdressers?

The much greater significance of SMMEs in the economy of most African countries suggests that strategies, policies, programs and projects to address the needs, development obstacles and growth potential of SMMEs probably deserve a lot more attention in African development efforts than they have attained so far. How can this happen? What role could a South African retail giant like Shoprite play in this sphere when it spreads its supermarkets across Africa? Or what role could the Protea Hotels group play in the facilitation of locally owned bed-and-breakfast establishments in African countries where Protea Hotels are currently popping up?

## 2. Frustration About Conventional SMME Support

During the past ten years the South African SMME support-focused literature and public debate has shaped a broad framework within which different needs of small enterprises can be assessed and support can be structured. The table on page 5 presents a brief summary of a ten-point framework. Virtually all the topical issues and support projects can be fitted into this scheme, which can thus also function as a reference base for the assessment of action (or progress) in SMME support.

Closer analysis of SMME-support action and facilitation efforts in South Africa over the past ten years (since the political change) suggests that considerable progress has been made in virtually every one of the ten areas. It is also clear that in that progress we seem to have followed the path of many other (semi-)developed countries, in Europe, Latin America and even Asia. There are also clear indications that other African countries have also “progressed” in several of these areas, with political instability (which limits point 10 and restricts efforts in most of the other areas) as the greatest obstacle.

Notwithstanding such “movement in the right direction,” there are a number of fundamental shortcomings which still limit the rate or spatial/sectoral range of progress in the different need areas. A few of these are listed here, bearing

**Figure 1**

# **Key-Need Areas of Small Enterprises**

**1. Improved access to information and advice, including:**

Help with business plans, the use of websites, understanding of e-commerce, and access to mentors.

**2. Improved access to markets, including:**

Regular (open) markets, e-marketing, preferential procurement, subcontracting or outsourcing markets, export facilitation, gender and other market access discrimination.

**3. Improved access to finance, including:**

Micro-finance, bank finance, venture capital, non-banking finance, and financial advice.

**4. Access to technology, including:**

Production technology, design techniques, safety mechanisms, quality-control techniques, transport technology, machinery and equipment technology.

**5. Access to training, including:**

Basic entrepreneurial and business (sensitizing) training, small-business operational techniques, sector- and vocational-focused training in a small-business context, problem-focused training, entrepreneurship-development training.

**6. Streamlining of regulatory frameworks, including:**

Increasing flexibility of rules and regulations to reduce bottlenecks and stimulate self-help initiatives, adapting necessary regulations and controls to the abilities of SMMEs, overcoming gender, racial, and other discrimination in the SMME sector.

**7. Development of an SMME-adapted business infrastructure, including:**

Basic business-infrastructure services in (township and SMME) business areas, developing business incubators and enterprise parks, controlling crime in business areas.

**8. Facilitation of business networking, including:**

Encourage business or sector and trade associations as well as decentralized and national chambers. Support trade and business fairs as well as other regular networking opportunities. Support local efforts to network internationally.

**9. Sector support in sector-, industry-, and niche-adapted manners.**

**10. Creating and maintaining an SMME-sympathetic national, regional, and local policy environment.**

This refers to policies, programs, and projects initiated or controlled by central-government departments, provincial authorities, district and local municipalities, and parastatals. Attention also needs to be given to (un)fair competition in the SMME sphere, including out attitudes towards foreign entrepreneurs who are operating locally.

in mind, however, that the extent or severity of such shortcomings differs widely between sectors or areas in one country and, naturally, between different (African) countries:

- The nature (practical orientation as well as relevance) of the information and advice often falls far short of actual needs and circumstances.
- Efforts to increase market access for SMMEs only covers some (limited) part of countries or regions, often neglecting more remote rural areas or towns.
- All the many efforts to make more finance available for small enterprises usually only results in a small percentage of all SMMEs actually getting funds through the addressed channels. The bulk of SMMEs still has to rely on “their own” sources.
- As in the case of information, the channeling of technology information or knowledge to physically dispersed SMMEs often proves difficult.
- Training programs also usually only reach the larger urban areas or a small business elite. Besides, courses are often didactically inappropriate (too abstract or theoretical, or pitched at more sophisticated audiences).
- Infrastructure needs of township business areas remain neglected.
- Little is done to overcome the fragmentation (and resultant weakening) of business associations.
- Sector support is often entirely absent or mere tokenism, even in significant (growth) sectors.

The points of criticism noted above have been raised with respect to South Africa’s support of the SMME – and most of them can be raised even stronger with respect to other African countries. Since detailed knowledge about the dynamics of SMME support in other African countries

(even in the SADC regional context) is extremely limited, it is, of course, risky to make such generalizations. Thus, a better understanding of the actual policy environment and progress with support across the continent should be high on the agenda of researchers in this field.

In the light of the above-mentioned shortcomings, several suggestions are made regarding new focus areas with respect to support of the SMME in the African context. The following are a few examples (see Thomas, W. H.: “Access to Finance and other Obstacles to Africa’s Small-Business Development: Rediscovering old truths,” ACIA Development Finance Conference, Johannesburg, 08 October 2003):

- a) More attention should be given to family businesses as a way to expand enterprises and create new entrepreneurs.
- b) Extended families should be recognized as an important facilitating factor in small-business development.
- c) Apprenticeships should also be seen as a significant SMME-facilitating process.
- d) Libraries should be used as decentralized disseminators of small-business information and advice.
- e) Franchising deserves more attention as a development tool.

In addition to these more obvious aspects, closer analysis of the small-enterprise structures, practices and dynamics in the full range of 53 African countries should provide us with a wealth of new insights into different (un)successful ways in which the ten basic need areas (see table on page 5) are actually addressed in the different countries. Quite often ignorance about local institutional or social peculiarities may lead to these particular approaches being ignored, and prevents the occurrence of learning from experience. Similarly, international proposals for policy support are often moulded in a way that makes it difficult to be integrated into local practices. This may call for some creative thinking about the adaptation of those foreign models in order to achieve success locally.



### 3. NEPAD and the Scope for Decentralized Action

Concerted action by NEPAD (primarily through the secretariat and its team, located at the Development Bank in Midrand) has so far largely centered around the mobilization of larger aid and investment flows for Africa from the developed countries, the development of the Peer Review Process and sector-development initiatives in a number of important areas. Attempts are also ongoing to work out an “African” development strategy response linked to the Millennium Development Goals (MDGs).

In all these processes (held together by African Union and other plenary meetings and conferences) issues related to small-enterprise support and the success or failure of current (national, regional or local) support policies and programs have, so far, received little prominence. Lip service is generally paid to the significance of this part of Africa’s economies and its role in efforts to absorb job seekers and disseminate income and wealth more equitably, but seldom do we find serious debate, research or action around (more) effective support strategies.

Given the very limited capacity of the NEPAD secretariat in its present form (and the delicate and demanding nature of “the big issues” like peer review, donor support, WTO negotiations and conflict control,) it is understandable that SMME support issues are low on the action agenda. As indicated previously, circumstances differ, at least somewhat, in each of the 53 countries, so that common positions may be difficult to negotiate. In addition, donor aid for SMME support is “popular,” but usually only in modest amounts and for limited periods.

A similar dilemma applies to efforts at the regional or sub-continental level to shape common strategies in the SMME-support sphere. There is interest and sympathy, but little concrete action. One plausible limiting factor in this sphere is the need for strong private-sector participation in efforts to analyze or strategize SMME support or to shape

new support strategies. Such private-sector inputs are difficult to channel as long as (small) business remains poorly organized in African countries.

### Conclusion

To sum up the current dilemma: The critical role of small enterprises in virtually all sectors of Africa’s economies calls for concerted action along NEPAD lines to strengthen this sector and to help overcome development obstacles. However, NEPAD and the regional economic commissions (SADC, Ecowas, Comessa, etc.) are relatively weak in their efforts to spearhead initiatives in this field. This would place most of the onus for action and initiatives on the shoulders of national governments as well as business agencies (the ministries for trade and industries, national small enterprise councils, small-business development agencies and related institutions) which are manifold in Africa, but which are mostly rather limited in capacity and “inward looking” in their approaches and initiatives.

This seemingly rather discouraging conclusion leads us to the challenges ahead for the academic teaching and research community involved in entrepreneurship and small-business-development issues. If we are honest to the underlying goal of our profession (to study problems, extrapolate trends, anticipate crises, explore alternative solutions, develop change models and facilitate policy debate), and if we start taking serious our presence on the African continent, with all its challenges and the risk of defeatism among outsiders and insiders, the road ahead should be mapped out easily. A few suggestions should be sufficient to indicate the direction of the challenge:

- There is an urgent need to know where (across Africa) SMME issues and policies are seriously studied and researched, who the respective leading academics are, and how we can communicate with each other more effectively.
- There is a need to register the main research issues being tackled across the continent and how they relate to the 10-point agenda summarized on p. 5. It may be necessary to adjust

the current framework to reflect the full spectrum of issues.

- Researchers should devote increased energy, resources, and creative thinking into the deeper exploration of “traditional” business practices and their evolution in the different African countries, but also into comparisons between those patterns and “Western” business traditions. This might help us to see scope for evolutionary adjustments of some “traditions” (like family or tribal business ties) and might even lead to the design of more effective intervention policies.
- A series of national SMME profiles, covering each of the 53 African economies, outlining in concise, objective terms the structure, dynamics and dominant problems of SMME development and providing key (comparable) statistics as well as contact addresses should be developed. Such a project could help the community of SMME-support suppliers grasp the broader picture and challenges of African SMME development.
- It is suggested that serious attention be given to the strengthening of business associations related to SMMEs in the different sectors or communities of African countries. A strengthening of such grassroots leadership is, in fact, a precondition for effective private-sector inputs for the shaping of new support strategies and programs at local, district, provincial, national and regional levels. Once again, there is need for applied research, training, and mentoring.
- Given the wide range of support policies there is, furthermore, urgent need for cross-country studies about different policy goals and related support program (along the well-known lines of “goal – instrument – result – evaluation – adjustment” causality). While it’s not necessary that the project be initiated with all 53 countries, nor with the full range of dozens of policy goals or sectors, there should be a systematic process of policy analysis and policy planning, with maximum emphasis on the dissemination of research outputs among African

SMME specialists. This research and its dissemination should, in fact, be seen as a critical precondition for efforts to improve policy effectiveness on a broad basis.

- The compilation and dissemination of cross-country case studies of SMME-support strategies (including successes and failures) should be viewed as a logical corollary of the former task. Unless we are willing to study the details of failures and successes (in their respective national setting) we are not able to objectively and fruitfully structure or manage new policies or programs.
- Close, constructive, and critical examination of the current training program in the small enterprise field is also suggested. All too often standard (“international,” i.e. US textbook moulded) courses are provided for a wide variety of learners, with “How to Draw Up a Business Plan” frequently serving as the last chapter.

Are there well thought-through training programs for indigenous, township or community traders, taxi operators, builders, “financiers” (money lender) etc. which take as starting point current realities but lead the learners towards a transition in the direction of more structured, less “informal” enterprises? Can we not share tested programs to strengthen women in the small business sector and help them overcome legal, traditional and regulatory restrictions on their advancement? Are the (generally excellent) ILO training courses really the only ones found across the African countries?

Lately, issues relating to mentoring, practical training added to formal courses and “e-training” are high on the agenda of SMME trainers, and we need to see how (fast) these themes can get to the smaller and more remote African countries – and how we can learn from each other’s experiences in these areas.

- While much of the emphasis in these initiatives should come from African countries and local institutions (universities, poly-technikons, research centers and inter-country initiatives),

we should not exclude the participation of SMME-focused academics in other parts of the world. In fact, some of the best informed and highest motivated experts on African SMME development are found scattered around the world in business schools and management or other faculties. This includes expatriates from Africa as well as others committed to more effective small-enterprise development in Africa.

- Finally, it seems necessary that in the unfolding of the tough debates around the World Trade Organization and other multilateral bodies concerned with global inequalities and global interest clashes, the concerns of African SMMEs are heard louder and more effectively. We cannot allow a situation to continue where a few thousand central European or U.S. farmers of middle-class status carry greater weight in international negotiations than a few hundred-thousand African farmers living at subsistence level. It may be difficult in the era of sophisticated lobbying to effectively highlight the plight of the latter – but that merely suggests a further opportunity for our academic community.

Within the framework of this paper it seems necessary, however, to add a few more challenges, which should help to prevent any spontaneous efforts in these directions before sufficient momentum has been achieved.

Therefore,

- An institution (in South Africa?) should initiate an annual conference (with a rotating venue) to document and evaluate progress in the sphere of SMME-focused applied research and policy monitoring,
- Endeavors should be linked to an annual publication (or an easily accessible website with sufficient appeal to non-academic policy practitioners) to focus on African SMME-support policies,
- The NEPAD secretariat should be involved in these processes, along with financial support,

- Finally, it is recommended that pro-active steps be taken to enlist the participation of organized business at the local (African) level as well as international business interests involved in these efforts, thereby assuring a genuine “partnership” approach.

Who is prepared to participate – or able to show that much of the above is already happening?

### Wolfgang H. Thomas

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### Reference Notes

For a review of South Africa's post-World War II policy on the support of small enterprise see Thomas, W. H.: “Small Business and Entrepreneurship in South Africa 1949 to 1994”; report prepared for the Centre for Development and Enterprise (CDE), Johannesburg, September 1999 (30 pp.). Also see by the same author, “NGOs and Donor Support for Small Business in South Africa”; report for CDE, February 2001 (20 pp.).

On the post-apartheid transformation of small-business support, see Thomas, W. H.: “The Evolution of South Africa's SME-Support Policies 1994 to 1997” in Franz, J. and P. Oesterdiekhoff (eds), *SME Policies and Policy Formulation in SADC Countries* (pp. 42 – 53), Sepac Workshop Papers 01/1998, Friedrich Ebert Foundation, Botswana Office, Gaborone. During the late 1990s the Sepac series covered a wide range of papers and studies on SME support in SADC countries.

For an earlier paper with an all-African focus, see Thomas, W. H.: “Promoting Entrepreneurship in Africa: Alternative strategies and the scope for affirmative action” in: *The Journal of Entrepreneurship*, 1/2; New Delhi: 1992, pp. 215-39.

# Empowering Entrepreneurs to Perform

**Spurgeon Rudman**

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## KEYWORDS:

Knowledge society, knowledge economy, performance management, performance measurement, scorecard, small business, SMME, and SME.

## Abstract

It is generally accepted that small businesses are required to start up and grow to enable developing economies to grow. The management teams of small businesses do not always have all the management skills to interpret traditional financial accounting information for day-to-day immediate management decision-making purposes, nor the resources to consult with or employ experts to advise them. Appropriate information with which to effectively manage small businesses needs to be generated providing a holistic perspective of current performance. Many such frameworks have been developed in recent years.

The author is engaged in an ongoing research project of which one of the aims is to determine to what extent small businesses in the Western Cape geographical area of South Africa have adopted these newer frameworks. Specifically this paper reports on what extent these small businesses rely on financial accounting as opposed to non-financial measures to provide management information regarding their performance.

The results obtained so far prove that small businesses still rely primarily on financial accounting records as their primary source of day-to-day management information. Newer management accounting techniques such as activity-based costing, the balanced scorecard or other similar methods are used by a minority of these businesses.

The primary conclusion reached at this stage of the research is that decision makers in small business are not aware and do not use these newer performance measurement frameworks or principles. The paper concludes by making recommendations on how these businesses can improve. Making these results and recommendations available to small businesses contributes to the development of a knowledge society.

## Introduction

A greater degree of economic development is imperative for South Africa's future growth. International trade needs to be developed. Local entrepreneurs will require an ability to compete internationally. Small business development is seen as the cornerstone to economic empowerment and a general lifting up of communities within South Africa, a task that cannot be accomplished by the existing large enterprises alone.

This paper is about research in progress at the Faculty of Business Informatics at the Cape Technikon, situated in Cape Town, South Africa. It represents the first steps in building an information base to establish a knowledge society. Entrepreneurial skills required that enable effective management within small, micro and medium enterprises are covered with particular focus on the ability of entrepreneurs to measure their performance. It also sketches how the Cape Technikon is approaching the issue of promoting a knowledge economy with small business managers and managements and a knowledge

society for the students regarding their ability to perform and support research in their eventual places of employment.

Clarification of terminology is required regarding a term commonly used in South Africa, namely that of an SMME. Although it only contains one “s,” it covers the full spectrum of survivalist, micro, small and medium enterprises (Rogerson, 1999).

## Why Performance Measurement?

Performance measures enable managers to best know their exact position in terms current enterprise progress towards attainment of vision, mission and strategy (Olve, Roy & Wetter, 1999) (Niven, 2002). Lack of critical management information severely handicaps decision makers and managers in all enterprises (Romney & Steinbart, 2000). SMMEs which generally have fewer reserves and less specialist management trained staff are more prone to manage using inappropriate or limited information. When global export markets are targeted, this is even more critical. Less consulting infrastructure support can be afforded by SMMEs compared with large enterprises and this further compounds these problems.

An introduction of best practice balanced performance measurement principles, customized by SMME managements for their own enterprises, should alleviate this situation. These measures contain both financial and non-financial indicators (Eccles, 1991). If depicted in an easy-to-view scorecard format, effective management will be promoted (Kaplan & Norton, 1992) (Kaplan & Norton, 1996a) (Kaplan & Norton, 1996b).

Many such performance measurement frameworks have been created in management accounting since the 1990s. Of these the Balanced Scorecard as developed by Kaplan and Norton during the early 1990s has gained the most acceptance internationally, but mostly in large corporations (Creelman, 1998). Another framework gaining in prominence is the Performance Prism (Neely, Adams and Kennerley, 2002).

These frameworks are based on certain fundamental principles, and it can be argued that even if entrepreneurs gain a good understanding of these principles and adopt them in part and then progresses to fuller adoption, they will be generating more appropriate information that should enable them to make better decisions.

## Are SMMEs Adopting These Newer Frame Works?

Effective management in small business will require that a well-developed performance measurement system be in existence (Andersen, Cobbold & Lawrie, 2001) (Niven, 2002). This is imperative for the small business to be competitive and grow. Little or no empirical evidence currently exists that depicts the situation for small businesses in the delineated geographic area of the Western Cape. Based on unsubstantiated newspaper reporting that 80% SMMEs in the Eastern Cape region of South Africa fail within their first year of trading (Dispatch Online, 2002), the concern arose as regarding the true position regarding SMMEs within the Western Cape, given the amount of attention and resources channeled toward their success. Given that information is paramount for effective management and that ineffective management is a likely cause of failure, it was decided to start researching the information sources actually being used with which to manage. The following section describes the current research approach to start addressing this issue. A comprehensive report will only be possible after a longitudinal study has been completed.

## Research Problem

SMMEs in the Western Cape geographic area of South Africa are not adopting newer performance measurement techniques that provide appropriate information on which to base decisions to achieve effective management in day-to-day business activities.

This results in a negative impact on the economy. Slow or no growth, even contraction could result. No profits translate into no tax contribution.

No employment is created. Start-up capital is lost when enterprises fail. Another loss in being an entrepreneur who is brim-full of ideas, but unable to implement them due to being denied funding, which in turn is due to a previous failure.

## Research Questions

To what extent do small businesses in the Western Cape geographical area of South Africa adopt these newer performance measurement frameworks?

In particular:

- To what extent these small businesses rely on financial accounting as opposed to non-financial management information sources (Eccles, 1991)?
- What is the extent of reliance on non-enhanced traditional financial accounting information?
- What is the extent of awareness of newer performance measure frameworks?
- What is the extent to which the newer performance measures have been adopted?

## Research Methodology

As a prelude to establishing a longitudinal study at the Cape Technikon it was decided to develop this study within the National Research Foundation of South Africa niche area study ambit. The niche area is described as studies within “effective management of e-commerce SMMEs.” It was decided to offer this as a fieldwork option for students sitting the research methodology subject in their fourth year of study and so get them involved in parts of the research activity. 80 out of 197 registered students elected to partake. They organized themselves into 15 groups. They were briefed regarding the niche area and what constituted a SMME.

A survey questionnaire was developed and placed on the Web-CT platform and they were given one week to suggest improvements to the said questionnaire. The questionnaire was subdivided into identification information regarding respondent, information to manage, and financial accounting and performance measures sections. The e-learning department assisted the research methodology

lecturer concerned by maintaining a Web-CT online discussion forum. 18 responses from eight of the groups were received. These were checked and all represented improvements and were adopted. The questionnaire was changed and placed on Web-CT for students to download. An MS-Excel version was also developed. Hardcopies were distributed in class. Students were requested to approach any SMME in the Western Cape region of South Africa and survey them. 221 completed survey instruments were collected to date, and more are still expected.

The author of this paper is currently aiming to validating at least 50% of them, prior to analysis. This is to ensure that all instruments represent valid businesses and that they were indeed completed by a decision maker in the management. Accountants were requested not to complete the instrument for fear of accounting bias. The survey instrument covered a wider area than is addressed in this paper, such as an e-commerce stance. Only questions dealing with issues relevant to this paper were extracted and analyzed.

This reported information is based on the first 80 received to enable timely analysis for inclusion in this paper. Four were found to be invalid. 24 were excluded as the respondents identified themselves as owners only who have no management involvement. They are deemed to be unable to contribute as they do not require information and do not make daily management decisions. Respondents who fell outside the SMME boundaries as defined in the Small Business Act of 1996 were also excluded. This included ten enterprises that had a turnover in excess of R 50 million per annum and another that has more than 100 employees. This left 41 responses that were analyzed and constitutes the findings reported in this paper.

## Findings

39% of the 41 respondents indicated that they functioned as managers only. This left 61% in the dual role of both manager and owner. They have an average of 6 years of management experience in the enterprise that they are responding on behalf of, and 12.5 years of business experience

inclusive of their current management position. 34% hold a degree, 27% a diploma, 24% a matric, 7% no matric with the remaining 8% holding certificates. This indeed represents a select group of respondents, as 61% are tertiary qualified. 44% trade as private companies, 37% as close corporations while 20% are sole traders. 66% are in the services industry with 24% in the retail trade. 97% of the cases operated with 49 or fewer employees, with the 1 to 4 employee and 20 to 49 employee bands - each representing 25%. 71% of the enterprises agreed that management requires information with which to manage effectively. The other 29% agreed to a lesser extent. No one disagreed.

The sources of the information used for management purposes are in order of preference ranked as a mean score out of 5:

1. Personal business experience 4.3
2. Staff 3.9
3. Financial Accounting books of enterprise 3.8
4. Self-generated non-financial records 3.7
5. Customer surveys 3.5
6. Competitors 3.4
7. Business partners 3.2
8. Consultants 2.9
9. Internet 2.9
10. Newspapers 2.9
11. Supplier surveys 2.8
12. Finance/lending institution e.g. banks 2.5
13. Television 2.2
14. Dept of Trade and Industry 2.1
15. Friends 2.0
16. Other 2.0
17. Libraries 1.9
18. Johannesburg Stock Exchange 1.5

Given the prominence of financial accounting as a source of management information, it was interesting to note that the following financial accounting work was only performed at one month or longer intervals, indicated by the percentage of respondents who did so.

Of special interest is the fact that 32% never perform a ratio analysis, which is normally based on financial accounting information. That means

## Financial Accounting Performed

Trail balance	81%
Bank Reconciliation	73%
Accounts receivable reconciliation	65%
Accounts payable reconciliation	58%
Cash flow budget	64%
Trading account	56%
Cash flow statement	73%
Balance sheet	90%
Ratio analysis	51%

that although they indicate a substantial reliance on financial information, it is seldom analyzed further to provide enhanced indicators.

Of the newer management techniques utilized the Quality Assurance indicators are the least used and in some cases, up to 68% of the respondents had not even heard of the technique. Given the high level of tertiary education of the respondents this may be cause for alarm. Performance measures are required to measure compliance with these techniques.

As far as performance measures and frameworks are concerned, 17.1% are using activity based costing, 9.8% are using the balanced scorecard with 7.3% having adopted the performance prism. The most used management accounting techniques are break-even analysis at 39% and capital budgeting at 22% of the total respondents.

## Research conclusion

These enterprises indicate an almost equal reliance on financial and non-financial information sources. Of all the sources listed, these rank in positions 3 and 4 with a mean score difference of only .1 out of 5. Only personal experience and staff sources are preferred. What is of concern is that newer non-financial performance measure frameworks are not being used – which raises the question: “what are these non-financial measures that are in use?” This is a topic for further research.

Financial accounting is definitely still the primary source in a traditional non-enhanced format, as only 34% of enterprises regularly use ratio analysis to enhance the information from financial accounting.

The extent of awareness is low in that 44%, 39% and 44% of respondents claim they have never heard of the newer performance measurement techniques such as activity based costing, the balanced scorecard or the performance prism respectively.

Only 17%, 9.8% and 7.3% of respondents are using these respectively.

The conclusion reached at this stage of the research is that the decision makers in general within SMMEs are not aware and do not use these newer performance measurement frameworks or principles. Knowledge of newer performance measurement techniques is definitely lacking in the entrepreneurial society.

## Recommendations

Tertiary education providers should design and provide programs that specifically focus on skills needed by managers to effectively manage. These programs should impart knowledge regarding new management techniques in general, including performance measurement. These offerings should be run regularly and often repeated and resort under the domain of the continuing education and life long learning units. Costs of participants who fully attend all sessions should be much subsidized. Costs of delivery can be further reduced by on-line e-learning delivery.

Government and tertiary education provider support and promotion of entrepreneurship should be intensified amongst communities. Relevant research should be intensified. Low cost and on-line consultation centers should be established.

It is the opinion of the author that this research should not be conducted in a SMME context. The SMME spectrum is too broad and reduces the usefulness of the results. Survivalist enterprises should be excluded, micro and small enterprises may be grouped, but medium enterprises, similar to large enterprises should be studied separately. A survivalist, micro, small and medium grouping should be named SMSME and not SMME. Basing group boundaries on the Small Business Act of 1996, is however fully supported. Further research regarding this differentiation is recommended.

## Acknowledgements

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# Empowerment of Women in Rural Areas Through Solar Energy

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## Abstract

Approximately one third of the households in South Africa, with its 43 million people, do not have electricity. Even the impressive thrust of connecting 26,000 households per month to the national electricity grid since 1992, has not empowered ESKOM (the electrical company that generates 95% of the electricity in South Africa) to offer electricity to all. By year 2015, an expected 1.5 million households will still be without electricity. This target market should be addressed for possible pre-electrification, aiming at improving the quality of life through the formation of PV-based small, micro and medium enterprises.

One such opportunity is the commercialization of the ETU solar sewing machine, developed by the Cape Technikon. It is connected to and driven by a 55 Wp PV solar panel, without the use of a battery. The patented system has been extended with the use of a 75 Wp PV panel, to also drive an over-locker, used for making hems and sewing stretch materials, as in the case of making T-shirts. The main goal of this community demonstration project is to show that targeted technical advances can make sound economic sense, uplifting a community through technical development, provided the new technology is accompanied by short-term, related skills training.

## Introduction

For socio-political reasons, a matriarchal society is prevalent in many remote, rural areas of Southern Africa. Business and industry attract numerous semi-skilled and even unskilled laborers to urban

areas. Youth prefers following the lights of city life instead of remaining in the country, where employment opportunities are limited and often restricted to farming. Frequently mothers are forced to seek employment elsewhere, leaving their children in the care of their aunts or grand mothers. The AIDS epidemic has made matters even worse, especially in South Africa, since government was slow in admitting and responding to this national crisis. The oldest child often has to care for younger siblings, foregoing its own schooling and thus limiting the opportunities of employment in later life.

It is in the light of this that the Energy Technology Unit (ETU) of the Cape Technikon decided to contribute in its own small way to creating job opportunities in rural areas by means of its invention – the solar-powered sewing machine (SA Patent 96/3405). As early as 1996, the ETU of the Cape Technikon patented its conversion kit, transforming conventional electricity-driven sewing machines and over-lockers to photovoltaic (PV) solar operation. A working prototype is on permanent exhibit in the US National Renewable Energy Laboratories in Golden, Colorado. This invention has the advantage of retaining the tenfold increase in the speed of production over a hand-operated or foot-pedal-driven sewing machine. This should enable members of the 1.2 million households estimated to still be without electricity in 15 years' time, to develop a meaningful and sustainable home industry. A vast pre-electrification market thus exists, not withstanding ESKOM's sterling program of having electrified on average over 25,000 homes each month, since 1992.

Unfortunately South Africa has no sewing machine manufacturers. It was thus decided to undertake our own commercialization of our prototype on campus. In 2002, the author received a major sponsorship from USAID-DEAT-MegaTech Inc. to develop a community demonstration project of the ETU invention. The world's first Solar Sewing Station (SSS) was developed at Kliprand, some 460 km north of Cape Town, along the border of the Western and Northern Cape. The rural village consists of over 50m households, without electricity and without any prospects of being connected to the national grid, unless some R5m can be found.

## Energy Use by the Rural Poor

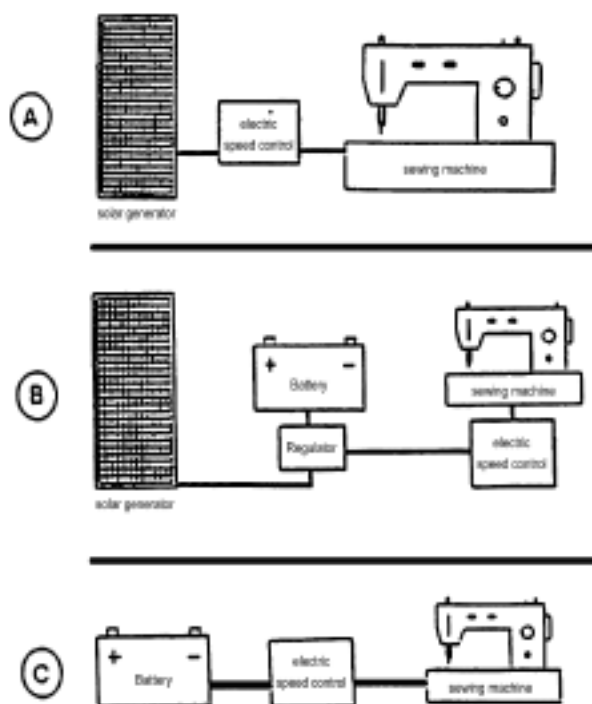
According to Gisela Prasad (2003), the poor irregularly earn as little as R5 per person per day. If connected, some 54 percent of poor respondents used as little as 50 kWh per month, since they cannot afford to use electricity for more than lights. At that level their energy burden is as high as 18 percent of their household income. It is thus obvious that unless jobs can be created, many households will not be able to survive on their own.

The advantage of solar energy is, however, that once the installation has been completed, there are very low further costs involved – especially in the case of a battery-less solar system as proposed by the ETU. Batteries and their voltage regulators are expensive and have to be maintained regularly. This is particularly difficult to do in rural areas where the necessary infrastructure and skills are possibly not available.

## The ETU Solar Sewing Machine

In Figure 1 the different modes of operation of the ETU solar sewing machine are shown, provided sufficient solar irradiation is available to overcome the torque of the chosen 12V DC motor [1,2]. In this case, the 220V AC motor was replaced with a motorcar 12V DC wiper motor. The conventional voltage regulator was replaced by a mini-energy management system or speed controller, designed and built by the ETU. At no

stage is the system short-circuited, but all power generated is used - first to drive a small fan (if desired), followed by a cool box and provided the solar radiation is adequate, then preference is given to the solar sewing machine. Any excess solar power may be stored in a 12V DC battery or be used for driving other devices like a radio, a small fridge, or charging a solar lantern, in addition to the sewing machine. The ETU patent includes a mini energy management system mounted inside the machine, and a speed controller inside the foot pedal. Both printed circuit board systems were designed by the ETU and manufactured by students-in-training in the Electronics Department of the Cape Technikon.



### Different modes of operation:

- (a) Direct solar drive
- (b) Solar-charged battery driver including voltage regulation
- (c) Battery driver

Figure 1: Modes of operation of the ETU solar sewing machine (SA Pat 96/3405)

The first option (Mode A) is advantageous for remote, rural operation, where battery maintenance is problematic or is often ignored. This is a unique feature of the ETU patent, whereby the power generated by the PV solar panel is fed directly into the sewing machine. No battery is required, rendering this system virtually maintenance free and suitable for remote rural area operation during the day. Mode B is the conventional use of solar power, by which a battery (charged by the PV panel) is included plus a voltage regulator to prevent overcharging. Such a system may also be operated at night time. Mode C shows how a battery, without charging, may be used to operate the machine for a few days only. This mode is useful for demonstration purposes (e.g. at the Johannesburg World Summit for Sustainable Development) and in cases where a battery can be charged by other means such as a wind generator or an alternator of a motor vehicle.

Upon completion, all converted sewing machines were tested. Since South Africa does not manufacture its own sewing machines, no SABS specifications are freely available, apart from the testing of imported sewing-machine motors. Since the ETU uses car-wiper motors the motor industries specs were accepted. In addition, the entire solar sewing machine system was tested, however, on a self-selected quality and endurance test. Each machine was run for at least 15 minutes on a 'stop-start' basis. Randomly selected machines were then subjected to an endurance test of 12 hours continuous running. All machines tested passed the ETU laboratory tests. The future practical use in the community will show how reliable the converted solar sewing machines really are.

## Community Selection

The following criteria for the selection of a suitable rural community were formulated and applied:

- A rural village without electricity and unlikely to be connected to the national grid for the next 10 to 15 years.

- A community not too far from Cape Town, since distance to be traveled is costly, producing a financial constraint on the already tight budget.
- A region enjoying a high degree of annual solar irradiation.
- People from a disadvantaged background with a vision.
- A community large enough to have up to 50 unemployed females and 5 males, who have an interest in finding work.
- Existence of a suitable, secure venue for offering sewing classes and producing saleable products.
- Candidates, who are trainable in skills such as sewing; the installation of PV solar systems; and marketing of products to tourists and locals.

Bearing the above criteria in mind, the village of Kliprand turned out to be a very good candidate community, since it had previously been identified as a village urgently requiring the creation of new job opportunities. According to a planner of the West Coast District Municipality, the village of Kliprand was hoping to obtain electricity, but the required connection fee of at least R5 million could not be raised. This situation was confirmed by ESKOM, who gave the assurance that it would be totally unviable for the national electricity supplier to consider electrifying this village within the next 10 to 15 years. The Solar Sewing project could thus fill a valuable pre-electrification period, should electrification ever materialize. The training offered to candidate seamstresses would still remain appropriate, since the ETU solar sewing machine does not change the operational characteristics of a conventional electric machine, even after being converted to 12V DC.

Kliprand, a newly-established village, had also been identified as requiring an improved infrastructure, in terms of access routes, street lighting and signage, public transport, quality of water, electricity in homes, sport facilities, medical, postal and police services, a library and a cemetery. The central village has over 50 homes and a school hostel hall, available to be used as a solar sewing station. None of these buildings are electrified.

Socially, a better quality of life is envisaged by combating poverty. This was confirmed by the 30 community representatives, who attended the inaugural meeting, held in the Kliprand Community Centre on 31 May 2002. They passed a unanimous resolution of support to the envisaged project. The well-being of individuals is to be promoted through effective targeted training. According to the Integrated Development Plan (IDP): *“The empowerment of individuals through training was considered essential in order to enable the community to develop autonomously and along a sustainable path towards a progressive and ambitious society. Joint projects with other role-players should be encouraged with the current emphasis on training leading to economic empowerment.”*

Economically, main growth areas identified by the authorities include: tourism, medicinal plants and small-scale mining skills development, job creation and the promotion of small-scale farming as were proposed as effective drivers for the economic development of Kliprand. The IDP recommends that *“the authorities encourage the community and its entrepreneurs to establish tourism-orientated facilities, that a tourism strategy be formulated to stimulate product development and ... their marketing be promoted in order to attract tourists to the area.”* In order to achieve this goal, it was most encouraging to note that the West Coast Municipality had already earmarked some R270000 in its 2003/2004 budget for the manufacture of clothing and especially school uniforms in six rural communities, including Kliprand. The training of community seamstresses and entrepreneurs by the Cape Technikon is already under way, albeit for different ventures.

There are currently virtually no trading activities being conducted at Kliprand. Employment opportunities only exist away from this very well kept, clean little village. Further south at Nuwerus, some 600 to 900 vehicles pass through daily along the N7 freeway. Most vehicles pass through since there are no overnight accommodation facilities for travelers and tourists. Estimates have shown that some 14,000 tourists pass through the area (up to 80%) primarily during the Namaqualand flower season, from late August to mid October.

## Design and Installation of the PV Solar Power System

A conventional PV-sizing exercise of the requirements of the solar system was conducted, including a slight over-design of the system, allowing for all machines to be started and used at the same time. For a start, only 14 solar sewing machines and one over-locker were deployed. They will be driven by 8 x 75 Wp PV solar panels, permitting a subsequent add-on of panels and machines to the system. Provided additional funding can be obtained, a bank of batteries may be installed during 2003 to enable night-time operation or to offer the community solar power for charging solar lanterns to take home after a day's hard work at the Solar Sewing Station (SSS).

As far as security is concerned, the SSS is housed in the Kliprand School Hostel Hall, inside a fully-fenced enclosure. The site has someone in attendance for 24 hours per day. In addition, all equipment and materials to be used are insured by the Cape Technikon insurers. Since no roof structures are allowed, the PV panels had to be mounted on a separate stand. Its two 2.7 meter long posters caused transportation problems over the 450 km distance and some unforeseen delays. There was no soft ground near the hostel, forcing the ETU team to hire jack hammers to dig the required holes in a solid bed-rock. The site is living up to its reputation, namely Kliprand – *kliip* being the Afrikaans word for rock and *rand* for ridge.

Instead of subjecting the five community installation trainees to hours of lectures, it was decided to rather involve them in the installation process on a hands-on basis and to explain the theoretical principles involved during this process. A short, user-friendly manual with illustrations is being finalized to assist the trainees for possible subsequent installations and the maintenance of existing systems.

## Training of PV Technicians and Seamstresses

Instead of merely dumping a new technology in a rural village and leaving it to its own destiny,

the Cape Technikon compiled and offered a dedicated training program to 50 members of the community.

**6.1 Screening of candidates:** This was done on a personal interview basis, assessing the following:

1. biographical sketch of applicant, including her age, marital status, number of children, level of schooling, other qualifications, etc.
2. personal aptitudes and interests
3. personal motivation towards employment
4. drive towards self-employment and wealth creation
5. previous experience with sewing, if any
6. experience with similar semi-skilled tasks.

**6.2 Training:** The following elementary, hands-on courses were offered on-site:

6.2.1 Installation of PV Solar Systems and the Maintenance of Solar Sewing Machines, emphasizing the:

1. stand-alone 12V DC systems versus grid-connected 220V AC power supplies
2. PV solar system sizing
3. advantages, limitations and disadvantages of PV systems
4. safety precautions and lightning arrestors
5. the availability and use of DC appliances

Dyke Monyane also compiled a maintenance manual for the ETU Solar Sewing Station (SSS). The related course covers the following main points

1. the reasons for choosing PV solar sewing machines, which are still akin to conventional electric machines, requiring identical sewing skills
2. the three modes of operation, namely battery-less ; PV panel plus a battery ; and the battery only systems (Figure 2)
3. the characteristics of PV solar panels
4. PV Panel mounting structures (stand alone or roof mounted)
5. fundamentals of the patented ETU solar sewing machine
6. ETU conversion kit, its speed-controller, printed-circuit board
7. reliability testing, in terms of current (amps) and duration, and trouble shooting

6.2.2 Clothing Manufacture, using the ETU Solar Sewing Machine. Mrs. Martha Nelson of the Cape Technikon Clothing Manufacture

Department trained up to 15 candidates at a time for two weeks in Kliprand on the new solar sewing machines. Martha Nelson compiled/offered four-week hands-on courses.

During the courses at Kliprand, each trainee was given illustrated hand-out material and a sewing kit to take home. At the end of the course, each trainee received an attractive, laminated certificate, indicating that she “had successfully completed the Basic Sewing Course offered at Kliprand by the Cape Technikon – financially supported by USAID – DEAT - MTI.”

## Results and Conclusion

This paper describes the developmental processes, which had to be gone through before launching the production phase of the community demonstration project. It was successfully completed in nine months during February 2003. The world’s first Solar Sewing Station has been in the production mode at Kliprand since November 2002 and should be fully self-sustainable by March 2004. All 14 solar sewing machines plus over-locker are performing well and the trained seamstresses are producing saleable school uniforms, tracksuits, overalls for workers on neighboring farms and smaller items for the tourist trade.

All indications suggest that the remote rural village of Kliprand, with its annual solar irradiation values of up to 8500 MJ/m<sup>2</sup>, could become self-sufficient, provided the entrepreneurial skills of the people are developed further and the will to make a decent living is maintained.

The export potential to other communities looks most promising. A Business Plan is currently being finalized, involving the ETU and the Clothing Department of the Cape Technikon, the West Coast District Municipality, and the Kliprand community leaders.

Further details of progress being made may be obtained from our website at:  
[www.ctech.ac.za.staff/uken](http://www.ctech.ac.za.staff/uken) .

### **Ernst Uken, Ph.D.**

*Professor Ernst Uken completed his Ph.D. in Nuclear Science on work done in the NASA Centre in Texas, USA. He studied at the universities of Natal, Wits and Cape Town and is a holder of three Master's degrees in Radiochemistry, Transport Energy, and Economics. A Senior Alexander von Humboldt Scholarship enabled him to complete a post-doc in Renewable Energy in Freiburg, Germany. Professor Uken served as Director of Research for 15 years at the Cape Technikon and he now heads the Energy Technology Unit, which he founded in 1990. He is the holder of two patents and has published widely.*

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# The Challenge of Transformation within the Regulatory Environment of the Gambling Industry - The Case of the Western Cape

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## Abstract

This article evaluates social equity as a concept within the casino industry in South Africa. The primary focus examines South Africa's challenges with black economic empowerment, South Africa's national gambling environment, the Western Cape Gambling and Racing Board, the Social Equity Committee, and lessons learned as a result of South Africa having implemented gaming. Throughout this article, policies and practices of the casino regulatory environment are discussed, as they attempt to stimulate and support small and medium enterprise development.

## Introduction

In many developing countries, the government serves as the main apparatus for attaining the goal of growth and development. Lerner (1989) showed how governmental support towards entrepreneurship enhanced the growth process of changing economic wealth from a smaller to a wider base of entrepreneurs and business leaders. As the economic transition of South Africa moves towards a successful market economy, progress should become more evident. This will become more apparent as the country evolves from a restrictive legal environment, towards one benefiting the overall empowerment agenda of the country. As it stands, privatization and deregulation,

particularly in the service sector (such as telecommunications, transport and tourism), continue to gain momentum in the South Africa's Developing Countries (SADC) region, although it is filled with controversy and political tensions (Marudzikwa, 2002: 5).

The hope of a transformed South Africa makes South Africans wonder about what has changed, for whom it has changed, and to what extent change has occurred. With this in mind, this article looks towards the impact of the regulators of government agencies, to ensure that industries respond to South Africa's legal requirements and that small businesses and individuals are included in the broader economic benefits.

## The Challenges of Black Economic Empowerment

The period of transition from an apartheid state economy to that of a transformed economy is characterized by a government's focus on access and on participation in the mainstream economy. Given the challenges of privatization, and that black economic empowerment is a core objective, an increasing effort is being made for South Africa to remove factors of race and ethnicity from the economic equation, in order to better represent a participative model for all communities (Fine, 1997).



South Africa, however, continues to have the challenge of a population with low skills, particularly those associated with high technology and high capital investments, and therefore most of the key stakeholders come from the global arena. Although assistance from other countries helps, they create less participation from potential local participants that would otherwise improve empowerment initiatives.

Traditional support may be difficult in these cases, where assistance is normally given by various governmental agencies that might have a positive impact on the economy. For example, there are expected challenges for new industries within the Ministry of Trade and Industry and Economic Affairs that could assist and contribute to creating a viable economic powerhouse within Africa, and lead to economic growth and development both in the South Africa's Developing Countries (SADC) region and in the New Economic Programs for Africa's Development (NEPAD) countries.

## South Africa's National Gambling Environment

The changing South African context is one in which broader policies regarding freedom of choice were established, along with the elimination of barriers associated with specific moral or pseudo-religious guidelines. The legislation of gambling (1996) occurred through the National Gambling Act of 1996 (Act 33 of 1996). The Act provided the legislative framework necessary to introduce gambling and its related activities into the South African economy. The Act also provided for the regulation and coordination of certain matters relating to casino gambling and wagering (SA yearbook, 2000/2001). The presence of gambling within the South African context needs to be critically viewed, especially during the period of Reconstruction and Development, which served as a directive, as well as the through the establishment of the Black Economic Empowerment Commission. South Africa, along with other societies having legalized gambling, acknowledges the unintended outcomes. The tangible costs to the operators and the intangible costs to a society linked to gambling were there-

fore deemed to be addressed through the Black Economic Empowerment Commission initiative. Research indicates that the incidence of gambling in South Africa has increased from 34.5% in 1999 to 77, and 8% in 2001. The primary challenge for the South African economy and for the African Union as a whole is to develop jobs within a framework where the economic policies create enabling environments for both investment and job creation (Natrass, 1999). The associated challenges are to transform such an industry in ways that will ensure that tangible benefits accrue to the national population, as well as the costs associated with those intangible disadvantages.

## The Case of the Western Cape Gambling and Racing Board

The Western Cape Gambling and Racing Board (WCGRB) is an essential statutory body established in 1997 by the Western Cape Gambling and Racing Law (Law 4, 1996). The primary role of the Board is to regulate and control gambling activities within the Western Cape. The WCGRB has formulated a policy with respect to gambling inclusive of two objectives, namely:

1. Create and maintain an economically viable gambling industry which caters to market needs, and
2. Ensure that negative impacts are not exacerbated by an over-supply of gambling products (WCGRB annual report, 2001-2002).

The challenge for the Western Cape Gambling Board is to enhance and support the empowerment agenda, which is linked to the National agenda and to the Reconstruction and Development Plan.

The Board, as regulator, is charged with the responsibility to consider means and policies to ensure that empowerment is part of the potential income and job opportunities that could result from this legalized environment. The Board has developed a number of conditions which govern the intent towards empowerment, as well as the proposed intent as declared within the various

items of bid documentation provided by applicants who successfully apply for a license. The Western Cape Gambling Board set conditions for successful bid companies. License holders are contractually obliged to submit to an audit and an assessment of its empowerment credentials and compliance.

All regulators in these industries have to specifically comply with the empowerment criteria in order to ensure that at the stage of license allocation, the empowerment imperatives are clear and considered. These industries are often capital intensive, and the infrastructure cost is high so that it benefits the province and the operator; but this same environment may make it impossible for real participation among empowerment shareholders.

The Western Cape Gambling Board created the Social Equity Committee (SEC), structured as a dedicated committee to ensure that empowerment, with its resultant challenges and implementation, is not a theoretical notion, but is, instead, part of the operational requirements of all of the successful license holders. The Western Cape Gambling Board Social Equity Committee is charged to ensure compliance with all of the various empowerment directives, and that the Board monitors the delivery of empowerment undertakings by the holders of casino licenses, both qualitatively and quantitatively.

## The Social Equity Committee of the Western Cape Gaming and Racing Board (WCGRB)

The Social Equity Committee of the WCGRB became a point of reference for advice, support, and control during the construction and operation phases of the three casinos currently in operation. The achievements during the construction and the operational phases of those three casinos are significant given the fact that the empowerment agenda and Empowerment Commission were established during that same period.

The broad goals of this project are to develop and provide opportunities for:

- Employment,
- Ownership by previously disadvantaged individuals,
- Procurement by small and medium enterprises, as well as
- Subcontracting within the gaming industry.

Underlying the goals set forth by the Social Equity Committee is the acknowledged foundation of creating an enabling environment for community empowerment. The concept of “community benefit” includes these essential components:

- Employment opportunities (opportunities for local employment, including direct and indirect, temporary and permanent, arising out of the development),
- The applicant’s contribution to the empowerment of local disadvantaged groups in this Province through both employment and equity ownership and the establishment of small and medium enterprises (SMME’s), and
- The degree of employment by the applicant of local professional consultants, construction entities and contractors from the emergent sector in this Province.

Since their establishment the three casinos have contributed to the economy of the Western Cape through:

- 1). Creation of 9,991 jobs during the construction and operational phase of the projects (predominantly people who had never worked before). This is an important indicator as it employs people from the local communities for these new opportunities, and
- 2). Development and construction of infrastructure worth R1, 9 billion within the region.

The services provided by the government through its agency, the Board, and its represented committees involving large privately-funded enterprises, should benefit the empowerment project. The Social Equity Committee of the Western Cape Gambling and Racing Board is both an attempt and a model of a directed strategy towards transformation within the Southern African contexts of partnership and skills transfer, as well as equity participation.

## Lessons and Challenges for South Africa's Experiences with Gaming

Many lessons have been learned and many strategies require continuing evaluation. The achievements during the construction and the operational phase of the three casinos currently in operation are significant given the fact that the empowerment agenda and empowerment commission were also established during this period. Included among the more significant aspects are:

- That the gambling industry is much more diverse than seen in the casino sector. However, the size and the visibility of this sector is a significant component of the overall gambling revenue of government.
- That the dedicated strategy with specific empowerment imperatives ensures that even though it may be small, clear participation of the Previously Disadvantaged (PDI) is part of the process, and that strategies dedicated to the transfer of skills are possible and effective.
- That empowerment does not have a uniform appearance. It encompasses having a dedicated strategy with specific principles as guidelines, rather than depending upon the goodwill of business partners to make it happen.
- A clear process of monitoring and evaluation is important in ensuring that intentions translate into actions.
- The transformational roles of the Gambling Boards could play a particularly meaningful role as an agency designed to ensure delivery on the empowerment imperatives.
- Those regulators, such as gambling boards, are key agencies needed to subscribe to a government initiative towards transformation.
- The intangible cost to a society needs to be evaluated, and all entities that benefit from such activities, must contribute towards the social cost of the impact of that activity on society. Research designed to monitor and address responsible gambling remains an essential component of dealing with the legalization of gambling in South Africa.

## Summary

The previous discussion in this paper was taken from the perspective of the economic empowerment project as a national agenda in order to address unemployment, job creation, and wealth creation, as well as active participation in the overall economic terrain. With respects to South Africa and the global economy, it is a challenge for South Africa, and for all of Africa, in the face of globalization to "apply abstract formulae to describe historical expansion and conditions. Because of Africa's differences with putting its history in an abstract formula, it makes it even more difficult for it to compete and exist as an economically viable entity in the informational/globalized economy. However, it is why prospects for future developments in Africa come from the potential role that could be played by the new democratic, black majority South Africa, with strong economic and technological linkages to the global economy" (Castell, 1996:136).

### Linda de Vries

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# Promoting Successful Employment Outcomes for Youth with Disabilities: A Transition Certificate of Achievement Program for West Alabama

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## Abstract

This distance education training project was designed to promote successful post-school outcomes (i.e., community integrated competitive employment/meaningful employment) for youth and young adults with disabilities, through a competency-based professional development training program. The Transition Certificate of Achievement Program (TCAP) was designed to provide competency-based training to transition personnel striving to move high school students with disabilities from school to work. This article offers a sound state-of-the-art training model that can assist professionals in rural communities to successfully achieve meaningful post-school outcomes for difficult to employ youth and young adults with disabilities. The unemployment rate for individuals with disabilities in rural communities is without question among the highest unemployment rates in the country. This model seeks to enhance the effectiveness of those professionals working to prepare youth and young adults with disabilities to successfully locate and maintain community integrated competitive employment.

## Defining Transition

Transition Services is a coordinated set of activities for a student, designed within an outcome-oriented process, which promotes movement from school to post-school activities, including post-secondary education, vocational training, integrat-

ed employment (including supported employment), continuing and adult education, adult services, independent living, or community participation. The coordinated set of activities shall be based upon the individual student's needs, taking into account the student's preferences and interests, and shall include instruction, community experiences, the development of employment and other post-school adult living objectives, and, when appropriate, acquisition of daily living skills and functional vocational evaluation [IDEA, PL 101-476, 20 U.S.C. Chapter 33, Section 1401 (a)(19)].

## Introduction

High rates of unemployment of individuals with disabilities can be seen nationwide, in rural areas across the country, and in the eight counties in Western Alabama targeted for this training project. In a nationwide survey, the Harris Polls found that two-thirds of working age Americans with disabilities were not working, while 80% of the individuals would prefer to work (Harris & Associates, 1986, 1989, 1994). Moore and Fireson (1995) noted that only 31% of individuals with disabilities are in the labor force (compared with 72% of the general U.S. population). The employment situation of persons with disabilities in rural areas is especially difficult. Employment options and assistance in finding employment in rural areas are very limited. Additionally, the percent of people with disabilities in rural areas are greater than in metropolitan areas (23% versus 18%) and

the rate of unemployment for persons with disabilities is greater in rural areas than in metropolitan areas.

This article describes a training model that was implemented to improve the quality of transition services provided to youth and young adults with disabilities living in rural west Alabama. The Transition Certificate of Achievement Program (TCAP) was a competency based professional education training program. Courses were delivered through distance education and offered to rural community education professionals working with youth and young adult with disabilities to achieve successful post-school outcomes, including meaningful employment. The Individuals with Disabilities Education Act (IDEA) of 1990 mandates the provision of outcome-oriented transition services for students with disabilities. In mandating these provisions, IDEA identifies a comprehensive transition program as one that encompasses, to the greatest extent possible, a variety of curricula options. These curricula options were intended to meet the employment preparation needs of individuals with disabilities. Because of the rural setting in which these communities are located, adequate training has not been readily available to support the ongoing instructional needs of special education, transition coordinators, and job coaches. In addition, providing appropriate curricular and post-school options have been particularly challenging, due to the lack of education resources (e.g., funding, materials, training, etc.), and the unique rural environment in western Alabama counties. The greatest strength of this training initiative was the simplicity of its concept: to assist students with disabilities in obtaining and maintaining community integrated competitive employment.

While the overall unemployment rate is unacceptably high for the rural counties involved in this project, joblessness for youth and young adults with disabilities in this area is shocking. Of the approximately 10,000 adults with disabilities (ages 16–64) in the nine counties surveyed in West Alabama, the U.S. Census Bureau (2000) estimates that 6,500 to 8,500 are unemployed (unemployment rates range from 67% to 86%). The economic benefits of securing employment for these

individuals are great, not only to the individual with a disability and their family, but also to the economic base of the targeted counties. The tax savings associated with moving individuals with disabilities from being recipients of Social Security Insurance (SSI), Social Security Disability Insurance (SSDI), and public assistance to productive workers paying taxes are significant. On the average, an individual with a disability on SSDI receives \$7,650 per year in benefits while a person on SSI receives \$4,600 per year in disability benefits and public assistance. In addition, the employed individual with a disability generates tax dollars and contributes to the local economy through purchases. Moving a person with a disability from unemployment to employment will have three significant impacts: (a) provides the individual with a disability a means to support themselves and their families, (b) reduces reliance on Social Security Disability Insurance (SSDI), Social Security Income (SSI), and welfare benefits, and (c) increases the tax base through employment related taxes and thus reduces public monies (e.g. SSDI, SSI and welfare) supporting these individuals. The intent of this training project was to empower transition programs at the local level and to assist them in the implementation of proven effective school-to-work transition programs. Without such a training program, the school dropout rate of students with disabilities will continue to increase and community-based employment opportunities will remain low for students with disabilities.

## History and Evolution of “Best Practices” in Transition

The year 1962 marked the beginning of the Transition Services Program as we know it today. President John F. Kennedy set in motion a national program aimed at improving the quality of life for American citizens with mental retardation. From its inception, three separate but distinct movements grew out of this initiative; work-study, career education, and transition (Browning, 1997). The Work-Study Movement focused on equipping high school youth with mild mental retardation with work attitudes and well-rounded job readiness skills that would lead to meaningful employ-

ment. The Career Education Movement was impelled by a much needed educational reform program. This new educational curriculum added meaning to the “life-centered” approach, placing emphases on working with youth and young adults with disabilities around life skills that prepares them to establish a quality of life beyond employment, and encompasses family, community, and involvement. This approach expanded the vision of transition professionals and guided their focus toward a more comprehensive plan for individuals with a disability. As transition planning evolved, professionals understood the importance of family involvement, the removal of environmental barriers, and community access; all of which plays an important role in the quality of life an individual with a disability can achieve. A life-centered curriculum was spun from this approach and is widely used in educational settings across the country. The Transition Movement articulated a structure for the delivery of services to youth and young adults with disabilities.

Since the early 1980s this structure has been refined and expanded upon by noted professionals in the field. Madeline Will, former director of the Office of Special Education and Rehabilitation Services (OSERS), was one of the first pioneers to blaze a trail for the Transition Movement. Will identified a model for the delivery of services, now known as the OSERS’s Transition Bridge’s Model. *Employment* was the central focus of OSERS’s Transition Bridge’s Model. Her vision that the school-to-work transition process should be an “outcome oriented process” continues to guide the transition planning process, to date. Will most eloquently expresses her vision in the following passage:

Transition from school to working life is an outcome oriented process encompassing a broad array of services and experiences that lead to employment. Transition is a period that includes high school, the point of graduation, additional post-secondary education or adult services, and the initial year of employment (Will, 1984, p. 30).

Halpern, in 1985 offered an alternative transition model, expanding the concept of transition to

include successful community living. Halpern’s Transition Model served to broaden the concept of transition and concentrated more on “successful community adjustment” (Halpern, 1985). According to Halpern, transition services must not be limited only to employment; rather transition services must focus on successful community adjustment, adequate residential environment and the quality of social and interpersonal networks (Halpern, 1985).

The 1990s ushered in a significant era for the Transition Movement. With a foundation having been established by OSERS, based on the works of pioneers like Will, and Halpern’s transition services model, transition for a new millennium began to take shape. Transition workers in the field are better able to articulate their philosophy about what a transition plan for individuals with disabilities should look like. Professional philosophy has also been influenced by legislation such as IDEA (Public Law 101-476), American with Disabilities Act (P. L. 101-336) and other related legislation; all of which helped to establish a solid foundation on which to build transition services and educational training program for the new millennium.

## The Transition Training Model

Browning and Rabren (1998) introduced a training module for enhancing best practices during transition. This training module was the bases for the curriculum developed to train educators selected as participants in the Transition Certificate of Achievement Program. Components of the module are identified “Best Practices in Transition” and are designed to assist professionals to promote successful post-school/employment outcomes for students with disabilities. The first phase of the training module encompasses the following four concepts: 1) value-based practices, 2) student directed practices, 3) self-advocacy practices, and 4) family-facilitated practices. The second phase of the training includes: 1) preparation practices, 2) assessment guided practices, 3) individualized planning practices, 4) functional curriculum, 5) school-to-work linked practices, 6) inter-agency/collaboration practices, and 7) outcome

focused practices. These concepts represent a frame of reference that was intended as a guide to assist transition workers to understand, appreciate, and adopt a more “student-centered” approach to transition planning. The scope of this article does not lend itself to an in-depth account of these concepts; however, the reader can find a detailed break down of the teaching components included under each concept in Browning’s book entitled “Learner’s Workbook for Enhancing Best Practices in Transition: The Alabama Transition Initiative.”

## The Program

This distance education program was designed to support ten (10) full-time employees from participating school systems in West Alabama. To accomplish the program objectives, participants were required to complete three (3) distance learning courses (one course per semester) over a 12 month period. These courses were offered over three (3) consecutive semesters, from Fall Semester of 2002 through Summer Semester 2003. The program consists of 192 hours of instruction and 120 hours of field-based application experiences/activities (see Program Design Figure I for a detailed view of this training program). This project was designed to train special educators, transition teaching staff, and job coaches from five (5) different counties throughout West Alabama. Participant’s academic backgrounds varied from Masters level educators to employees with high school diplomas.

Course delivery utilized existing technology and a variety of instructional tools to create a successful learning environment for the program participants/students. In order to successfully take part in this program, participants were assigned a local mentor. The Special Education Coordinator usually served in this capacity and was responsible for monitoring class assignments, field-based projects, and providing technical assistance when needed. Class materials consisted of printed modules, textbooks, and video-taped lectures, all of which was provided at no cost to participants. Practical activities included field-based projects, which allowed

the participants to apply knowledge acquired in the class. Participants were required to achieve acceptable scores on all assignments, test, and field projects. Any assignment receiving an unsatisfactory grade was returned with instructions for corrections with a time limit for completion. Evaluation, feedback and reflections were an on-going part of the process. All tests and final exams were proctored according to Auburn University’s Outreach Department requirements. Approved proctors were selected from the local area, and were not connected in any way to TCAP, and could not be related to participants.

At the beginning of each semester, there was a three to five day orientation and class lecture/activity held on Auburn University’s main campus, which included an overview of the program content, course requirements, and expectations (i.e. AU Library access via the internet and Web CT access). To insure project continuity, the project director also made a mid-semester visit to each of the students, for each of the three semesters. The prescribed courses were adapted from university approved curriculum used by the Department of Rehabilitation and Special Education’s accredited academic program. The courses included *Transition from School-to-Community*, *Job Development and Placement*, and *Supported Employment for People with Disabilities*. In each of the 3 courses participants were required to commit to a 60 hour field-based activity, which allowed them the opportunity to put into practice skills taught in the classroom. Each course was tailored to meet the necessary requirements of distance learners.

The primary objectives of the first course, *Transition from School-to-Community*, were to guide participants as they began to develop their individual “value-based” philosophy about the population of citizens they work with. This course also addressed issues related to self advocacy, the value of a student-directed or student centered approach, and the importance of family involvement. Course material also responded to the range of issues involved in the preparation of youth with disabilities moving from school to suc-



cessful adult roles. In this course emphasis is also given to the roles of secondary special education, transition services, vocational education (Career Tech), vocational rehabilitation, and community agencies.

In the *Job Development and Placement* course participants explored the multiple roles, responsibilities, and skills needed by employment service practitioners with respect to consumers (assessment, job matching, and placement) and employers (development, marketing, and consultation). Participants gained a greater understanding of the various models of job development and placement, and situational applications of each model. Field-based projects in this course focused on skills development in the following areas; identifying ways to improve project planning and implementation; understand models of job development and placement, and their situational applications used to improve skills in motivating others in employment. Two additional components were also essential to this class; 1) Community-based assessment, and 2) accommodation strategies (e.g. assistive technology needed to accommodate individuals with a disability). Participants field-based projects were also developed around methods of gathering occupational information, how to achieve an appropriate job match for the consumer, and identifying marketing strategies (based on personal style and budget constraints). Other activities included developing marketing materials, ways of consulting with employers, and building partnerships with community businesses.

Getting an individual with a disability a job is one thing, helping them to keep their job is another. The course *Supporting Individuals with Disabilities* was a natural progression from the *Job Development and Placement* course. This course assisted participants to improve project planning, identify job opportunities, and provide individualized supports services for people with disabilities and their employers. Emphasis was placed on sustainability of employment. In addition to providing training on how to work with consumers around long-term job retention and career advancement opportunities, a demonstration of job coaching techniques and various work supports were offered. The concepts of person-cen-

tered planning, supported living, and family issues relating to job retention were reemphasized and expanded upon. Projects centered on conducting job analysis, assessing job cultures, and understanding appropriate job matching.

## Delivery Systems

The program utilized a number of delivery modes. They included, but were not limited to, training modules, video taped lectures, and field-based activities. The delivery system occurred through a combination of methods including the use of Auburn University's Web CT server for posting course syllabi, lectures, exams, class projects, and other course related materials. Web CT also offered discussion forums through posted messages, and several general chatrooms for live interaction with the participants. Participants were trained in the use of web-based technology during their first on-campus orientation. Additionally, a technological administrative support person was available to trouble shoot and answer questions regarding access issues, etc. All training complimented existing technology at participants' homes and places of employment. This program was designed and scaled for this audience and only required entry level computer skills. Minimum equipment requirements for each individual to fully participate in this program were a Pentium processor with a modem and internet access capacity.

## Summary

Documentation from "The Alabama Transition Initiative," a statewide training initiative developed in conjunctions with Auburn University's Department of Rehabilitation and Special Education and the State Department of Education identified the West Alabama region of the state as demonstrating the greatest need for the TCAP training program. Additionally, according to the U.S. Census, the unemployment rate among individuals with disabilities (ages 16-64) in West Alabama ranged from between 67 to 86%. The need for training on "Best Practice" in program providing services for individuals with disabilities is great in rural counties across the

country. This initiative was a one year (three consecutive academic semesters) program designed to address the needs of a particular geographic area in rural Alabama. As a result of the Transition Certificate of Achievement Program, successful post school outcomes, including meaningful employment, is now a viable goal for all youth with disabilities in rural West Alabama. This educational training initiative will have a significant impact on redressing the economic disparities in West Alabama for persons with disabilities. However, additional programs of this nature are needed to continue the promotion of successful community integration for individuals with disabilities.

All ten participants enrolled in this initiative completed the program, having demonstrated exceptional performance. As a result of its web-based design, professionals who otherwise would not have the opportunity to take advantage of full-time college course offerings successfully. An exit survey given to the participants at the close of the program identified three (3) components of the program that contributed to their successful completion. First, they acknowledged the distance education component along with the simplicity and ease of the technology made it possible for them to engage in the learning process and to enhance their knowledge of transition services. The opportunity to remain on their jobs, while gaining valuable skills was also considered a valuable component of the program. Third, the professional staff person providing the technical assistance for this program received high marks for the direction and support she provided the participants. Many participants commented that the ongoing support provided gave them the courage and motivation to continue when the demands of the course work seemed particularly difficult. The technical support professional also served as an invaluable support person to this project director. She offered assistance in the application of course materials to a well designed web-based program, identified problems in the technical delivery of web-based lectures, and assisted with the flow of assignments and their posting for students to see that their assignments had been received by the professor. She was also available to calm the over-anxious student who need help in understanding

how to submit assignments or had questions about assignments and when other technical issues arose. This program could not have been accomplished without the support of the technical assistance professional.

The outcome of this training will result in meaningful and successful post school outcomes, including job placements for youth and young adults with disabilities in the target West Alabama Communities. While this program was designed to address the needs of several rural counties in West Alabama, it has even greater potential to benefit transition personnel in other areas of the country. It is the project director's aim to transform this initiative into a self-sustaining program that can be duplicated in other regions in Alabama and throughout the United States. Other agencies that could benefit from such a training program of this nature would be the federally-funded Job Training and Partnership Act (JTPA) Program, Vocational Rehabilitation facilities around the country, Veteran Affairs rehabilitation facilities, other school systems, and State Rehabilitation Agencies.

The educational model utilized in this project has received considerable attention. Several requests have been received from state and local agencies to provide training of a similar nature to professionals working with youth and young adults in transition from school-to-work. The project director was also invited to Cape Town, South Africa, to present this program model at the 2003 Empowerment Through Entrepreneurship Conference held in Cape Town, South Africa. She is currently in communication with the Consortium for Higher Education Development in Cape Town, South Africa, regarding the development of a South African transition training model similar to the model described in this paper. Appropriate research efforts are also currently in progress to establish program effectiveness evaluation measures.

## Vivian M. Larkin

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## Creating an Ethical Culture Within Your Business

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### Abstract

Without question “business ethics” is one of the hot global topics of the day. Over the past few years we have seen business after business charged with improper practices that violate commonly accepted ethical norms. Accounting failures, global competition and multinational business, work-force diversification, questionable employment policies and practices, civil litigation and government regulation, environmental stewardship — all of these issues are being examined and debated in today’s international business circles.

Ethical scandals in business have affected investor confidence and are having adverse effects on our economic well-being and our view of business as an honorable profession. Clearly, it is in the best interests of business leaders — whether their firms are large or small — to take all necessary steps to create an organizational culture in which high ethical standards are established and maintained.

The purpose of this paper is to share a step-by-step approach entrepreneurs can use to create and maintain an ethical culture within their business organization. Following an introduction of ethical issues in business — and a listing of examples of common ethical dilemmas — this paper elaborates upon the following eight actions to be taken by business leaders to establish an ethical organizational culture:

1. Adopt a code of ethics.
2. Provide ethics training.
3. Hire and promote ethical people.
4. Correct unethical behavior.

5. Take a proactive strategy.
6. Conduct a social audit.
7. Protect “whistle blowers.”
8. Empower the guardians of integrity.

In addition, the paper includes a checklist for making ethical decisions plus guidance for making an “ethics double-check” before taking action. The intent, of course, is to promote sound ethical decision-making in entrepreneurial business organizations.

### Introduction

Enron ... Arthur Andersen ... Tyco ... ImClone... Martha Stewart ... WorldCom ... Global Crossing ... Merrill Lynch ... Rite-Aid ... Qwest... Adelphia ... Kmart ... HealthSouth ... the list of formerly respected businesses (and business leaders) being charged with breaches of ethical conduct seems to be growing by the day. This is having adverse effects on our economic well-being, on investor confidence, and on the perceived desirability of pursuing business as a respectable calling for earning one’s living in today’s world.

Commenting on this current ethical crisis in business leadership, Eileen Kelly (2002, p. 4) observes, “Recently a new business scandal seems to surface each day. The current volatility of the market reflects the apprehension, the sense of betrayal, and the lack of confidence that investors have in many large corporations and their managements.” Marcy Gordon (2002), reporting on a speech by United States Securities and Exchange Commissioner Paul Atkins, notes, “The string of

accounting failures at big companies in the last year has cost U. S. households nearly \$60,000 on average as some \$5 trillion in market value was lost.”

Accounting failures are not the only ethical concerns facing modern business organizations. The Southern Institute for Business and Professional Ethics (2002) lists an array of issues which put ethical pressures on business enterprises. These include the globalization of business, work force diversification, employment practices and policies, civil litigation and government regulation, and concerns about environmental stewardship. Further, the Institute concludes, “Despite such powerful trends, few managers have been adequately equipped by traditional education to recognize, evaluate, and act upon the ethical dimension of their work.”

Columnist Malcolm Cutchins (2002), an emeritus professor of engineering at Auburn University, sums up the problem concisely: “We have seen the effect of not teaching good ethics in business schools. If we continue to neglect the teaching of good principles on a broad scale, we all reap the bad consequences.”

## Business Ethics

Ethics has to do with behavior — specifically, one’s moral behavior with respect to society. The extent to which one’s behavior “measures up” to societal standards is typically used as a gauge of one’s ethicality. There are a variety of standards for societal behavior, of course, so ethical behavior is often characterized with respect to certain contexts. In the context of “doing business,” ethics has to do with the extent to which a person’s behavior “measures up” to such standards as the law, organizational policies, professional and trade association codes, popular expectations regarding “fairness” and “rightness,” plus one’s own internalized moral standards.

“Business ethics,” then, is not an element distinct from ethics in general, but a subfield of the broad area of study known as “ethics.” There is a complex set of issues and expectations for “doing busi-

ness” (which may differ from culture to culture), and the subfield of “business ethics” refers to the examination and application of moral standards within the context of finance; commerce; production, distribution, and sale of goods and services; and other forms of business.

It can be fairly argued that an “ethical person” behaves appropriately in all societal contexts. This indeed may be so, in which case one might prefer the term “ethics in business” to “business ethics.” The distinction is subtle, but serves as a reminder that morality may be generalized from context to context.

## Standards of Behavior

“The law” (including statutory, administrative, and case law) is one important and legitimate source of ethical guidance, of course. Federal, state, and local laws establish the parameters in which business is done. Violation of the law is almost always considered unethical behavior (with the possible exception of “civil disobedience” as a mechanism for putting the law itself on trial). One who pursues business outside the law is considered to be following an “obstructionist” approach to business ethics. Such an individual would almost certainly be labeled “an unethical business person.”

A second important source of authority consists of organizational policies. These are standards for behavior established by the employing organization. Typically they are in alignment with the law (which takes precedence over them) and spell out in detail “how things are to be done around here.” All employees are expected to adhere to organizational policies. It is very important that managers at the highest level of the organization set the example for others by working always within the law and the policies of the organization.

Likewise, another important source of ethical guidance is the code of behavior adopted by one’s professional and trade associations. These are often “aspirational” in nature, and frequently establish higher standards for behavior than the law requires. Members of a professional or trade

association typically aspire to meet these higher standards in order to establish and uphold the reputation of the profession or trade.

A fourth type of standard — often unwritten and “commonly understood” — is the community’s conceptualization of morality. These social mores, based on commonly held beliefs about “what is right and what is wrong” and “what is fair and what is unfair” can be powerful determinants of one’s reputation in society. Behavior which — in the strictest sense — meets legal requirements, organizational policies, and even professional standards may still be viewed by the general public as unfair and wrong.

Yet a fifth set of standards are those of the individual conscience. “Highly ethical” business leaders typically have moral standards which exceed all four of the lesser standards listed above. These values, learned early in life and reinforced by life’s experiences, are internalized standards which are often based on religious and/or philosophical understandings of morality.

## Ethical Dilemmas

An ethical dilemma is a situation with a potential course of action that, although offering potential benefit or gain, is also unethical, in that it would violate one or more of the standards described above. The key question for the business leader or entrepreneur, of course, when presented with an ethical dilemma is: “What do you do?” It is one’s behavior that determines one’s reputation for ethicality, after all. Ethical leadership is exhibited when ethical dilemmas are resolved in an appropriate manner.

Here is a sampling of some of the ethical dilemmas which frequently arise in the business setting:

- Providing a product or service you know is harmful or unsafe
- Misleading someone through false statements or omissions
- Using “insider information” for personal gain
- Playing favorites
- Manipulating and using people
- Benefiting personally from a position of trust

- Violating confidentiality
- Misusing company property or equipment
- Falsifying documents
- Padding expenses
- Taking bribes or kickbacks
- Participating in a cover-up
- Theft or sabotage
- Committing an act of violence
- Substance abuse
- Negligence or inappropriate behavior in the workplace

## Poor Ethical Choices

Why do people sometimes make poor choices when faced with ethical dilemmas? One set of reasons has to do with flaws of character. Such character defects include malice (intentional evil); sociopathy (lack of conscience); personal greed; envy, jealousy, resentment; the will to win or achieve at any cost; and fear of failure. There are also flaws in corporate culture which lead even “good” people to make poor ethical judgments. Weaknesses in corporate culture include indifference, a lack of knowledge or understanding of standards on the part of employees; poor or inappropriate incentive systems; and poor leadership, including the use of “mixed signals” such as:

- “I don’t care how you do it, just get it done!”
- “Don’t ever bring me bad news!”
- “Don’t bother me with the details; you know what to do.”
- “Remember, we always meet our financial goals somehow.”
- “No one gets injured on this worksite ... period. Understand?”
- “Ask me no questions, I’ll tell you no lies.”

Statements such as these, given by managers to their subordinates, too often imply that unethical behaviors which obtain the intended results are acceptable to the organization. While it may be difficult — other than through means of termination or other sanctions — to rid the organization of employees with character flaws, correcting a poor organizational culture is clearly a matter of leadership.

## Establishing a Strong Ethical Culture

Entrepreneurs and other business leaders who wish to take proactive measures to establish and maintain a corporate culture which emphasizes strong moral leadership are advised to take the following steps:

**1. Adopt a code of ethics.** The code need not be long and elaborate with flowery words and phrases. In fact, the best ethical codes are stated simply in language anyone can understand. A good way to produce such a code is to ask all employees of the firm to participate in its creation. Surface the moral beliefs and values of the members of the firm and codify them into a written document which all can understand and support. Post the code in prominent places around the worksite. Make certain that all employees subscribe to it.

**2. Provide ethics training.** From time to time the ethical business leader should conduct ethics training sessions. These may be led by experts in business ethics, or they may be informal in nature and led by the manager and/or employees themselves. A highly effective way to conduct an ethics training session is to provide “what if...” cases for discussion and resolution. The leader would present a “real world” scenario in which an ethical dilemma is encountered. Using the organization’s code of ethics as a guide, participants would explore options and seek a consensus ethical solution. This kind of training “sharpens” the written ethical code and brings it to life.

**3. Hire and promote ethical people.** This, in concert with step four below, is probably the best defense against putting the business at risk through ethical lapses made by employees with character flaws. When making human resources decisions it is critical to reward ethical behavior and punish unethical behavior. Investigate the character of the people you hire, and do your best to hire people who have exhibited high moral standards in the past. Base promotional decisions on matters of character in addition to matters of technical competence. Demonstrate to your employees that high ethical standards are a requirement for advancement in the firm.

**4. Correct unethical behavior.** This is the complement of step three. When the organization’s ethical code is breached, the employee(s) responsible must be punished. Many business organizations use “progressive discipline,” with an oral warning (intended to advise the employee of what is and is not acceptable behavior) used as the first step, followed by a written reprimand, suspension without pay, and termination as further disciplinary action if unethical behavior persists. Of course, some ethical lapses are so egregious that they require suspension — or even termination — following the first offense. Through consistent and firm application of sanctions to correct unethical behavior, the manager will signal to all employees that substandard moral behavior will not be tolerated.

**5. Take a proactive strategy.** Businesses that wish to establish a reputation for ethicality and good corporate citizenship in the community will often organize and support programs intended to “give something back” to the community. Programs that promote continuing education, wholesome recreation, good health and hygiene, nutritious diet, environmental quality, adequate housing, and other community benefits may be undertaken in an effort to demonstrate the extent to which the business promotes care and concern for human welfare. Seeking out and adopting “best practices” from other businesses in the community is also a proactive strategy.

**6. Conduct a social audit.** Most businesses are familiar with the process of financial audits. This concept can be employed in the context of ethics and corporate responsibility as well. From time to time the entrepreneur or manager might invite responsible parties to examine the organization’s product design, purchasing, production, marketing, distribution, customer relations, and human resources functions as well, with an eye toward identifying and correcting any areas of policy or practice that raise ethical concerns. Similarly, programs of corporate responsibility (such as those mentioned in step five) should be reviewed for effectiveness and improved as needed.

**7. Protect whistle blowers.** A “whistle blower” is a person within the firm who points out ethically questionable actions taken by other employees — or even by managers — within the organization. (The term is borrowed from the athletic arena, where referees “blow the whistle” when a foul is committed.) Too often corporate whistle-blowers are ignored — or even punished — by those who receive the unfortunate news of wrongdoing within the business. All this does is discourage revelation of ethical problems. Instead the whistle blower should be protected, and even honored. When unethical actions are uncovered within a firm by one of its own employees, that is the time for managers to step forward and take corrective action (as described in step four above). Employees learn from one another. If the owners and managers of a business “turn a blind eye” toward wrongdoing, a signal is sent to everyone within the firm that ethicality is not a characteristic of that organization’s culture. A downward spiral of moral behavior is likely to follow.

**8. Empower the guardians of integrity.** The business leader’s chief task with respect to establishing a culture of ethicality is to lead by example and to empower every member of the organization to take personal action that demonstrates the firm’s commitment to ethics in its relationships with suppliers, customers, employees, and shareholders. Turn each employee of the firm, no matter what that individual’s position in the organizational hierarchy, into a guardian of the firm’s integrity. When maliciousness and indifference are replaced with a culture of integrity, honesty, and ethicality, the business will reap long-term benefits from all quarters.

## A Checklist for Making Good Ethical Decisions

A business leader who takes seriously the challenge of creating a strong ethical culture for the firm must, of course, make good decisions when faced personally with ethical dilemmas. Here is a “checklist” a manager might wish to follow when deciding what to do when presented with an ethical dilemma:

1. Recognize the ethical dilemma
2. Get the facts
3. Identify your options
4. Test each option: Is it legal, right, beneficial?  
Note: Get some counsel!
5. Decide which option to follow
6. Double check your decision
7. Take action

A key step in this checklist is number six: Double check your decision! When in doubt consider how each of the following advisors might guide you. Take the action that would allow you to maintain your reputation with the advisors you believe adhere to the highest ethical standards:

- Your attorney
- Your accountant
- Your boss
- Your co-workers
- Your stakeholders
- Your family
- The newspaper
- The television news
- Your religious leader
- Your Deity

How would you feel if you had to explain your decision — and your actions — to each of these individuals? If you would not feel good about making a detailed explanation to each of these, then it is quite likely that you are about to make a poor decision. Double check your decision in this manner before you take any action you may later regret.

## Conclusion

A firm’s reputation may take years — even decades — to establish, but can be destroyed in an instant through unethical behavior. That is why it is so important for entrepreneurs and other business leaders to be very careful about the things they say and do. Taking the time and effort to establish and maintain a corporate culture of morality, integrity, honesty, and ethicality will pay important dividends throughout the life of the firm. While “taking ethical shortcuts” may appear to lead to gains in the short term, this type of corporate strategy almost always proves tragic in the longer term.



Every entrepreneur will be faced at one time or another with an ethical dilemma. Many face even daily temptations. How the leader manifests moral integrity when faced with ethical dilemmas sets the tone for everyone else in the organization. This is why it is so important to “walk the talk” by making good ethical decisions every day. Understanding and applying the concepts presented in this paper will enable you, as a business leader, to create and maintain an ethical corporate culture in your business. As Carl Skoogland, the former Vice President and Ethics Director for Texas Instruments, recently advised, if you want to create an ethical business, you must “**know** what’s right... **value** what’s right ... and **do** what’s right” (Skoogland, 2003).

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# A Review of Best Practices for the Entrepreneurial Trainer

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## Abstract

The vast array of training literature provides a content rich source to assist the prospective or actively engaged entrepreneurial trainer. The purpose of this paper is to examine trainer awareness with a focus on the learning participant. A considerable portion of the training literature is devoted to methods and techniques of instruction. Although extremely valuable, methods and techniques diminish in importance if the participant is not considered in the teaching-learning equation. Best practices for the trainer are proposed based on developing a participant-centered training environment.

## Introduction

American corporations are constantly reviewing, and frequently implementing, cost cutting measures. These efforts frequently include training departments, staff and resource components. Outsourcing training has become more prevalent in today's turbulent economy than ever before (Gruebele & Petrini, 1995; Stodder, 1997; Wright, 2001). Organizations may not be able to maintain a training staff; however, the need to maintain immediate access to technological advances and develop work-related skills and knowledge is critical. Schaeffer (2001) indicated that reductions in training and development budgets due to economic slowdowns have "been counter balanced by an unprecedented labor shortage in the United States" (p. 62). With this labor shortage, entrepreneurs and independent training businesses can and are filling the gap by providing organizations with instantaneous access to expertise.

Entrepreneurs have taken a little knowledge a long way by meeting the increased demand for training services (Stodder, 1997, p. 152). The ability to provide a wide range of services to large or small industries is a definite advantage. Entrepreneurial trainers "have the expertise and the low overhead to offer all kinds of organization's much-needed employee education for a fraction of the cost of many in-house productions" (Gruebele & Petrini, 1995, p. 9).

During the past number of years, interest and research involving entrepreneurship has increased (Wright, 2001). This recent investigation leads to the outcome that economic development is enhanced through the creation of new jobs through the small business sector (Hynes, 1996). Entrepreneurial training opportunities can capitalize on this economic arrangement. Rylatt & Lohan (1997) stated, "the business of improving learning competencies and skills will remain one of the world's fastest growing industries and priorities" (p. 18).

The established need for workplace skill acquisition or development should not lead to complacency on the part of the training provider. To the contrary, the training provider is often faced with the same market forces as the client. Delivering effective training is as essential to the trainer's success as is the effective conduct of the client's business pursuit. The purpose of this paper is to share thoughts and reflections involving the training of the contemporary entrepreneur. To review specific training considerations, whether skill-based, knowledge-based or content specific training, would truly be a monumental task and certainly far beyond the purview of this paper. What is ger-

mane is a series of literature-based perspectives and considerations for the prospective entrepreneurial trainer.

## Background

Accepting the prospective trainee or participant in an entrepreneurial teaching-learning process as an adult learner is an important consideration for the trainer and worthy of reflection prior to engaging in the design or delivery of instruction. Houle (1961) proposed that adults engage in a learning activity because the motivation was: (a) goal oriented, (b) activity oriented, or (c) learning oriented. Goal orientation referred to the pursuit of specific objectives, such as a degree or certificate. Activity orientation refers to learning primarily for the social engaging aspect of the experience. Learning orientation refers to pursuit of some form of learning, whether it was in printed material form or in dialogue form, to fuel the desire to know and learn. Cross (1981) proposed that adults engage in the learning process to further knowledge, to learn new skills, or just for the sheer pleasure in doing so. The majority of participants who seek occupationally related training are goal oriented. Not only are they seeking a focused, relevant learning experience but they also desire an accompanying certificate, license, or some other attestation of successful completion.

Wadsworth (1971) described the impact of life's situations or experiences as the influences that shape adults' perspectives and learning. Knowles (1980) found that adults who engage in learning usually do so as a result of life situational pressures. Adult life is similar to childhood in that change and development are continual; however, an adult is able to apply previously learned skills, attitudes, and values to day-to-day activities with far greater ease than the child (Tennant, 1988). Adults have lived longer, thus have participated in more changes than a child has. Adults will have participated in numerous tasks, roles, and experiences that impact their development and lead to individuality and commonality within society. Knowles (1980) stated "... adults derive their self-identity from their experience. They define who

they are in terms of the accumulation of their unique sets of experience ... Adults are what they have done" (p. 50). Understanding the adult learner is an important consideration in the overall creation and delivery of training.

Eric Hoffer (1973) reminds us that in times of change learners shall inherit the earth, while the learned are beautifully equipped for a world that no longer exists. This thought is perhaps best exemplified in the field of entrepreneurial training. In a setting of rapid changes in technology, increasing competition for market share and virtually overnight changes in product and services, effective entrepreneurs are by their very nature consummate continuous learners.

If you are tasked with training others, treat the opportunity as exactly that -- an opportunity. It is the opportunity to provide knowledge, skills and understanding that have value and are based on the client's needs (Gupta, 1999). Ensure that the client or customer understands the scope and value of the training prior to their initial participation (Lapidus, 2000). Knowing the relevance of the training is an extremely important element in participant learning because it is the difference between having to learn and wanting to learn. Participants who want to learn are not only better learners but are also easier to deal with than the participant who is there because they feel they have to be there.

## Recommendations for Practice

**Know Your Participants.** If a single word is needed to describe a population of adult learners, then, perhaps, that word would be diverse. The word diversity implies a wide range of attributes such as age, ethnicity, ability, motivation and other attributes of the adult learner. Some may choose to avoid the issue of diversity by adopting the position that the content is the same for all learners; therefore, if they are all taught in the same manner, the existing diversity among learners or, for that matter, among trainers and facilitators is a non-issue. This simplistic model may provide a level of comfort for both those within or outside of

the teaching-learning process but it also provides a false sense of security. Subject matter expertise is critical to the teaching-learning process, but alone it is insufficient.

By its nature, the learning process encompasses a wide array of individuals, expectations, activities and outcomes. Whether dealing with individuals seeking to improve basic adult skills, knowledge and skill needed in an industrial setting, pursuing higher academic skills and understanding or simply seeking additional knowledge about a subject of their choice, efforts to promote greater utilization of the process and factors influencing the process serves to promote the learning goals of the participant.

The majority of efforts to understand the adult learner describe the individual or identify groupings of individuals by categorical variables such as age, race, socio-economic status level and so on. The application of generally accepted principles concerning the learner may not be found true when applied to the individual learner. Conversely, individual traits may become muted when the individual is involved in grouped learning activities.

Homogeneity among learners is rare. As an entrepreneurial trainer, it is vital to know that no single attribute will effectively describe your individual learner. Each individual brings a wide range of ability, experience, expertise and motivation to the learning process. Within the learner's age, gender, racial, and experiential diversity lies the strength and core of learning content and context. To be able to recognize the wide range of ability among the learners and to subsequently facilitate the values and content of the learning process is an essential element of aiding others to learn.

**Prepare.** The degree to which the presenter is prepared is a direct reflection of the quality of instruction. An eminently qualified instructor who fails to organize, practice or rehearse, or uses inferior training aids can demean the teaching-learning process to the point where little value is realized. The key to preparation is to over prepare. Have a backup plan in case of equipment failure, have extra handouts for unforeseen

arrivals, and practice, practice, practice. No matter how often you have presented a particular session, review and practice before your next presentation. Assemble all your materials prior to the session. One day's prior preparation may be sufficient; several days in advance may be necessary depending upon the complexity of the training.

Always set up your training area before the participants arrive. It is very disconcerting to engage in casual conversation with the early arriving participant while you are attempting to set up the room. Think of it this way - You are going to have a party and as the host you want everything in place before the guests arrive. This has the appearance of being professional to your participants and it also has an added value. That value is to you as the presenter since having everything in order elevates your own comfort level.

**Gain Buy-In.** In order to maximize participant learning it is important to include the learner in the learning process. People tend to retain and use information they have acquired through a participant ownership of the learning process (Silberman & Lawson, 1995). Things that have simply been presented or "taught" to them seem to have little lasting value. At the beginning of the training session encourage the participants to state their expectations (Wlodkowski, 1999). Emphasize how your training will in full or in part meet their needs. Throughout your training refer back to the participant expectations and reinforce how their needs are being met. When you can correlate your agenda with the participants needs you have developed additional motivation to participate and learn.

**Project a Professional Image.** The time you start is the first indication to the class that you are organized, prepared, and committed to training. Being ready to start on time is essential, should a legitimate delay be encountered (weather, last minute shifting to another room, etc.), the change is more readily accomplished if the instructor was initially prepared for the training.

This initial impression of the instructor is important to the success of the training. If the group is in informal discussion prior to the start of the

class simply walk around and inform the participants “we will be starting in a couple of minutes.” To stand in front of the room and announce “everyone should be in their seats because we are ready to start” sets a tone of instructor centeredness that may be counter productive to the training. A better way to begin is simply to go to the front of the room and in a normal speaking voice indicate we are ready, project your introductory overhead or slide on the screen and let the group settle in. By clapping your hands, “shushing,” or directing everyone to their seats you may actually alienate the group before your instruction begins.

The dress of the instructor also conveys a sense of professionalism. As a facilitator of the learning process, you will want to dress appropriately so that the participants identify with your image and feel comfortable in your presence.

## Proper Use of Training Tools

### Audio-Visuals & Equipment

As learners we tend to show greater success in retaining information if we can visualize it. A picture being worth a thousand words has relevance to the delivery of information. Using visuals or icons helps to captivate and maintain attention. The average individual thinks faster than they speak, so Pike (1994) suggested “giving people visual stimulation can help keep them tied to the presentation rather than allowing their minds to wander elsewhere” (p. 42). One commonly found standard of delivery for both words and pictures is the use of the overhead projector.

The overhead projector is a relatively inexpensive means of delivering information to learners in a group setting. As a common device, learner acclimation is not a major consideration. By that I mean the learner does not need to be trained to receive information. They simply sit there, watch, and listen. What they see should be related to what is being said. The overhead is not a substitute for the spoken word – it is an enhancement. A well-designed series of overhead transparencies reflects the following considerations:

- **Order.** How your presentation is sequenced shows the thought and preparation you have given

to your presentation. If the information is presented in an illogical, jumbled manner the learning value is diminished, no matter how high the quality of the individual overhead.

- **Quality.** The quality of the individual overhead also reflects the care and preparation of the presenter. Each overhead should express a single thought. This makes it less confusing for the learner (and the presenter) and is also easier for the learner to follow.

Use of color is an important part of information retention. The simple black lettering on a clear transparency may be inexpensive to produce but hour after hour the overheads become boring and boredom is the bane of all training. To avoid boredom try color. Black lettering printed on a yellow background is a good place to start. Black on yellow is easy to read, but, keep in mind that yellow is one of the least preferred colors by most people and therefore, you should not over do it. Red tends to incite. If you are making an emotional or controversial point within your presentation, red is generally a good supporting color. Blue, on the other hand, seems to have a more calming effect. The colors you choose for background and lettering should contrast. For instance, pink lettering on a red background offers insufficient contrast. This, and similar combinations, should be avoided. Also, don’t get “color happy” – two or three colors are typically sufficient. Excessive use of color tends to distract the participant from the content you are trying to convey.

Lettering is another issue that can support or distract the learning effort. Avoid the more elaborate type fonts (sans serif works well) and don’t mix type fonts within the transparency. Eighteen-point type is a recommended minimum size for transparency lettering. Know your audience. An 18-point font may be too small for the older learner. Restrict the amount of information on a single transparency to six lines of no more than six words per line (Van Kavelaar, 1998). Too much information becomes confusing to the participant. Keep the transparency simple. Remember the visual is an aid to training, not an end in itself.

## Videos

Training videos are also common in the learning environment. Too often, or so it seems, the video is used as a replacement for the presenter rather than an aid to instruction. Perhaps the most important consideration in using the video is how it is introduced and incorporated into the training session. How many times have you heard the instructor say? “And now we will watch a video about (fill in the subject)”? Did you ever wonder about the usefulness or application concerning what you are about to see? Before showing the video, prepare, prepare, and prepare. Make sure the video projector is working. Set the volume and walk to the back of the room and listen to the volume level. To start a video and ask the participants “Can you all hear this?” is unnecessary and diminishes an otherwise professional presentation. Point out what will be shown, particular points the participant should watch for, and what you expect them to get out of watching the video. After the video, summarize what has been seen, highlight the important points, and encourage discussion. You may want to consider preparing a Video Summary and use it as a handout following the viewing. All these activities tend to reinforce the learning process. Avoid showing the video just before going on break as it will diminish the learning value.

Videos are supportive of the visual learners and combined with sound increase the prospects of learning. This combination of sensory perception affords a more effective support of the learning process than a single modality.

Care should be exercised in selecting commercial videos for training. An older video may not reflect the current state of the art of your subject matter. When the instructor has to verbally update or “correct” the video, the entire content becomes suspect and the learning value is diminished. For instance, in reviewing a video to support Forklift Driver training, the only time seat belts were worn by the various drivers was during that portion specifically devoted to seat belt use. That single inconsistency left the viewer with the impression that seat belts were really not important and therefore, could be disregarded. In other words, this video was subtly demonstrating a negative behav-

ior as an acceptable behavior. Care should be taken to insure the video is free from technical error.

When videos or other mechanical/electronic means become the focus of training, the presenter is at risk. VCR/TV combinations are subject to mechanical or electronic failure so have a backup plan. Videos are an aid to training and should they fail, alternative means should be provided so as not to waste valuable training/learning time.

Videos of long duration are similar to TV movies without commercial interruption. You may have been entertained but how much was retained? When selecting a video try several short videos (5-15 minutes) rather than a long (1 hour) viewing. This allows for discussion and reinforcement of what has been seen. It is okay to stop the longer video at an appropriate place to allow for a mini-summary, discussion, or to emphasize a specific point. Avoid the awkwardness of rewinding your video, setting the volume of the TV or microphone while you should be training. Setting up and checking out the room ahead of time has the dual advantage of benefiting both the participant and the presenter.

## Video Teleconferencing

Video teleconferencing has been a routinely found within industry, colleges, and universities since the 1960s. With the rapid growth in interest and technology, the use of teleconferencing within the corporate world has taken on a life of its own. It is much more than just an opportunity to hold a meeting without incurring travel costs. It is a means to exchange information among interested parties and a means to enhance learning. Thousands of participants can exchange information with a single provider in real-time learning situations.

Trainers and teachers who are inexperienced in the complexity of satellite downlinks, programming being “brought down,” or a classroom that looks like a studio, may be inclined to avoid using this technology. Don’t let the prospect of the new ideas or methods frighten you. First of all, there are a wide variety of technical specialists who are willing and able to help you get started.

Concentrate on refining your teaching skills rather than worrying about the technical complexities. The skills needed for successful teleconferencing are similar to basic presentation skills with a few exceptions. Again, the key to success is practice, practice, practice. Use a Teleprompter. You don't have to actually be transmitting, simply take the time to practice using one. Learn to restrict your movement. Remember that your movements are being captured by a camera, so stay within the field of view and look at the camera as though it was a person. Plan carefully not only what you are going to say, but also what you are going to do (Cooke, 2001). A training session prepared for video teleconferencing should be well thought out and practiced by the presenter, and as a result, should be perceived as relaxed or even spontaneous by the participant.

### **Computer Conferencing**

Computer delivered instruction is no longer an educational oddity. Courses of instruction or entire degree programs are available by using computer-based distance learning systems. Participant requirements can be downloaded, evaluated by the trainer, and returned without the two having ever met. This system of learning maybe criticized as being less than ideal but for some learners, limited by time, funds, job or family demands, it may provide a viable alternative to traditional learning methods.

### **Computer Assisted Instruction (CAI)**

Instructional courses or components can be transferred to CD-Rom disks providing instructional content that is available anytime, anywhere, and as needed. Videodisks or laser disks are another powerful means of providing information to the learner. Videodisks typically allow for quick, selected access to the various segments within the disk and also afford good quality and reliability.

The videodisk, like selected computer based programs, can provide for various levels of difficulty and response speed. In that sense it is similar to having a private tutor. The provider can establish

the learning parameters and the learner can respond accordingly. The cost of videodisks or interactive videodisk programs may be prohibitive for some individuals, institutions, or general providers of learning. Another perceived impediment with videodisks, or for that matter, any instructional technology used in lieu of the instructor, is the absence of human interaction. Historically, learning models have emphasized the instructor and the instructor's role in the learning process. It is unlikely that the instructor will, in the near future, be removed or entirely replaced by instructional technology. Until sufficient empirical evidence has been assembled, both acceptance and rejection of the technology available should be undertaken judiciously.

## **Conclusion**

Entrepreneurial trainers are in demand and can respond effectively to constant economic fluctuations. Kaplan-Leiserson (2002) reported a direct link between a downsized company's improved performance and an increase in training expenditures after layoffs. In contrast, research on companies that laid off workers in the 1980s and 1990s and didn't increase training budgets found that costs savings often failed to materialize and that quality, productivity, and effectiveness continued to fall up to four years after the layoffs. (p. 14)

Competitive companies depend on talented individuals to foster growth and lead (Kaye & Jordan-Evans, 2002). By leading through the use of training and development, entrepreneurial trainers can optimize their efforts by furthering their comprehension and understanding of their client as a learner. Recommendations for practice stressed the importance of knowing your participant and their intended business outcomes. Once clear learning designs and interventions have been established, the magnitude of preparation, presentation, and building rapport.

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# Entrepreneurship and College Transition: Leveraging Youth Entrepreneurship Training Programs to Enhance Student College Aspirations

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## Introduction

Policy makers in the United States at the state, federal, and institutional levels have an increasing interest in gaining more knowledge of the processes through which students make the decision to attend college, seek information on college alternatives, and finally choose an institution to attend (Hossler, Braxton, & Coopersmith, 1989). Federal and state policy makers' interest in college choice has risen because college attendance has become a marker for "economic competitiveness" and "quality of life" (Hossler et al., p. 231, 1989). According to Paulsen (1990), since the 1970s colleges also have had an increasing interest in the "market focused behaviors" of students, such as college choice, because of fluctuating enrollment patterns (p. 6). Other factors, such as increasing college options available to students, changes in the number of traditional students attending college versus the number of non-traditional students attending college, and shifts in the demographics of students in the college age population have impacted the higher education environment, forcing colleges to pay closer attention to the

choice process as it relates to recruitment and enrollment trends (Paulsen, 1990; Chapman, 1981).

The literature shows that models of college choice provide a framework for examining the processes by which students make decisions concerning college attendance (Bateman, 1990; Hossler et al., 1989; Hossler et al., 1999; Litten, 1982; Manski & Wise, 1983). These models facilitate identification of specific variables that may have an impact on a student's decision-making processes. College choice models identify three stages in the process of choosing college: Predisposition, Search, and Choice (Hossler et al., 1989).

According to the literature, the first stage of college choice — predisposition — is often characterized as an aspiration for college attendance (Hossler et al., 1989; Bateman, 1990). Predisposition (aspiration) for college attendance is dependent on several variables. These variables include socioeconomic status (SES), academic achievement, parental education, parental encouragement, gender, neighborhood, peer encouragement, high school counselor and

teacher encouragement, high school quality, academic track, and the labor market (Hossler et al., 1989).

Aspects of the college choice process may be different for African American students than for white students (Smith-Maddox, 1999; Freeman, 1997; Bateman & Hossler, 1996). In the predisposition stage, African American students have been found to have high aspirations for college attendance, but they are less likely than their white and Asian counterparts to maintain high aspirations (Kao & Tienda, 1998). This is an important issue to consider when examining intervention programs focused on assisting African American students in moving through the choice process.

The second stage of college choice — search — is the stage at which students begin to connect with colleges and universities. Information on different colleges is a key aspect of the search stage (Chapman, 1981). Many students actively pursue information on colleges that are of interest to them (Paulsen, 1990) as they build choice sets of institutions. Research suggests this stage may also be experienced differently by African American students (Smith-Maddox, 1999).

African American students have been found to have less access to information and resources that can assist them in tasks related to the search stage of college choice than do their white counterparts (Smith-Maddox, 1999). Additionally, African American students are said to enter the college choice process later than their white peers, and thus, these students enter the search stage later and remain in the search mode for a longer period of time (Hossler et al., 1989). Timing is also an important aspect of the search stage — i.e., taking standardized admissions tests, such as the Pre Student Achievement Test (PSAT) and Student Achievement Test (SAT) tests, and applying to institutions — (Paulsen, 1990; Gilmore, Dolich, & Spiro, 1978) and can work to the disadvantage of African American students if they are not properly informed of key dates, deadlines, and related college preparation opportunities.

The third stage — choice — is also referred to as selection and attendance (Paulsen, 1990). This is

the stage at which students make a final decision on the institution they will attend. Similar to the predisposition stage, factors such as socioeconomic status and academic achievement play a role in a student's choice of a specific institution (Hossler et al., 1989). Institutional features such as geographic location and academic programs are key factors students consider in the choice stage as well (Paulsen, 1990).

In the choice stage, African American students are more likely to choose low-status schools. Hearn (1991) found that African American students with high levels of academic achievement choose colleges of lower caliber even when they are capable of gaining admission to colleges of higher caliber. Perna (2000) found social capital to be as important as academic ability for African American students in making a college selection. Social capital has been described in the literature as “information-sharing channels and networks, as well as social norms, values, and expected behaviors” (Perna, 2000, p.3).

The argument presented in this paper suggests that the convergence of early intervention programs and youth entrepreneurship programs can be used as an intervening factor and strategy for assisting African American students as they navigate the college choice process. The focus of this paper is significant for two primary reasons. First, research shows African American students have high aspirations for college attendance in the early stages of college choice, but many of these students are at-risk for not converting those aspirations into actual college attendance (Pitre, 2002; Carter, 2001; Kao & Tienda, 1998). Second, while current college choice models provide a general description of how students experience the transition from high school to college, there are no models that accurately describe African American students' experiences in this process. Although this paper is not intended to generate a model that would accurately describe the processes African American students experience in their quest for higher education, it does provide evidence that there is a need for early intervention programs grounded in research on African American students' experiences in the college choice process. This paper also describes how early intervention

programs that focus on entrepreneurship can enhance those experiences.

The argument presented here is that there is potential for leveraging entrepreneurship training and experience programs as an early intervention model to provide African American — and other minority students — exposure to information and activities related to their educational and career aspirations. The literature on college choice provides a better understanding of the needs of African American students as they transition from high school to college. Youth entrepreneurship programs can, potentially, provide a means for engaging these students in the process by helping them develop the skills necessary to negotiate the transition to college. This paper seeks to develop a model early intervention program for African American students based on what it is known about African American students' choice processes, key characteristics of entrepreneurs and entrepreneurial training, and how those key characteristics relate to important variables related to African American student college transition.

## Toward a Model of Early Intervention

Early intervention programs are defined as programs aimed at assisting K-12 students in persisting through high school graduation and postsecondary education (Fenske, Geranium, Keller, and Moore, 1997). These programs have been in existence in the United States for many decades and have varying programmatic focuses. Early intervention programs also provide an avenue for colleges and universities to develop partnerships with K-12 education systems and communities for mutual benefit.

Despite a long history, there are very few studies on the overall effectiveness of early intervention programs and even fewer studies on their effectiveness in meeting the needs of specific populations. The effectiveness of these programs in providing assistance to targeted populations is an important consideration given that race still continues to be a factor in access to higher education. According to Akerhielm and colleagues (1998), "Native Americans, blacks, and Hispanics are least

likely to attend [postsecondary education] and Asians/Pacific Islanders are most likely to attend [postsecondary education]" (p. ES-2). Early intervention programs that incorporate key elements of entrepreneurship and focus on areas of college choice that are potential barriers to college transition for African American and other minority and low-income students may be successful.

The following section outlines a youth entrepreneurship program model of early intervention that has three primary components: 1) important variables in the college choice processes of African American students, 2) youth entrepreneurship program components, and 3) program goals. The variables related to the predisposition stage of the college choice process utilized to develop this program model are academic achievement, social capital, access to information, and cost/benefit. These four variables have been chosen because they represent some of the challenges that African American students face in making the transition from high school to college.

## Model Components

### Academic Achievement

A student's academic achievement has been shown to be positively correlated with predisposition for college attendance (Hossler et al., 1989; Hossler et al., 1999). Further, Hossler and colleagues (1999) found that students who exhibit high academic focus receive more support and encouragement to attend college from teachers, counselors, parents and others. Paradoxically, African American students often have high aspirations for college attendance even though their overall grade performance tends to be lower than the grade performance of their white and Asian counterparts (Carter, 2001; Kao & Tienda, 1998). This phenomenon has been termed the "aspirations-achievement paradox" (Carter, 2001; Kao & Tienda, 1998). Illuminating the fact that academic achievement is a key element of actual college attendance, the aspiration/achievement paradox suggests that some African American students have high aspirations for college attendance even though they have low academic achievement.

One reason for the aspiration/achievement paradox can be explained in terms of the types of support students receive from parents, teachers, and counselors. Hossler and colleagues (1999) explain that academic achievement affects a student's ability to maintain aspirations because parents, teachers, and counselors are more likely to support the aspirations of those students who display higher levels of academic achievement. This could result in lessened support for the aspirations of those African American students who show lower levels of academic achievement, creating a cycle that could also inhibit motivation for increased academic achievement.

The entrepreneurship model of early intervention can potentially have a positive influence on academic achievement by engaging students in meaningful activities that can help them build their academic self-esteem. In order to build academic self-esteem in African American students, the students must buy in to the educational process and have a sense of engagement in the academic work they are presented. An informal study conducted by Junior Achievement showed that both African American and Asian American students were more likely than their white and Hispanic counterparts, to be interested in becoming an entrepreneur. This information provides clues that youth entrepreneurship training programs may provide an avenue for improving the academic achievement of African American students. Writing business plans, market research, planning client presentations, bookkeeping, determining costs, and projecting sales are all important aspects of entrepreneurship that can also be leveraged to increase the academic achievement of African American and other minority and low-income students. Youth entrepreneurship training programs provide fertile soil for increasing the academic engagement of students by focusing on skill building (Prestgard, 1997).

In addition to teaching students skills that will help them in both business and academics, teachers must begin to gain a better understanding of entrepreneurship and its relevance to students and the curriculum. Teacher training on concepts related to entrepreneurship is an important aspect of youth programs and is essential to successful

programs (Business Times, 1997). The integration of the key elements of entrepreneurship into the school curriculum "makes school relevant (to students)" (Prestgard, 1997, p. 31).

### **Building Capital**

Social capital and cultural capital are related to socioeconomic status and the influence of socioeconomic status on high school students' aspirations for college attendance. Social capital refers to "hidden rules" in high, middle, and low SES cultural groups (Payne, 1995, p. 21). Social capital can also "take the form of information-sharing channels and networks, as well as social norms, values, and expected behaviors" (Perna, 2000, p.3). These hidden forms of capital exist within ethnic and racial minority cultural groups as well. Social capital provides clues to cultural group members as to whether a given individual is actually a member of that cultural group (Payne, 1995). Similarly, cultural capital refers to the middle and upper middle class transmission of knowledge, skills, and social insight from generation to generation (MacLeod, 1995; McDonough, 1997).

Students from different social classes — or SES — will have different types of cultural capital, but the capital of lower classes will tend to carry a lesser value (MacLeod, 1995) within certain institutional social structures—such as schools. Bourdieu & Passeron (1977) refer to language as a form of cultural capital in that the way one speaks is important. One's command of the dominant language heightens one's perceived cultural capital. Lack of cultural capital can result in low educational aspirations — a form of blocked opportunities. Ultimately, a lack of cultural capital will result in fewer rewards for educational attainment and ability (Perna, 2000; Bourdieu & Passeron, 1977). In essence, some differences in academic achievement can be attributed to cultural advantages enjoyed by high SES students and families.

Youth entrepreneurship training programs provide students opportunities to gain an understanding of the business world and what it takes to be successful. Students have an opportunity to gain exposure to information sources, channels, and networks

that will extend their knowledge base and expand their horizons. According to Prestgard (1997) through youth entrepreneurship training programs, students are exposed to the “... idea of being in control of their own destiny ...” (p. 31).

### **Access to Information**

As mentioned previously, African American students have been found to have less access to information and resources that can assist them in tasks related to the search stage of college choice than do their white counterparts (Smith-Maddox, 1999). As a possible result of this lack of access to key information related to college choice, African American students are said to enter the college choice process later than their white and Asian peers and remain in the college choice process longer without making a college selection (Hossler et al., 1989). Lack of information can also disadvantage African American students if they are not properly informed of key dates, deadlines, and related college preparation opportunities.

In developing students as entrepreneurs and assisting them in preparing for more secure futures beyond high school, access to information channels may be a key. Students gain exposure to funding sources, other entrepreneurs and business owners who may act as mentors, and learn how different aspects of a business function. Students also learn about the types of skills knowledge, abilities, and connections that are needed to make particular aspects of a business thrive. These types of business resources may also help students gain exposure that extends beyond what they would normally experience (Wright & Weimer, 2003). Broadened exposure to entrepreneurship and new networks of information can potentially help students make decisions about furthering their education beyond high school as well. Youth entrepreneurship training programs must provide broadened exposure that helps students sort out their future goals, aspirations, and trajectories as related to both career and education.

### **Cost/Benefit**

One issue that has not received much attention in the literature on college choice is African American students' perceptions of the costs and benefits of attending college after high school.

MacLeod (1995) contends that some African American students weigh the costs associated with investing in college attendance against the immediate financial benefit of taking on a job after high school graduation. While this type of cost benefit analysis fails to take into account important information on the potential for long-term earnings and career growth associated with obtaining a college education, it is an important aspect of the college choice process for many African American students. The cost/benefit variable is of significant importance when considering development of an early intervention model for African American students.

Personal cost/benefit analyses are important aspects of entrepreneurial training and experiences as well. Students are often faced with making key decisions related to their training. An example of how youth entrepreneurship programs force students to evaluate the cost of what they do is the practice of providing students with a stipend for program participation. Programs may also institute financial penalties as a consequence for failing to attend a meeting or training. One program helped a student conduct his own cost/benefit analysis of keeping his business running. “It was hard to resist the temptation to go play basketball instead of worrying about ordering books (for his business). This student decided to put basketball on hold and said, ‘I want my business to succeed’” (LeGer, D.E., 2003, p. 1).

As mentioned previously, the youth entrepreneurship program model of early intervention has three primary components: 1) important variables in the college choice processes of African American students, 2) youth entrepreneurship program components, and 3) program component goals. The variables related to the predisposition stage of the college choice process utilized to develop this model are academic achievement, social capital, access to information, and cost/benefit.

## Conclusion

Though college choice has become an important consideration for policy makers and educators, it continues to be a problem for African American students. African American students continue to attend college at lower rates than their white and Asian peers.

One solution to the problem of the low college attendance rates of African American students has been early intervention programs. Though the effectiveness of early intervention programs has not been amply researched, they do have the potential to provide a viable solution to access issues if they have the correct programmatic focus. This paper argues that, based on the research on African American student college choice), early intervention programs that incorporate key elements of entrepreneurship and focus on areas of college choice that are potential barriers to college transition for African American and other minori-

ty and low-income students can be successful. By focusing on the predisposition stage of college choice and helping these students develop concrete knowledge and skills, entrepreneurship training programs have the ability assist these students in navigating the college choice process.

**Table 1:** Youth Entrepreneurship Early Intervention Program Model

<b>College Choice Variables</b>	<b>Youth Entrepreneurship Early Intervention Program Components</b>	<b>Program Component Goals</b>
<b>Academic Achievement</b>	Skill Building – Business Plans, Marketing Analysis, Budgeting, Inventory, Etc.; Includes Teacher Training.	Integration of entrepreneurship into curriculum; Teacher training and exposure; Increased student exposure and curriculum integration.
<b>Building Capital</b>	Access to networks and mentoring; Training for personal and professional skill building.	Development of entrepreneurial networks that will provide students broadened exposure.
<b>Access to Information</b>	Exposure to communication and technology; Access to new information channels and sources; Education related to opportunities.	Emphasis on providing students access to information channels that will help them with business and personal growth.

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# From the Academic Sector: A Primer

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## Abstract

While the global economy has become markedly more pronounced in technological sophistication and cultural diversity, opportunities for teaching abroad afforded by that diversity have been infrequently acted upon. This article provides a descriptive account of teaching American students on U.S. military installations in the Asia Pacific Region. Emphasis is placed on the unique opportunities and challenges this presents for those unaccustomed to living or working outside the more traditional American educational settings. While the more glaring of these challenges are carefully documented, they appear outweighed by opportunities for personal and intellectual growth, and for learning one way of becoming a “free thinking person .”

## Introduction

Take a deep breath, hold onto it for a moment, and slowly exhale. Then, consider the following scenario: you have been thinking about taking a leave of absence or sabbatical from your current institution and would like to spend it advancing your research, making personal contacts, developing more innovative teaching skills, or maybe even expanding your teaching expertise. More importantly, you would prefer to go someplace where you would not be plagued by a string of meetings or by phone calls from students, colleagues and administrators. Would you be interested in spending a year or two in the Orient or in Europe on a tax-exempt salary with all expenses paid, in exchange for teaching a total of three evenings and a couple of weekends per month? If so,

then read on because this article discusses such opportunities.

The article targets two audiences: those with undergraduate degrees interested in teaching for the Department of Defense Dependents School System (K-12) in Europe or Asia, and those with advanced degrees interested in teaching undergraduate and graduate students in either of the same locations. Using this article as a primer, educators (or potential educators) can develop courses that are more finely attuned to the educational needs of our men and women in military service.

There is also a deeper, more humanistic purpose to this article. It is to document what the experience of living and teaching in the Asia Pacific region might teach African-Americans about reclaiming their independence or sense of personal responsibility, and developing an attitude of self-help, of self-determination or of learning how to become what Grenell (2001) refers to as a “free thinking person.”

This article should leave none in doubt that the feelings and thoughts here conveyed are not learned propositions. They are not re-hashed intellectual arguments, nor are they pro-military propaganda. They are the simple personal truths of an African-American professor who has lived nearly all his life either in traditional American academic communities or in urban centers. As to the rewards accruing to those communities, I am, in a personal way, without complaint. That this association, indeed identity, contributes to my examination I would obviously like to think.



However, just as firmly, this association warns me of its tendency to belittle the idea of teaching (much less, abroad) as being “less prestigious” or to categorize military personnel or those from other nations as somehow “less intelligent.”

The objectives of this article are accomplished by discussing the teaching, military, and host country environments for those who teach graduate/undergraduate students. Selective references are made to what those interested in teaching Kindergarten through 12th grade (K- 12) might experience in these same environments. The article concludes with a few thoughts on how international opportunities in the academic sector strengthen the spirit of entrepreneurialism.

## The Teaching Environment

In the United States, most students who take on graduate work do so in their mid-to-late 20s. Most have rarely (if ever) lived outside America’s borders, and few have practical experience in the field. Both graduate and undergraduate students in the military are different in each of these respects. Most military students, for instance, are a few years older than their civilian counterparts, have traveled or have been stationed extensively around the world; they represent a diversity of backgrounds and come to class with years of hands-on practical experience. Indeed, a few have retired in their early 40s and have begun their educational experience in preparation for a second career.

Some of these students’ previous job experiences are similar to those of their civilian counterparts, providing them with meaningful points of reference in courses like Governmental Budgeting, Public Policy Analysis, or Statistical Methods, but many are unique to the military. The more similar experiences include those of pilots and navigators, security police, air traffic controllers, pharmacists, nurses, comptrollers, and information technology specialists, to name a few. The more unique experiences include those found in areas such as intelligence operations, electronic warfare, and combat plane operations.

In the classroom, however, graduate/undergraduate students in the military are not much different from those in traditional university settings. The majority of students, in both instances, seem reasonably eager to advance their level of education. Because many of them have been stationed at locations around the globe, however, those in the military seem more emotionally well-rounded, which is to say more genuinely accepting of cultural differences. Because they are trained to respect authority, they also seem to have a higher respect for university professors. More importantly, military promotion decisions tend to consider (informally) their educational achievements. For these and other such reasons, graduate/undergraduate students in the military seem to take the educational process a little more seriously than their civilian counterparts.

While there are, perhaps, several different reasons for this, certainly among them is that the classroom setting provides military students with an opportunity to demonstrate their intellectual, communicative, and written dexterities in an environment within which they rarely find themselves - one where military rank is “left at the door.” Further, it appears that graduate education (at least, in the fields of Public Administration and Business Administration) requires them to perform case study analyses and compose lengthy research projects (25-40 pages of required writing per class is not uncommon), where the authoritative views of administrative theorists can be openly criticized.

Thus, in a class like Public Policy Analysis, much of the pedagogical challenge is to relate theories of public policymaking in a manner that is readily accessible to those who may have little background or limited understanding of why “theories” are important in the first place. As well, it proves just as challenging to show students, in concrete ways, how they might relate incremental, public choice, garbage can, or game theories to their military experiences - or how they might evaluate the relevancy of such theories from the standpoint of their everyday lives.

Instead of applying traditional cost-benefit analysis to the construction of a new baseball park, for instance, the instructor might relate this type of analysis to the cost of providing additional airport security. In both cases, the benefits relate to that which the public values - entertainment, status, and economic development in the case of the baseball park, and security from potential terrorists in the case of the airport. Here, the benefits relate to such intangibles as saved lives, freedom from oppression, and other outcomes that lend themselves less to quantification and more to qualification. Furthermore, the effects of a Congressional decision to increase or lower the average salary of an airport security guard can be assessed by addressing the fixed versus variable cost components.

When compared to the more traditional university setting, it is important to note that while the number of instructional contact hours are compressed into a 9 consecutive-day period (comprised of 45 fifty-minute hours per course), they are the same number of contact hours provided by other nationally-accredited graduate schools. Aside from this intensive format (which many faculty prefer), the most glaring difference is that the faculty must be prepared to work with students when they miss classes and have the flexibility to rearrange course schedules around the requirements of the military's unique circumstances.

A student may, for instance, come to class in full battle gear with weapons (normally unloaded), either because of a military exercise or because of an actual security alert. Another student may show up for class after having spent the 12 previous hours on guard duty. In the United States, when a student's relative dies, the student may miss a day or two. In the Asia Pacific region, a student may have to travel thousands of miles and be gone for more than a week (Worthington & Rasch, 1996).

Other significant differences revolve around finances. Active-duty personnel (generally officers and enlisted personnel in the Air Force, Army, Navy and Marines) receive tuition subsidies as a rule, while other students (i.e., Civil Service employees, military spouses, Japanese or South

Korean nationals) may not. As a result, the latter tend to be more cost conscious or simply more concerned that the long-term pay-offs of graduate education will warrant their present-day costs. About two-thirds of the graduate students are either officers or have held positions of authority, so after completing a few courses, most seem to find a comfortable fit between their military assignments and the subject matter. Most seem to understand how and where their actions and behaviors, as Public Administrators for instance, are constrained by political, legal or ethical considerations. Thus, to the extent their graduate work is successful, they gain not only a more firm understanding of where they (as administrators in civil society) might best intervene in support of the public interest, but of what its significance really is.

## The Military Environment

Most of the expense for constructing U.S. military installations in Japan, including the employment of Japanese workers, is paid for by the Japanese government. In many respects, military installations overseas resemble small "company towns" in America.

Full-time faculty receive military orders, are covered by the Status of Forces Agreement,<sup>1</sup> and are provided a Department of Defense Identification Card. This card entitles them to use the base/post Exchange (general department store), Commissary (grocery market), recreational facilities (gymnasiums, swimming pools, tennis, golf course, and recreation centers), Class VI stores (liquor stores), Department of Defense Dependent schools (for dependent children), and so on. Prices charged for goods or services at these facilities are either comparable or lower than the same goods or services found in the U.S., and no sales taxes are charged. Furthermore, up to \$75,000 in 2001 wages and salaries earned by U.S. citizens living a year or more in a foreign country are excluded from federal taxes (see instructions for Internal Revenue Service Form 2555, the Foreign Earned Income Exclusion). For most individuals, these exclusions are considerable.

Moreover, military installations abroad have churches, libraries, hospitals, banks, movie theatres, tour bus services, fast-food restaurants, computer repair shops, video stores, and many of the other private or quasi-governmental establishments commonly found in America. Insofar as these establishments are set up to enhance the troops' "quality of life," they are considered secondary to the military mission. Because of this, the establishments may not always provide the sheer variety of goods and services one is apt to find in the states (i.e., simple items someone might like to eat, wear, or have around the home for personal use). Often, for such items, military and civilian personnel either shop on the internet or in the respective national economy.

In addition, most institutions (whether their faculty teach K-12 or undergraduate/graduate students) provide or compensate faculty for housing, utilities, laptop computers, automobiles at certain locations, moving expenses to and from the continental U.S., and if necessary, transportation of personal/professional goods in-between teaching locations.

For instance, those who teach with the Department of Defense Dependents School System (DoDDS) and are hired in the U.S. are either provided on-base housing or stipends for off-base housing (see <http://www.odedodea.edu/>). Career development for civilian employees is supported at the highest national level. You can reasonably expect your supervisors to guide you in the area of career development but, as with other overseas teaching arrangements, you must take charge of your own learning and development.

Similarly, those who teach with state universities live in furnished 2 bedroom apartments off base, which is to say, in the neighborhoods surrounding the military installations where they work. Usually, the apartments are neat, well equipped, and more spacious than the neighborhood average. Where university faculty members rotate from one teaching location to another, they will actually live in a series of such apartments. In general, everyone is careful to ensure that upon his or her departure, the apartment is clean and ready for the next faculty member to use.

Then too, each military installation has its own library. Its facilities may vary in size, resources, hours of service, and levels of staffing, but most have at least one professional librarian. Most are reasonably modern (e.g., desktop computers, internet access, conference rooms, etc.), but again, insofar as education is not a primary military mission, the libraries are perhaps less adequate than those available on the average American university campus. Nowadays, however, acquiring quality materials on a timely basis has become less problematic, owing to advances in information technology. Today, the internet seems particularly adept as facilitating collaborative works as well. Aside from the physical distance, there appears to be no real difference in emailing notes or documents, keeping in touch, or otherwise collaborating with other academics - whether they are in the next building, the next state, or halfway around the world.

Still, for all the modern technological conveniences and the similarities they provide, teaching in the Pacific Region is still quite different from teaching in the U.S. in several key respects. Some of the most obvious of which include the physical differences in living space, and in the teaching environments. These should not, however, overshadow the more subtle differences that, over time, develop a character of their own. For instance, there are no offices per se - professors typically work at home and hold appointment hours at installation libraries. There are no secretaries - each location hosts a Program Coordinator whose primary functions revolve around student registration, record keeping, book ordering, and so forth. As well, there are no academic committee meetings - a general meeting is usually scheduled over a two-day period each year.

What this means is that there are few distractions and professors have ample time to think, read, research, write, rejuvenate, travel to exotic locations, or pick up foreign languages. While these differences would seem, for most, to be a welcome relief - everyday life in a foreign country is more challenging than everyday life in the United States. Everything from phone service, to mail service, to food, language, customs, entertainment, and coinage is different. Most Americans find that

it takes several months to get used to the new environment before they can expect to be as productive as they might have been in the states. And, while many find the opportunity to live abroad to be an education without rival, finding one's way around the host country presents its own unique challenges.

## The Host Country Environment: Japan

Aside from the more obvious differences of culture and style, Americans who have not lived for prolonged periods of time in a foreign country are often surprised to discover the types of things they had previously taken for granted. These, for instance, might include their complete reliance on a common written and spoken language, on a "reasonably well understood" legal system, or simply on the comfort of being surrounded by those who generally share the same racial, religious and/or cultural backgrounds. Most Americans are challenged daily in their understandings of these and other basic aspects of life abroad by systems of knowledge, etiquette, and humor that are completely non-intuitive and fundamentally different. Consider, for instance, the more demonstrative forms of "humor" on Japanese television.

Speaking of which, although there are more than 126 million people in Japan (17 million in Tokyo alone), there is a strong sense of respect for law and order. However, unlike the U.S., the mechanisms of social control are more firmly situated in a shared sense of cultural norms than in a legal administrative system or in a strong police force. Thus, while Japanese police typically carry no firearms, violent crimes are, in comparison to the U.S., almost non-existent. Indeed, it is common knowledge that in Japan, women, children, and elderly couples can walk the streets of Tokyo safely at all hours, day or night.

The streets of Tokyo are typically winding, rather than straight and perpendicular. More importantly, businesses and residences use an addressing system that does not reference their geographic coordinates, as they would in the United States (i.e., 450 East 110th Street, or 250 West Oakland

Boulevard); rather, the Japanese addressing system is historically based, referencing the temporal order in which a given structure was built on a given street. This tends to be disconcerting for Americans, as addresses appear to be terribly "out of order." Indeed, the same confusion might set in for a Japanese national, if they are not particularly familiar with the area in question. So, when hiring a taxicab to get from one place to another, the driver may have to go in circles for a while before arriving at the correct address.

Still, foreigners make up only about five percent of the total population of the country. Thus, wherever they go, foreigners (and Americans, in particular) tend to stand out. Most of the commercial advertisements and traffic signs are written in Japanese or in Kanji (pronounced "con-gee"; Japanese script language). Japanese, of course, is the national language, but since English is taught in elementary schools, many Japanese speak at least some English.

Of course, learning a foreign language takes time and practice, but some university professors and their spouses pick up the basics of Japanese on base by taking classes offered free of charge by Japanese nationals (i.e., native Japanese). At the same time, there is no shortage of demand on the Japanese economy for Americans willing to teach English to Japanese students (often, for the equivalent of \$40-\$50/hour or more per student). Indeed, several military spouses have found that doing so, even on a part-time basis, provides a lucrative second income.

Then, of course, some cultural distinctions are perhaps better explained by English-speaking local residents.<sup>2</sup> According to Japanese scholar, Yoshihara Kunio (1986), for instance, the Japanese people seem to feel a greater inhibition regarding consumption than people of other nations. They consider it "mottai nai" (wasteful) to throw items away simply because they have become old; to use things carelessly and make them unusable in a short time; or to use things unnecessarily or unproductively (as, for example, leaving a light on in an empty room). To spend more money than necessary is mottai nai not only because it is wasteful but also because it is disrespectful (to the

gods and the ancestors). This mottai nai syndrome seems to inhibit Japanese from buying big cars and big houses, or taking expensive vacations even if they can afford them. Such conspicuous consumption is mottai nai more in the sense of being disrespectful than in the sense of being wasteful (1986: 137-38). Coming into a proper understanding of such distinctions, i.e., in the ways they are intended, is quite literally, an education unto itself.

## Summary

Applications for assignments outside the U.S. are generally made early in the fall for the following August, by contacting the university offering the program. Some of which currently include the University of Maryland, University of Oklahoma, Texas Tech University, and Troy State University. Selection is made on a competitive basis after a formal interview process. If an assignment is not available for the coming year, faculty members may ask to be considered in the future when a vacancy opens. Requirements vary from school to school, but generally include the following:

1. College degree for teaching K-12 in the Department of Defense Dependents School system, graduate degree for teaching undergraduates, or a doctoral degree for teaching graduate students.
2. U.S. citizenship.
3. Available, at minimum, for a one-year commitment.

Spouses are authorized for accompanying travel, but children may not be; passports are also necessary.

## Concluding Thoughts

In Western cultures, and particularly in the U.S., there is a tendency to embrace one theory or ideology and to try to make the world conform to a knowledge community that insists one size fits all. When it does, we persist in our view – capturing fresh proponents from each new class of graduates; when discrepancies arise, we try to

rationalize them away; and, when people challenge our views, we tend to ignore them or to put them in their place. Only poor results over a long period call our bodies of knowledge into question. Even then, we are just as apt to entrench ourselves in a new world view, triggering the cycle all over again.

In Japan, there are four major religions, each with its own beliefs and assumptions: Buddhism, Confucianism, Shintoism, and Taoism. Though each of these is very different in history, tradition, and basic tenets, many Japanese feel no need to choose only one. They use them all, selectively, taking advantage of the strengths of each for suitable purposes or occasions. Living and teaching abroad can play a similar role for educators. By living, teaching, and indwelling within cultural traditions different from our own (both that of the military and of other countries), we avail ourselves, and indeed our intellects, to a much broader appreciation of what we can do for ourselves and others. Each cultural perspective is helpful and each has blind spots. The ability to shift from one to another perspective helps redefine situations so that they become more manageable. If the ability to reframe situations is one of the most powerful capacities of effective entrepreneurs, it would seem equally powerful for effective educators.

With a global economy that is fast becoming more culturally diverse, technologically advanced, and functionally interdependent, those who earn a living by teaching others how to become successful entrepreneurs should at least try, as best they can, to develop such skills first for themselves. Moreover, it is difficult to see how they can hope to do so without, at some point, experiencing firsthand what other cultures today are in fact about, and what their affairs today actually involve.

## Notes:

1. U.S. Forces in Japan and Korea are governed by the Status of Forces Agreements (SOFA). The agreements state the terms and conditions under which U.S. Forces and their contractors are permitted to operate in these countries. This provides

faculty and their dependents with many protections and privileges, while requiring compliance with host nation laws and U.S. military regulations. Among other things, the SOFA status provides for the involvement of American officials should faculty find themselves potentially in violation of host nation laws, such as an automobile accident.

2. For instance, if your vehicle is at a complete stop and you are hit from behind by another vehicle, you will probably incur half the liability because, under Japanese law, the accident could not have happened if you had not been there. As well, there are almost no social security, affirmative action, or equal employment protections, so virtually everyone works.

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## African Entrepreneurship: Displacement or Desire for Independence?

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### Introduction

This study examined the motivation of entrepreneurs in starting a business. The results indicated that men and women have various reasons for starting a business, and are primarily motivated by the need for independence, need for material incentives and the need for achievement. Comparatively, male entrepreneurs were more motivated by the need to give family security and to make a difference in the business, and female entrepreneurs were motivated more by the need to keep learning and the need for more money to survive.

Attention is focused on stimulating small business development in South Africa by providing financial incentives, creating infrastructure and deregulating restrictive legislation (Thomas, 1994). However, one should not lose sight of the fact that the success of a small business also depends on the initiative of an individual entrepreneur to create a viable business. Therefore discovering the factors that motivate the individual to embark on an entrepreneurial career becomes an important factor in stimulating entrepreneurship. According to Hisrich and Brush (1984), most of what is known about entrepreneurs, their background, their motivation for starting a business and their business problems are based on studies of male entrepreneurs. Furthermore, Erwee (1987) argues that there seems to be a void of information

regarding motivating factors for female entrepreneurs in South Africa.

From research it is evident that the male entrepreneur has been thoroughly studied, and the focus has now shifted to the female entrepreneur (Schutte, Boshoff & Bennett, 1995). Starting a new venture entails considerable risk and effort, especially for the entrepreneur, who creates and builds a business from scratch (Broehl, 1982). The risk is perhaps even greater for woman entrepreneurs, who aside from having all the usual business problems, will also have to endure the problems associated with being a woman in a male-dominated society (Hisrich & Brush, 1984).

### Objectives of the Study

The objective of the study was to examine motivation among entrepreneurs in rural South Africa, and to compare female and male entrepreneurs. The specific objectives were to:

- Determine the dominant motivational factors for entrepreneurs starting their own business.
- Discover whether there are significant differences between female and male entrepreneurs on motivation factors for starting their own business.
- Examine whether there are significant differences between female and male entrepreneurs on demographic data.

- Formulate recommendations focusing on training, development and support of entrepreneurs, especially women entrepreneurs in the region.

## Statement of the Problem

Cromie (1987) states that all previous studies have been concerned with the motivation of male entrepreneurs with very little written on female entrepreneurs. In a survey by Goffee and Scase (1985), it was noted that in most cases women are either totally excluded from consideration or are assumed to behave in much the same way as men. It can be argued that the possible significance of the different social situations that men and women are in, by virtue of their gender, must always be considered in evaluating any research. Buttner and Moore (1997) call for extending knowledge of entrepreneurial motivation by studying women rather than by relying on the models of entrepreneurship developed using male samples.

Despite the fact that women constitute a significant and growing proportion of owners and managers of small enterprises, studies and assistance programs in the small business sector in Africa have virtually ignored the female entrepreneur. They face different constraints and problems and there are different types of women entrepreneurs, indicating that assistance through training or otherwise has to be geared to the different needs of different women. Therefore it is imperative that a better understanding of women entrepreneurs and the specific constraints they face in starting or operating a business is made, in order to develop appropriate assistance programs and policies.

Based on the various empirical studies, the following can be stated regarding gender differences on entrepreneurial motivation:

- Women entrepreneurs tend to be motivated by the need to give security to their families, and by their unique family circumstances.
- Women entrepreneurs are motivated by the need to be independent, as well as economically independent. It is often the case in Africa that the woman is the sole provider of the family's basic needs.

- Entrepreneurship allows women to combine caring for her family, and bringing in the money needed for daily survival.

However, one needs to acknowledge that women in Africa, especially rural Africa, by virtue of their gender, are in a very different social and economic position than are men. Therefore, being aware of these important differences, so that assistance programs and development policies can be tailored to cater to the specific needs of female entrepreneurs.

## Methodology

The measuring instruments used for the purpose of this study included a demographic questionnaire, a quantitative instrument measuring entrepreneurial motivation, and an interview. The demographic questionnaire was the result of an in-depth literature review of what demographic factors influence entrepreneurship. Although demographic factors such as age, marital status, education and number of children cannot be manipulated to stimulate entrepreneurship, researchers (Buttner & Moore, 1997; Hisrich & Brush, 1985) indicate that these factors play a role in the decision to become an entrepreneur.

The motivation scale (Scheinberg & MacMillan, 1988) was used to measure the motivation of the entrepreneurs. Scheinberg and MacMillan (1988) developed the motivation scale in collaboration with researchers from 11 countries to measure motivation of entrepreneurs.

The empirical study was aimed at entrepreneurs who have been given loans from the Get Ahead Financial Services (GAFS). The population from which the sample was drawn consisted of 690 entrepreneurs, representing the total number of entrepreneurs who are supported by the GAFS in the Northern Province. For the purposes of the empirical study, stratified random sampling was used, where the population was divided by gender. Then within each stratum (males & females), random sampling using interval sampling was done (Babbie, 1998).



In terms of the demographic information, the following procedures were used to analyze the data: Firstly, frequency analyses of the demographic information were done. Secondly, a chi-square (X<sup>2</sup>) test was performed on the data to see if there were any significant differences between male and female entrepreneurs. Thirdly, the analyses of the motivation scale included a t-test that was used on each statement to test for a significant difference between the means of the female and male entrepreneurs. Fourthly, an exploratory factor analysis was performed on the motivation scale of 21 items in order to determine whether or not a stable and reliable set of entrepreneurial motivation factors existed.

## Results

The results of the chi-square test showed significant differences between female and male entrepreneurs on the following: residential area; spouse's occupation; employee history; and type of industry. A factor analysis and gender differences are included below.

## Factor analysis of the motivation scale

Table 1 illustrates the mean scores of the subjects on the motivation scale. It also shows the mean scores of female and male subjects.

The most important motivation factors of the entrepreneurs can be seen in Table 1. The scale was scored from 1 (no importance) to 5 (utmost importance). Therefore, the higher numbers represent stronger motivation factors for the entrepreneurs.

The results clearly show that the variable *“give self and family security”* had a mean value of 4.51. This motivation factor was very important for almost all of the entrepreneurs. With opening their own business, they expect to have more security, which includes job and financial security. This variable is similar to the factor *“need for independence,”* which is strongly supported in the literature as being a strong motivator for entrepreneurs for starting their own business.

**Table 1:** Mean scores of entrepreneurs on the Motivation Scale

	Mean	Females	Males
Give self and family security	4.51	4.45	4.81
To keep learning	4.21	4.24	4.06
Direct contribution to success of company	4.15	4.11	4.37
Needed more money to survive	4.10	4.14	3.88
Freedom to adapt my own approach to work	3.99	3.99	4.00
Increase status of family	3.85	3.87	3.75
Welfare of relatives	3.77	3.84	3.50
Innovative and in the forefront of new technology	3.69	3.67	3.81
Develop idea for product/business	3.68	3.66	3.81
Have greater flexibility for private life	3.67	3.67	3.67
Control of my own time	3.60	3.55	3.88
Access to indirect benefits	3.44	3.47	3.31
Desire to have earnings	3.38	3.39	3.31
Achieve something and get recognition	3.34	3.37	3.19
Welfare of community I live in	3.33	3.30	3.50
Not to work for an unreasonable boss	3.26	3.26	3.27
Have more influence in community	3.10	3.16	2.75
Be respected by friends	3.05	3.13	2.63
Frustrated in previous job	3.03	3.05	2.94
Achieve position in society	2.90	2.94	2.69
Welfare of ethnic group	2.73	2.75	2.63

The variable “*to keep learning*” was also scored very high, (mean score of 4.21) showing that the subjects saw entrepreneurship as a means of ongoing learning and improving. This variable is related to the factor “need to escape an unsatisfactory situation,” because entrepreneurship is a way of learning new skills and being challenged by new and different aspects of the job.

“*Direct contribution to success of company*” which had a mean score of 4.15 showed that the subjects wanted to be involved in the success of the organization. With their own business, they are responsible for the success/failure of the venture. This is related to the “need for independence” whereby they want to have control over their own future.

**Table 2:** Rotated factor structure for motivation factors

<b>Factors</b>	<b>Factor Loading</b>
<b>Factor 1: External approval &amp; communitarianism</b>	
Welfare of ethnic group	0.797
Welfare of community I live in	0.708
Be respected by friends	0.685
Achieve something and get recognition	0.657
Welfare of relatives	0.565
Desire to have earnings	0.361
<b>Factor 2: Personal development</b>	
Develop idea for product / business	0.764
To keep learning	0.758
Innovative and in the forefront of new technology	0.671
Needed more money to survive	0.417
<b>Factor 3: Recognition</b>	
Increase status of family	0.765
Access to indirect benefits	0.659
Achieve position in society	0.442
<b>Factor 4: Need for independence</b>	
Not to work for an unreasonable boss	0.756
Have greater flexibility for private life	0.581
Control my own time	0.573
<b>Factor 5: Influence company/community</b>	
Have more influence in community	0.779
Freedom to adapt my own approach to work	0.552
<b>Factor 6: Benefits and security</b>	
Frustrated in previous job	0.590
Direct contribution to success of company	0.587
Give self and family security	0.562

**Extraction Method: Principal Component Analysis** - This table is based on Varimax Factor Rotation 6 factors extracted/only items that loaded with absolute values greater than 0.35 are shown

The variable *“needed more money to survive”* (mean score of 4.10) is directly focused on being motivated for entrepreneurship because of material incentives. The subjects see having their own business as a mechanism to earning more money than being an employee.

The variable *“freedom to adapt my own approach to work”* (mean score of 3.99) is related to the factor of need for independence, where the entrepreneur is answerable to him/herself, and can make decisions themselves.

### **Gender differences on the motivation scale**

A t-test was conducted to establish whether there was a significant difference between female and male entrepreneurs on scores on the motivation scale. The test was conducted on each statement separately. At the 0.05 level of significance, with 99 degrees of freedom, the t-value was not larger than the t-statistic of 1.98, therefore we can conclude that the differences on the motivation scale between the female and male entrepreneurs are not statistically significant.

### **Factor analysis of the motivation scale**

A factor-analysis was performed on the motivation scale. Findings from the factor analysis illustrated in table 2 show the emergence of a six-factor solution that accounts for 55.67% of the variance. The six factors identified through factor analysis are:

#### **Factor 1: External approval and communitarianism**

(Welfare of ethnic group, welfare of community I live in, be respected by friends, achieve something and get recognition, welfare of relatives, desire to have earnings.)

#### **Factor 2: Personal development**

(Development of ideas for product/business, to keep learning, to be innovative and in the forefront of new technology, need of money.)

#### **Factor 3: Recognition**

(Status of family, access to indirect benefits, achieve position in society.)

#### **Factor 4: Need for Independence**

(Not to work for an unreasonable boss, have greater flexibility for private life, control my own time.)

#### **Factor 5: Influence company/community**

(Have more influence in community freedom to adapt my own approach to work.)

#### **Factor 6: Benefits and security**

(Frustrated in previous job, direct contribution to success of company, give self and family security.)

The initial-components factor analysis method was used to determine the number of possible factors present. From the eigenvalues greater than one, it was decided to have six factors because the seventh and eight factors had eigenvalues very close to 1 (1.07 & 1.01). In order to determine a finer selection of factors, an orthogonal varimax rotation was completed. The factor loadings for each of the eight factors are greater than 0.35. All the eigenvalues for the respective factors are greater than 1.0, which fulfills the Kaiser criterion (SPSS, 1990; 1999). A scree test was also done to confirm how many factors to select. Based on the scree plot and the Kaiser criterion, it was decided that 6 factors were the correct number of factors to extract. The conclusions drawn from the empirical study showed that there were significant differences between female and male entrepreneurs on only a few demographic variables. The results of the study strongly supported that the need for independence, material incentives and the need to escape a negative situation were important motivation factors. The need to contribute to the community was not a strong motivation factor.

### **Policy Implications and Recommendations**

A deeper and broader understanding of entrepreneurship will be made if more studies on entrepreneurship in the African context will be conducted. As Africa's future in economic development is hinged on Small and Medium Enterprise (SME) development and promotion, policy makers must ensure that entrepreneurs receive proper training and development.

Needs analysis must be conducted to ensure that entrepreneurs receive the support they need to start and successfully continue their businesses. Efficient dissemination of information on assistance and services is also a necessity to maximize the benefits entrepreneurs can obtain from the support services.

With regards to the Get Ahead Financial Services (GAFS), the following recommendations are made. First, the results show that the major motivation factors were: the need for independence, material incentives and need for achievement. Although GAFS supports the entrepreneurs financially, there is a lack of other forms of support. The entrepreneurs need ongoing support and training, in order for them to survive and to grow the business. Second, the major problems the entrepreneurs encountered in starting their own businesses were related to financial issues. Therefore, there is a strong need for GAFS, and other agencies to assist and train the clients in budgeting, costing and maintaining a cash flow for the business. Third, there needs to be on-site visits and follow-up of GAFS to the entrepreneurs. There is a desperate need for continuous support and development for these entrepreneurs. Fourth, future business development policies and programs need to be more "culture sensitive." In addition, there is a need for a deeper understanding of entrepreneurs' motivation, values and perceptions of their environment, which would greatly enhance the effectiveness of policy and program development and outcomes. Lastly, GAFS needs to be aware that despite the fact that women constitute a significant and growing proportion of owners and managers of small enterprises, studies and assistance programs in the small business sector in Africa have virtually ignored the female entrepreneur. Women face different constraints and problems.

Therefore, in order to develop appropriate assistance programs and policies, it is imperative to better understand the entrepreneurs who are women as well as the specific constraints they face in starting or operating a business.

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# Achievement Motivation Among Black University Students: Towards Identifying Entrepreneurial Orientation

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## Abstract

The purpose of this study was to examine the effects of faculty affiliation on achievement motivation among black university students to determine whether students having a background with an orientation of commerce have a greater affinity for business and management than do those with a background in the arts or education. A sample was drawn from the University of Transkei. There was no significant difference between the need for achievement (nAch) scores of students in the Economic and Management Sciences, on the one hand, and those in the Faculties of Arts and Education on the other. Although van der Merwe (1984) found that the achievement motive of former Transkeian and former Ciskeian businessmen was significantly higher than that of teachers in the same territories, the reason for lack of significant differences in nAch between the students of Economic and Management Sciences Faculty on the one hand, and Arts and Education Faculty on the other, may be that career objectives attributed to the two groups of students in the present study were wrong or that the differences in nAch between entrepreneurs and teachers which van der Merwe (1984) found appear later in life and not in student days.

## Introduction

Developing countries like South Africa are confronted by a daunting challenge of bringing about growth in their economies. With the

majority of South Africans poor and illiterate, every effort must be made to improve the country's economy. Unless the economic growth levels are raised, these problems are likely to be exacerbated in the future. How then should developing countries be assisted in ensuring accelerated economic growth? One way is to elevate the level of entrepreneurship in a country. McClelland (1961) established a relationship between entrepreneurship and economic growth. He claimed that entrepreneurial activities predispose any society to vigorous economic activity. Subsequently, an individual's willingness and ability for career in entrepreneurship is influenced by certain behavioral traits and intentions, such as achievement motivation and socio-economic background (McClelland, 1961; Rotter, 1966). There is empirical support for this contention. Based on empirical evidence, individuals that are particularly disposed towards entrepreneurial pursuits could also be selected on the basis of their personality traits (Llewellyn and Wilson 2003).

McClelland's model of achievement motivation provides more insights into the characteristics required for successful entrepreneurship. He maintains that persons with a high need for achievement (nAch) have a general predisposition towards entrepreneurial activity. Individuals with high nAch are believed to be responsible for solving problems, setting goals to be reached by their own efforts, concerned with personal achievement as well as having a strong desire to receive feedback on their task accomplishment.

Because of lack of adequate entrepreneurship in developing countries, the intention of the present study was to identify whether students with Commerce background are high in need for achievement (nAch) than those in Arts and Education Faculties and hence have more entrepreneurial behavior and intentions than their counterparts. Furthermore, the study will determine to what extent does socio-economic status of parents influence student's nAch and in so doing inculcating entrepreneurial behaviors and orientations to their children. This article begins with a comprehensive literature review based on McClelland's achievement motivation theory as a useful measure in determining traits necessary for predicting entrepreneurial intentions.

## The Hypothesis

Two hypotheses were tested in the present study. They were as follows:

### Hypothesis 1

**H<sub>0</sub>:** Students from Economic and Management Sciences Faculty are not significantly higher in achievement motivation than those from the Arts and Education Faculties.

**H<sub>1</sub>:** Students from Economic and Management Sciences Faculty are significantly higher in achievement motivation than those from the Arts and Education Faculties.

Studies have shown that students with an entrepreneurship major have stronger entrepreneurship intentions and act more entrepreneurial than other students (Kolvereid and Moen, 1997). Similarly, Webb et.al, (1982), revealed that students who participated in entrepreneurial programs were more likely to start their own business than other students. Moreover, Dyer (1994) found a strong support of the relationship between achievement motivation, education and entrepreneurship. He stresses that education in entrepreneurship may influence behavioral intentions through socialization into entrepreneurship as a possible career path. Perhaps an assumption could be made that the field of study in which a person embarks on is more likely to influence his

or her employment choice. In view of that, the author assumes that students from the Economic and Management Faculties are more concerned in gaining business and management skills, hence these studies may be considered as socialization into entrepreneurship as a possible career path while Arts and Education's students are mainly concerned with teaching careers among others. Van der Merwe 1984's study seems to be of relevance in the present study because it draws our attention to the differences found in nAch between businessmen and teachers. The aim of this study, therefore, is to ascertain whether these differences are apparent in student days or appear later in life as per Van der Merwe's findings.

### Hypothesis 2

**H<sub>0</sub>:** The need for achievement scores of students do not differ significantly from each other in direct (not inverse) relationship with the socioeconomic levels of their parents.

**H<sub>1</sub>:** The need for achievement scores of students differ significantly from each other in direct (not inverse) relationship with the socioeconomic status of their parents.

Previous research has indicated that an individual's socioeconomic status may substantially affect his or her willingness and ability for a career in entrepreneurship. Socioeconomic status is viewed as the division of members of a society into a hierarchy of distinct status classes, so that members of all other classes have either more or less status (Schiffman and Kanuk, 1978). These authors further point out that status, in the determination of social class, is assigned in terms of such variables as wealth, power, and prestige.

The hypothesis that nAch scores of students differ significantly from each other in direct (not inverse) relationship with the socioeconomic status of their parents, is based on McClelland's (1961) argument that specific child-rearing practices and family socialization are crucial to the development of high nAch and hence essential to the emergence of entrepreneurship. Among other things, child-rearing practices conducive to entrepreneurship emphasize reasonably high standards of excellence, self-reliance training and mastery, maternal

warmth and low father dominance. Rosen (1962) assented with this notion when he stated that the socioeconomic status of parents is an important determinant of need for achievement in children. The intention of the present study was to investigate whether or not this applies in the former Transkei.

## Literature Review

Previous research has shown a relationship between nAch and entrepreneurial activity. One of the most cited works on this subject is McClelland's 1961 Achievement Motivation theory. His research has focused on identifying and analyzing the psychological factors that produce entrepreneurial personalities. Specifically, he focused on the motivational variables as determinants of entrepreneurship: namely, the psychological drives underlying the individual's need for achievement (nAch). Thus, according to McClelland (1961) people with high need for achievement tended to exhibit certain behavioral traits such as taking personal responsibility for finding solutions to problems, set moderate goals and take calculated risks, and wanting feedback regarding performance. McClelland (1965) maintains that these behaviors correlate strongly with entrepreneurial success. He further argues that the need for achievement for successful entrepreneurship is learned at an early age. The level of nAch is a function of early child rearing practices, especially training and independence expectations. Hence, child-rearing practices are of great importance to the emergence of entrepreneurship (McClelland, 1961).

In achievement training conducive to entrepreneurship, parents impose standards of excellence on tasks, set high goals for their children, indicate high evaluation of their competence to do the task well and communicate to them that they expect evidence of high achievement. McClelland's studies further link the entrepreneur to economic development. For instance, he claimed that economic development differs from culture to culture and is a direct result of the creative efforts of those individuals who are motivated to constructive action by a pronounced desire to achieve

success (McClelland, 1961). Weber (1905) concurs with this notion when he claims that the individual who has learned the value of industriousness in the process of growing up is most likely to have high need to work hard and achieve something meaningful. He further contends that the development of entrepreneurship drive is largely due to the cultural values that are dominant in certain countries.

There have been other numerous empirical studies linking achievement motivation to entrepreneurship. Dyer (1994) claims that there is a strong relationship between achievement motivation, education and entrepreneurship. He stresses that education in entrepreneurship may influence behavioral intentions through socialization into entrepreneurship as a possible career path. Webb et.al, (1982), supported the claim when he revealed that students who participated in entrepreneurial programs were more likely to start their own business than other students. Similar to Webb et.al's findings, Kolvereid and Moen (1997) noticed that students with an entrepreneurship major are more likely to start their own business than other students. These findings extend beyond institutions of higher education and also encompass occupational fields. Mahadea (1992) connects nAch to effective entrepreneurship. His findings indicated that nAch is a significant factor in predicting entrepreneurial success in small, medium and micro enterprises even in a third world territory like the former Transkei. Van der Merwe (1984) also conducted a study in which he found that achievement motivation of businessmen was significantly higher than that of teachers.

## Socioeconomic Status and Achievement Motivation

Certain characteristics associated with socioeconomic status are said to be related to achievement motivation and may substantially influence the person's willingness to turn into entrepreneurship. These characteristics are the level of education, occupational level, income, and residential area (Featherman, 1971). Kagan and Moss (1962) found a correlation between achievement motivation and socio-economic background. They



observed that achievement motivation in children is also said to be positively correlated with the parents' education and occupation, especially the father's. With greater educational achievement, the parents of entrepreneurs are more capable of attaining a higher social status (Lee, 1996). She further argues that the occupation of the father also determines the socio-economic status of the family, since men are considered as the head of the household. In India it was reported that children whose fathers were engaged in the production and sale of commodities had a higher nAch level than those whose fathers were exclusively engaged in traditional agriculture (McClelland, 1961).

It is further argued that the father's role is a critical element in the socializing influences on the child, since it has come to be accepted that the paternal link provides the most credible model for fulfilling entrepreneurial endeavor in later life. This is consistent with previous studies, which suggested that the socioeconomic status of the parents, especially the father, is an important determinant of nAch in children (McClelland, 1961). Studies have shown that the manner in which the young are conditioned from an early age through the formal education system, and the fact that dominant approaches are frequently reinforced within family life, plays a significant role in the initiation of characteristics generally associated with entrepreneurial behavior (Gibb, 1996). Other studies established failure and possible loss of money as vital to mobilize the same amount of nAch in lower-class children as failure alone produced in middle-class children (Mischel, 1960). It is argued that why middle-class children may find failure sufficient to arouse their achievement striving is because they recognize its long-range significance in terms of possible future needs. Hence middle-class children are more willing to work for a delayed reward than working-class (Mischel, 1960). Moreover, achievement motivation is said to be inculcated in the individual as a result of particular training and child-rearing practices found in his or her home or society.

Studies such as those conducted by Winterbottom (1953) and Rosen (1962) on parent-child relation-

ships relate to the possible way in which parents influence their children's nAch status.

Winterbottom tried to discover how parents, particularly the mothers, produced an interest in achievement in their sons. She obtained the achievement motive scores of 29 boys. She found that the mothers of the boys with high nAch scores expected their sons to master such activities as knowing their way around the city, be active and energetic, try hard to do tasks for themselves, make their own friends, and do well in competition at an early age. In contrast, the mothers of the boys scoring low in nAch reported more restriction. They did not want their sons to play with children not approved by them, nor did they want them to make decisions by themselves. The study also provides some evidence that middle-class mothers tend to emphasize mastery and independence training in the rearing of their sons to a greater extent than do lower-class mothers. Rosen (1962) found that boys with high achievement motivation were found most often in family structures where both parents stressed achievement training, but where the parents differed sharply so far as independence training was concerned.

## Methodology

The subjects of the present study consisted of a sample of 105 Black students drawn at random from the University of Transkei. The sample consisted of 38 male and 67 female subjects. Of the 105 subjects, seventy were from the Arts and Education Faculties and 35 from the Economic and Management Science Faculty.

## Measuring Instruments

There are three variables of interest in the present study. These are socioeconomic status, and faculty affiliation, which are independent variables; and achievement motivation, which is the dependent variable. These were measured by means of a questionnaire which consisted of three parts as follows:

**1. Biographic Data** - The biographic data part of the questionnaire consisted of the following items: degree/diploma for which the subject is registered, gender, age, and marital status.

**2. Socioeconomic Status** - The socioeconomic status part of the questionnaire consisted of items asking about the educational and occupational level of the parents or guardians. For determining the socioeconomic level, Hollingshead's (1958) social class index was used. It combines parents' occupation and education to produce an Index Social Position score (ISP). After each person's ISP score is computed, he or she is then assigned to one of the following social classes on the basis of the score: (i) upper, (ii) upper middle, (iii) lower middle, (iv) upper working and (v) lower working. Hollingshead (1958) found a correlation of .89 between this scale and social class scores derived from long, wide-ranging measuring instruments.

**3. Need for Achievement** - The need for achievement (nAch) part of the questionnaire consisted of Mehrabian's (1975) male or female nAch scale, depending on whether the subject was male or female. These are 9-point Likert-type scales ranging from strongly disagree (scored -4) to strongly agree (scored +4). Each of these scales has 26 items and summing the item scores derived the total nAch score.

## Findings

### Hypothesis 1:

**H<sub>0</sub>:** Students from the Economic and Management Sciences Faculty are not significantly higher in achievement motivation than those from the Arts and Education Faculties.

**H<sub>1</sub>:** Students from the Economic and Management Sciences Faculty are significantly higher in achievement motivation than those from the Arts and Education Faculties.

The nAch scores for subjects from the Faculties of Arts and Education and subjects from the Faculty of Economic and Management Sciences were as follows:

**Table 1:** Analysis of students' achievement motivation scores

Faculty	N	Mean	SD
Arts and Education	70	5.86	13.31
Economic and Management Sciences	35	1.71	16.95

The t-test was used to test the hypothesis and the results were as follows:  $t = 1.4$ ;  $df = 103$ ,  $p > .05$ . There was therefore no significant difference between the nAch scores of students in the Faculty of Economic and Management Sciences on the one hand, and those in the Faculties of Arts and Education on the other hand. The null hypothesis was therefore accepted and the alternative hypothesis rejected.

### Hypothesis 2:

**H<sub>0</sub>:** The need for achievement scores of students do not differ significantly from each other in direct (not inverse) relationship with the socioeconomic levels of their parents.

**H<sub>1</sub>:** The need for achievement scores of students differ significantly from each other in direct (not inverse) relationship with the socioeconomic status of their parents.

The frequency distribution of subjects in the various socioeconomic levels follows together with their nAch scores (arithmetic means and standard deviations).

**Table 2:** Matrix of socioeconomic status

Socioeconomic Status	N	Mean nAch Score	SD
Upper class	0	-	-
Upper middle class	8	12.88	8.74
Lower middle class	37	08.32	13.03
Upper working class	25	02.20	16.35
Lower working class	35	00.11	14.77

The Analysis of Variance was used to test the hypothesis and the results were found to be  $F(3,101) = 3.15; p < .03$ . While the results are significant and therefore indicate that the nAch scores of subjects in at least some of the socioeconomic categories are significantly different, it is as yet unclear which socioeconomic categories they are. For this reason, pair wise comparisons had to be done. Fisher's Least Significant Difference Technique was used for this purpose. Fisher's least significant difference was found to be 3.88. A significant difference between the upper middle class and the lower middle class therefore exists as the differences between the means (4.56) exceed Fisher's least significant difference value. A significant difference also exists between the lower middle class and the upper working class as the difference between the means concerned (6.12) exceeds Fisher's least significant difference value. A significant difference also exists between the upper middle and lower working classes as the difference between the means concerned (12.77) exceeds Fisher's least significant difference value. No significant difference was found between the upper working class and the lower working class as Fisher's least significant difference value exceeded the difference between the means concerned (2.09).

## Results

The results show lack of support of the idea that faculty affiliation plays an important role in determining entrepreneurial intentions and behavior. The reason for the lack of a significant difference in nAch between Economic and Management Sciences Faculty students on the one hand, and Arts and Education Faculty students on the other, is not clear. It may be that the career objectives attributed to the two groups of students in the present study were wrong and that there are greater overlaps in career objectives between them than was realized. It may also be that the differences in nAch between Merwe (1984) has observed.

Additional items for consideration include:

1. One explanation is that the small sample sizes (e.g. 70 and 35) failed to reveal a significant difference.

2. However, it is also important to note that if a significant difference had surfaced, it would probably have been in the opposite direction from what had been predicted (see Table 1).

The second hypothesis was supported, though there was complete support for the idea that achievement motivation is related to socioeconomic status. The results show that the sample of the present study consisted of three distinct socioeconomic groups in relation to need for achievement. The upper middle class is composed of subjects with the highest degree of nAch, followed by the lower middle class, while the working class comes last. In other words, the middle class consists of two distinct groups that are high but not quite equal in nAch while the working class is composed of a unitary group that is decidedly low in nAch. These results are, in general, consistent with findings of the past studies (Douvan, 1958; McClelland, 1976; Lee, 1996), which revealed that family background conditions the achievement motivation level of children.

Researchers attribute the higher nAch in middle-class children to the role played by their parents in rearing them. They maintained that middle-class parents set higher levels of aspiration for their sons than lower-class parents (Rosen and D'andrade, 1959; Winterbottom, 1953). Strong achievement is promoted in families characterized by high levels of aspiration and by warm and harmonious personal relationships.

Low achievement motivation in children raised in lower-class families can also be attributed to environmental influences. The environment to which the lower-class people are exposed is not conducive to high aspiration levels. Persons living in such environments are likely to be estranged from society and they see life as unpredictable. They are characterized by mass poverty with crowded living quarters, reduced access to education, and occupational restriction to simpler, more manual-type work. Reality (expenses of education, lack of resources, for instance, money) usually keeps them from aspiring to the highest-level professions (Rosen, 1962).

Paths to achievement, to security, or to any goal, are refracted by the lower-class view of life. Lower-class people share the belief that luck has much to do with the events occurring in their lives. They are unwilling to take risks, and they seek security rather than advancement. This can be evidenced in the choice of their careers. Unlike the middle-class people, who select careers involving specialized knowledge, lower-class people have a physical orientation, believing that it is important to be adept at manual tasks (Kassarjian and Robertson 1973). The helplessness, which they feel, the insecurity they experience, the meaninglessness of life, all has an effect upon the way these live and behave. Resignation is the most realistic approach to life for them. Even when optimism is expressed, it is likely to be in terms of the working of chance. This attitude acts as a definite brake on occupational and educational aspirations (Kassarjian and Robertson, 1973).

The lower-class people think in terms of the present rather than of the future. This low concern for the future goals has been shown to be significantly related to low academic achievement (Rom and Markin, 1974). They have been found to value occupations for which there are often more tangible rewards, than for intellectual or emotional ones. For example, a person will aspire to a certain occupation because of what it offers in terms of money and prestige, and not because of the nature of the work itself (Kassarjian and Robertson, 1973).

The hypothesis which was not supported by the results of the present study posited the following: students in the Economic and Management Sciences Faculty are more highly motivated to achieve than students in the Arts and Education Faculties.

## Concluding Remarks

This study investigated the relationship between achievement motivation among black Transkeian university students and several variables, namely

faculty affiliation and socioeconomic status. The findings showed that of these two independent variables, only socioeconomic status is related to nAch. The practical implication of this is that to accelerate the level of employment creation in South Africa, more business start-ups should be encouraged and supported. Perhaps, the government needs to be more involved by creating an environment that will encourage the unemployed to take more risks and develop business ideas and plans in order to make self-employment a more likely career alternative for them. Alternatively, the government could also encourage more entrepreneurship initiatives by providing easy access to funds for small, medium and micro enterprises.

It is also important to note that students from the current study have demonstrated low entrepreneurial abilities as reflected in their nAch scores. This problem could be remedied, *inter alia*, through developing curricula and implementing practical initiatives specifically aimed at socializing them into entrepreneurship programs.

Alternatively, the problem could be approached from the behaviorist's point of view. Need for achievement among these students could conceivably be directly increased through nAch training as McClelland (1976) has done. With their nAch having thus been raised, people would then be motivated to work hard, amass education and wealth, and thus promote themselves to higher socioeconomic levels. It is true, however, that the problem could possibly also be approached from the other side. Perhaps, another way is to assist those illiterate South African citizens to obtain good education.

It is important that more research be done in an attempt to identify more variables associated with nAch. Such variables could either be used as an index of nAch in activities such as entrepreneurship; they could also be manipulated in order to raise the level of need for achievement and consequently the economic well being of both the individuals and the country.

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# Barriers Faced by Historically Underutilized Businesses in Local Public Procurement: An Annotated Outline

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## Introduction

This paper reviews obstacles to participation in local government procurement by small and historically underutilized business. (This paper uses historically underutilized business to refer to new, small minority and female businesses.) The focus of this paper is primarily on local government but many of the same principles apply to state government purchasing as well. The paper does not cover minority business programs (these have been covered elsewhere, including in this journal); however, the issues are of considerable importance to the utilization of minority firms by local governments.

The basic problem this paper addresses is the conflict between inclusiveness and efficiency in public procurement as it relates to different vehicles for procuring goods and services by local government agencies. Inclusiveness is a valid policy objective for many local governments. The perception that hundreds of millions of dollars are routed to a narrow set of preferred vendors is not in many localities a long run political equilibrium, particularly if that set of vendors is demographically homogenous, but the underlying community is not.

Many standard accounts simply contend that purchasing should be “low bid,” or “lowest responsible bidder,” and leave it that.<sup>1</sup> However, low bid rules are simply one subset of the range

of acquisition tools held by purchasing staff. It is worth noting that low bid and open public competition is seldom a hard and fast rule even in the private sector. In other words, low bid rules “fail the market test” because competitive market forces have not pushed for low bid rules as the preferred vehicle of acquisition of goods and services. Instead, there is a broad range of considerations, including price, vendor relationships and buyer convenience drive procurement techniques in the private sector.

The tension between efficiency and inclusivity flows in part from the fact that purchasing staff has a number of incentives to focus their purchases on a few incumbent vendors. The emphasis is on few rather than one. Reliance on one vendor provides that vendor too much leverage in the purchasing process, but too many vendors are difficult to manage. Consequently, a number of procurement consultants advocate “source reduction,” condensing the number of vendors contracted with by local government. These incentives work to the detriment of new and historically under utilized vendors. This paper outlines a variety of circumstances where these obstacles arise.

Public law treats bribery as the principal, if not sole reason, purchasing staff would repeatedly contract with an incumbent vendor. Hence public procurement law and policy documents have extensive ethics, disclosure, and public competition

requirements, particularly in construction. But there are other reasons for vendor entrenchment. The incumbent vendor is a known quantity, with a known profile of deliverable quality and timeliness of performance. Contracting with new vendors may entail some risk and greater time commitment on the part of purchasing staff.

Social and political considerations also come into play. Political operatives may pressure buyers to work with particular vendors. Buyers may seek to develop the basis for future (post employment in the public sector) business relationship with vendors. And purchasing staff also may feel culturally more comfortable with vendors fitting a certain demographic profile.

The “old boy network” behavior of purchasing staff is not simply a principal-agent problem. In other words, buyers, as agents of the principal (local agency management), are not necessarily squandering agency resources to indulge their taste for incumbent vendors. In fact, using an incumbent vendor may facilitate principal objectives when such a procurement strategy results in the same deliverable, adjusted for quality and time of performance, but with lower staffing costs and increased buyer satisfaction.

The essential point of this paper is that different procurement methods permit purchasing staff more latitude in indulging in their preference for incumbent vendors. Entrepreneurs should be well aware of these differences, if only to ask more informed questions at the “Meet the Buyer” sessions that are now a frequent element of local agency outreach efforts to new vendors (although these sessions may well be a result of political pressure).

## Structure of the Paper

Broadly speaking, the types of purchasing and contracting can be divided into goods, construction contracts, and service contracts. The procurement of goods, services and construction<sup>2</sup> is discussed first, followed by a discussion of purchasing issues that cut across procurement types.

The observations in this paper are based on scores of interviews with local procurement staff, review of dozens of procurement policy manuals and statutes, and the review of numerous studies of public purchasing.<sup>3</sup>

## State law and Other Background Considerations

State procurement law sets key parameters for purchasing and contracting by the local agencies. State procurement law impacts primarily on the purchase of goods and construction contracts and provides limited rules for services outside of architecture and engineering. The statutory framework for local purchasing is contained in general purchasing statutes and specific legislation directed at the local agency (in the cases of states that do not have home rule).<sup>4</sup> For example, local agency preferences that interfere with the “lowest responsible bidder” standard for contract award for formal contracts (discussed below) may conflict with state law.

Local purchasing is typically divided between a purchasing department and an engineering department (or alternatively titled building services, real estate department, etc.). The purchasing department makes purchases of goods and services for local agency. The engineering department typically handles the major construction projects or a more comprehensive capital improvement program. In a number of cases a program management firm is hired by the engineering department to run the capital improvement program and has the authority to act as an extension of the local agency engineering department in the management of construction in the areas of schedule development and the procurement of design and construction services.

State law can also determine expenditure approval levels. These approval levels are relevant to vendor marketing strategies for local government. Typically the local agency governing board must approve contracts above a certain dollar amount. Board approval is more difficult to achieve than approval from the agency chief executive or department head. Consequently new vendors have

a higher likelihood of contract award with contracts that do not require board approval.

## Methods of Procurement for Goods

The method of procuring goods can have a significant impact on the participation of newer and/or smaller businesses in government contracting. The type and dollar amount of the good program are prime factors in determining the method of solicitation.

### Formal and Informal Bids

Formal bids for goods generally require public opening of bids and award to the “lowest responsible” bidder. Formal bids are generally advertised publicly and the local agency may post bid opportunities on-line at its web site. Agencies may have a practice or policy of advertising in the minority media as well. State law often restricts purely electronic notification of bid opportunities. While at one time electronic notification was a concern for small businesses, the widespread penetration of computers into the small business community has made Internet access less of a consideration on limiting electronic bid notification.

Informal bids have fewer requirements than formal bids. A local agency generally uses informal methods for purchases below a certain threshold. Informal bids are processed like formal bids, except that they are not opened publicly. Informal bids are typically received by telephone, fax, or e-mail. While agencies do not have to advertise purchases below a certain threshold, an agency may require that a certain number of vendors be solicited. Purchases below a certain threshold do not even require competitive price quotes. Slightly larger acquisitions require competitive written quotations, but may not have to meet the full requirements of formal competitive bidding.

Some informal purchases are decentralized. Local agency departments can make purchases below a certain threshold (typically less than \$1,000) without having to go through the agency purchasing office. Purchases made by department heads are generally made with purchase orders and the vendor bills the local agency directly.

One form of the decentralized informal purchase is the procurement card. A procurement card is a credit card that authorizes expenditures up to some threshold (usually between \$500 and \$3,500). With procurement cards, departments make their own small purchases that are not subject to the contracting procedures of the local agency. Procurement cards are widely promoted by consultants specializing in management reviews of purchasing offices.

Procurement card purchases are hard to track by type of vendor. Participating banks may provide a list to the local agency of procurement card transactions. However, even most minority vendors used by a procurement card program (restaurants, hardware stores, etc.) are unlikely to reside on lists of certified minority firms. Impediments to procurement card tracking make it difficult to impose and report historically underutilized businesses requirements on procurement card purchases. Moreover, given that the procurement card was instituted for buyer convenience, buyers are unlikely to make extra efforts to buy from historically underutilized businesses.

In general historically underutilized business participation in informal contracts is a recurring theme. Vendors have not generally been aware of informal opportunities. It can be difficult for new vendors to have access to purchasing agents or department heads with informal opportunities. The names, telephone numbers and e-mail addresses may not be posted on the local agency web site. Instead buyers may rely on lists of their own construction to solicit vendors, a practice which constitutes a barrier to new firms attempting to compete with established vendors.

### State Contracts, Cooperative Contracts and Piggy-Backing

State contracts are a procurement method of purchasing that allows the local agency to acquire goods and services through established relationships with vendors that have contracts with state or federal agencies. The local agency treats these contracts as publicly advertised competitive bids, although the local agency may use these agreements to negotiate more favorable prices and/or terms and conditions.



Procurement often looks to state contracts first to make purchases. Buying off state contract is considered to be a best procurement practice because negotiation has already been completed. State contracts are particularly appropriate for volume purchases. In some instances buyers (such as local schools boards) may even be required to purchase off of state contract.

In a related technique some state law allows for purchases from any supplier that has furnished the item from a federal agency, state agency, or any political subdivision of the state within the past period when approved by the local governing board. This “piggy backing” exception is generally restricted to certain types of contracts, such as the purchases of supplies, materials, and equipment beyond a certain threshold amount.<sup>5</sup>

Similarly, local agencies may also have cooperative agreements for purchases with other state, local and federal agencies in auto purchases, procurement card transactions, and energy purchases.

The use of state contracts, cooperative contracts and piggy backing can be a timesaving device for agency buyers, but state contracts can also serve as another device to limit the participation of historically underutilized businesses. State contracts and cooperative purchases tend to favor large volume vendors. But there are occasions, particularly in auto purchases, where historically underutilized businesses can match or beat state contract prices in direct procurement. For this reason Fulton County, Georgia, for example, limits state contract purchases for this very reason.<sup>6</sup> At the same time, historically underutilized business vendors are identified as such on state contracts and thus state contracts can in some instances facilitate the utilization of historically underutilized businesses.<sup>7</sup> Consequently, it is critical then that minority entrepreneur to make the necessary effort to register as a state contract vendor.

## Services

State procurement law typically provides fewer constraints on the purchase of services by local agencies. Typically, outside of construction-related services, state procurement law specifies that local agencies use “best business practices” in the procurement of services. The local agency policy often provides that good business practices dictate the uses of competitive quotes/bids where practical. The absence of rules for services makes the procurement of services particularly receptive to negotiated contracts with service vendors.

Service contracts are often procured through Requests for Proposals (RFPs). RFPs allow contracts to be issued based on the best value judgment by the local agency. In general, RFPs are preferred when creating long-term vendor partnerships, and negotiation is important. The local agency may even use RFPs for goods due to their greater flexibility and because of a concern over customer service in contracts awarded solely on the basis of low bid. Between receipt of proposal and award, discussion with vendors may take place to resolve uncertainties in the proposal, advice the vendor of the deficiencies in meeting the agency requirements, allow for resulting price changes, and the like.

The increased use of RFPs raises the bar for historically underutilized business because, as smaller, newer firms, such firms may have less experience with the technical requirements of putting together an RFP package and less clarity on the local agency’s customer service objectives.

Information technology (IT) services have a somewhat different pattern. In the first place IT services are often bundled with equipment purchases. In addition, state procurement law often provides for special procedures for the procurement and lease of telecommunications, data processing, and data communications equipment, supplies, and related services. IT contracts usually are awarded to the “best overall proposal” rather than “lowest responsible bidder.” Concerns over warranties, continuity of service and brand specifications result in technology vendors often

receiving annual contracts with multiple years of renewal. It can be very difficult for historically underutilized businesses to break into IT procurement through the barrier of renewable annual contracts. Some agencies do limit the number of years that a contract can be renewed before being put back out to bid.

Architecture and engineering services also operate under a somewhat different procurement procedure as well. The local agency engineering department almost always manages contract with architects, engineers, and surveyors. State law usually requires that local agencies use a “best qualified” selection procedure under which the local agency announces requirements for architects and engineers, selects firms based on demonstrated competence and qualifications without regard to the firm fee, and negotiates a fair and reasonable fee.<sup>8</sup> State law generally requires that the local agency use a registered architect or engineer when contracting for construction above a certain dollar threshold. In spite of these restrictions some agencies express a preference for small design firms in handling small design projects. Small design firms have a reputation for greater responsiveness for small projects.

## Construction Contracting

Local public sector construction contracting is generally the most heavily regulated area of local procurement. All local construction projects beyond a certain threshold amount (often as low as \$5,000) must comply with formal or informal construction competitive bidding methods. The legal requirement for formal construction bids generally include: public advertising, public opening of the bids, a minimum number of bids, and bid, performance and payment bonds. Formal construction bids may require separate specifications for mechanical (HVAC), plumbing, electrical, and general contracting.

Informal bidding procedures are used for construction contracts between certain dollar levels (e.g., \$5,000 to \$100,000). This size limit is determined by the size of the contract not the size of the project. The legal requirements for infor-

mal construction bids include award to the “lowest responsible bidder” (taking into consideration quality, performance, and the time specified for the performance of the contract) and performance and payment bonds (for contracts beyond a certain threshold).

There are several vehicles for delivering construction services:

- **Separate Prime Bids (Multiprime bidding)** Not all prime categories bid separately and directly to the public agency for mechanical (HVAC), plumbing, electrical, and general contracting.<sup>9</sup>
- **Dual Bids** in the agency can accept separate and single prime bids and award a contract to the lowest responsible single prime bid or lowest responsible separate prime bidders.
- **Construction Management - At Risk** is the construction manager, a licensed general contractor, provides construction management services and guarantees the cost of the project (“Guaranteed Maximum Price”).<sup>10</sup> Project design is contracted for separately. The construction manager publicly advertises for, selects, and contracts with the “first tier” subcontractors directly. The key advantage of this technique is the supervision of construction in the design phase of the project.
- **Single Prime Bids** - There is one prime contractor for mechanical (HVAC), plumbing, electrical, and general contracting, with the prime identifying the subcontractors.<sup>11</sup>
- **Design Build** - An approach to construction in which a single entity provides all of the services necessary to both design and construct the entire project. Design was originally separated from construction because project owners believed that contractors had an incentive to cut corners when they were placed in charge of design. When separated from construction, project owners believed that engineers would provide a more objective approach to project design.

- **Job order contracting** - Essentially an application of competitively negotiated, firm, fixed price indefinite quantity contracts to repair, maintenance, and minor construction work. The job order contract is bid by firms based on pricing from upcoming construction work orders in a Unit Price Book. The Unit Price Book is developed to reflect wages and other construction costs in the area. Each contractor bids on the proposed job order contract by providing a coefficient that includes overhead, profit, and contingent costs. Thus, if a contractor bids 1.5, then each work order in the scope of work and in the Unit Price Book is multiplied by 1.5 for a particular project. Consequently the local agency evaluated each firm on performance and qualifications given the benefit of the fixed price. Upon contract award, the contractor is assigned work orders and paid for each work order based on the multiplication factor provided in the contractor bid. Job order contracting was introduced in the U.S. in 1985 and is used in government contracting at all levels of government.

Local agencies have generally preferred single prime and design-build contracts over multi-prime contracts because of ease, from a project management standpoint, of scheduling and reduction in conflicts between prime contracts. Some observers suggest that the multiple prime bidding is more conducive to historically underutilized business utilization as prime contractors.<sup>12</sup> The Minority Business Enterprise Legal Defense and Education Fund (MBELDEF) have advanced the claim that the broad use of design-build “will substantially curtail meaningful minority contracting.”<sup>13</sup> Interviews with engineering departments and historically underutilized business staff suggest that these different methods do not have a significant impact on historically underutilized business utilization if adequate utilization goals are set, monitored, and enforced.

## General Purchasing Provisions

### Bonding

State law generally imposes some bonding requirements on local contracts. A surety bond is

an agreement under which one party, the surety, guarantees to another, the owner, that a third party, the contractor will perform a contract in accordance with contractual documents. There are three types of contract surety bonds.

The first, the bid bond, provides financial assurances that the bid has been submitted in good faith and that the contractor intends to enter into the contract at the price bid and provide the required performance and payment bonds.<sup>14</sup>

The second, the performance bond, protects local agency from financial loss should the contractor fail to perform the contract in accordance with the terms and conditions of the contract documents. Performance bonds are generally required for construction alteration or repair of public buildings or other public works.<sup>15</sup> Evidence of performance security must also be submitted on behalf of the bidder and all subcontractors.<sup>16</sup>

The third kind of contract bond is the payment bond. The payment bond guarantees that the contractor will pay certain subcontractor, labor, and material bills associated with the project. For some states the contractor must either agree to payment bonds<sup>17</sup> or provide for partial payments once a month.

State law generally sets limits on when bonds are required. Typically bonds are not legally necessary, but may be required on supply, service contracts and construction contracts above a certain dollar threshold. Often there is no clear policy on waivers on contracts for which bonds were not legally required. It is not unusual for agencies to require bonds if the agency has no past experience with a contractor but to waive bonds if the contractor has a track record with agency.

At the same time small firms face a dilemma with bond waivers. On the one hand if the bond is not waived firms may not meet the qualifications for contract award. On the other hand if the bond is waived the firm may fail to build up a track record with bonding companies that allows them to be bonded for larger contracts.

## **Specifications**

Narrowly restrictive specifications, and/or the use of brand names, can serve to restrict competition and limit the participation of historically underutilized businesses. For example, a roofing firm might be licensed in one product but not another. It may, in fact, be straightforward to obtain the additional license. The problem with roofing licenses is that they are distinct for different products, yet at the same time it is straightforward to obtain the additional license. Vendors would be deemed non-responsive for not having the specific license.

The use of brand name specification has been known to generate litigation. There is state procurement case-law to the effect that bid specifications should provide for broad competition.<sup>18</sup>

For example, under New Jersey state law formal bid specifications cannot impose restrictions not directly related to the purpose and function of the contract; require furnishing a brand name; or knowingly exclude prospective bidders by making it impossible for any but one bidder.<sup>19</sup> And many local procurement policy manuals require that specifications use “brand names or equal” and not brand name only.

## **Contract Bundling**

The bundling of smaller contracts into larger contracts raises certain dilemmas for purchasing staff in general. On the one hand, monitoring and inconsistent service across multiple vendors is a problem with breaking up contracts into smaller units (contract sizing). On the other hand, contract bundling can limit the utilization of historically underutilized and small businesses.<sup>20</sup> For example, it may be difficult for historically underutilized businesses to bid on an entire parking lot project, but historically underutilized businesses can bid on snow removal, fencing repair, cleaning, and line painting. Similarly, many historically underutilized businesses may be in the position to bid on contracts for one facility, but may not be in the position to bid on a contract covering all agency facilities. And many small prime contractors are relegated to subcontractor status when contracts are bundled. Because of these problems the federal Office of Management and Budget has actually proposed that the federal government use a cost benefit analysis to justify contract bundling.

## **Sole Source and Emergency Procurement**

A sole source contract is an award of a contract for a good or service, or for construction to the only known source for the required good, service, or construction. State law generally provides that for contracts over a certain threshold a waiver of competitive bidding justifying sole source procurement usually must be approved. Sole source procurement can be a vehicle for limiting the utilization of historically underutilized vendors in government purchasing and continuing to use incumbent vendors even where competition would result in more favorable pricing for local agency.

State law usually provides that sole source purchases are made when the product is attainable from only one source; when competition is not available; for over-the-counter resale; for equipment already installed and additional equipment is desired; when there are rapid price fluctuations; when standardization or compatibility is the paramount consideration; when there are intellectual property restrictions; for licenses or other compliance restrictions; for certain utilities, equipment, and services of a highly technical nature; for parts and components for equipment specifically designed by the manufacturer; when competitive bids are solicited and either no responsive bid was received or only a single responsive bid received and that was rejected; for security purchases; for subscription services; for emergency purchases; and for brand name purchases where appropriate.

Emergency procurement, a subset of sole source procurement, is also generally exempt from state competitive bidding rules.<sup>21</sup> State procurement law generally requires that emergency means a present, immediate, and existing condition involving the health and safety of people and property. Procurement case law has usually interpreted the statutory requirements for emergency procurement narrowly.<sup>22</sup>

Nevertheless, emergency procurement can be abused and serve as a vehicle for circumventing standard procurement rules. Procurement staff discretion in categorizing an event as an emergency can be a vehicle by which procurement staff direct contracts to favored vendors.

## **E-Procurement**

The local agencies are increasingly using the Internet for posting bids and identifying vendors. An e-procurement system may include state agencies, local educational authorities, universities and community colleges, and local school boards. E-procurement system can perform vendor registration, requisitions, notification of suppliers, quote response for informal bids, payment initiation, and update records electronically. Some states project purchasing all goods through a procurement system. Suppliers are currently responsible for a marketing fee (1-2 percent) per purchase order. Delinquency in registering and participating in procurement systems can limit the participation of historically underutilized businesses in local government procurement.

## **Insurance**

Insurance requirement costs, like bonding costs, can serve as a barrier to the utilization of historically underutilized businesses. Owner-Controlled Insurance Program (OCIP) is a form of wrap-up insurance under which the local agency can provide various types of insurance coverage to contractors and subcontractors. In general, OCIPs can reduce an owner's project costs by an average of 1 to 2 percent, compared to traditional insurance products. OCIPs can facilitate the participation in of historically underutilized businesses in public construction by lowering insurance costs for vendors.

## **Vendor Relations**

### **Vendor Sourcing**

Local agencies vary in the quality of their vendor or bidder files in ways that have a significant impact on vendor opportunities. There is a bias towards incumbent vendors when the only vendor files are based on an accounts payable list from a finance department. A better system is a complete vendor file with electronic notification of vendors (by commodity code) most likely to respond to solicitations. On some occasions local agencies rely on the state vendor system in place of its own vendor system based on its completeness and relative sophistication of its underlying database

infrastructure. Thus, it is important for historically underutilized firms to register on state vendor lists even if they are not seeking contracts with state agencies.

On the negative side of vendor sourcing, firms may be placed on vendor "watch lists" based on previous contract performance. These watch lists often exist but are not public information. Consequently vendors may be effectively barred from participation in forthcoming projects without being aware of it. This problem can be compounded by onerous, (and some would allege, subjective) inspection requirements for construction contracts.

### **Prompt Payment**

Prompt payment of vendors has been a standard problem for small and/or new vendors who are effectively barred from public procurement due to their inability to finance the lengthy payment cycles of local governments. Some delay in payment to vendors is due to agency inefficiency, some is due to the fact that checks under a construction bond program are issued by another agency (often the case with school boards and counties), and some prompt payment difficulties are due to delays in payment by prime contractors to subcontractors.

Some states require subcontractors to be paid within seven days of payment of the prime contractors. Subcontractors can charge a monthly fee for delays beyond that.<sup>23</sup> In addition some states requires that the percentage retainage held by prime contractors of subcontractor payments not exceed the percentage retainage held by project owners of prime contractor payments. Failure to meet this requirement is grounds for contract termination.<sup>24</sup> Finally, local agency may occasion pay subcontractors directly to mitigate cash flow problems.

## Conclusions

While there are numerous classes on how to bid and how to do business with an agency, the published materials for these seminars often neglect to identify the nuances of public procurement, particularly in the areas of goods and services for which buyers have greater latitude in their selection of procurement instruments. These classes may not specify the procurement areas where large and incumbent vendors are entrenched at an agency. Procurement staff are unlikely to admit in a public forum that contract bundling is hurting small firms or that emergency procurement is being abused. It is useful for entrepreneurs seeking public sector opportunities to identify the particularities of an agency purchases and adjust their marketing strategies accordingly. Ideally, entrepreneurs should not only review agency procurement web sites but also collect agency procurement reviews and disparity studies. Often these studies, which should be public documents under the respective state open records statutes, highlight problem areas in the inclusiveness of local procurement. But at the same time some of these management reviews of purchasing operations may also encourage new procurement instruments that promote efficiency at the expense of inclusiveness, such as source reduction and the use of state contracts. In this context new firms should pay particular attention to identifying way of securing informal contract opportunities, getting and staying on vendor lists actually used by buyers, participating in bundled contracts, and getting on state contracts.

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- 1 See, for example, Richard Epstein, *Forbidden Grounds*, 1992, at 429-33.
- 2 Lease-purchases are generally handled in the same fashion as purchases. Leases and rentals are treated the same as services, that is, competition should be solicited where deemed appropriate.
- 3 See, for example, Mescon Group, DeKalb County Government Purchasing and Contracting Organizational Improvement, November 2, 2000; MGT of America, Metro Government of Nashville and Davidson County, Procurement System Review, Spring 2002; New Jersey Small Business Assistance, Overview of Public School Contracts Law, 2001; Michael and Mary Lu Harding, *Purchasing*, 1991; Franklin Lee, *The City of Charlotte: A Review of Current City Contracting and Procurement Practices with Recommendations for Enhancing Small Business Participation*, November 19, 2002; Southern Center for Public Policy Studies, *Review of Fulton County Procurement Policies Towards Small Business*, 2002; Frayda Bluestein, *A Legal Guide to Purchasing and Contracting for North Carolina Local Governments*, Institute of Government, 1998. Interviews took place with over seventy agencies in twelve states (Florida, North Carolina, Tennessee, New Jersey, New York, Michigan, California, Arizona, Georgia, Missouri, Texas and Pennsylvania).
- 4 In states where there is no home rule local governments need specific legislative authorization to act. This also serves as a constraint on crafting remedies to exclusiveness in local purchasing.
- 5 In North Carolina piggybacking purchases must be on terms at least as favorable as the previous contract and be the result of contracts awarded by a "substantially similar" formal public bid process. See, for example, North Carolina General Statutes §143-129(g).
- 6 Southern Center for Public Policy Studies, *Review of Fulton County Procurement Policies Towards Small Business*, 2002.

7 North Carolina, New Jersey, New York and Florida, amongst others, identify minorities on state contract.

8 See, for example, North Carolina General Statutes €143-64.31-34.

9 See, for example, North Carolina General Statutes €143-128(b).

10 See, for example, North Carolina General Statutes €143-64.31.

11 See, for example, North Carolina General Statutes €143-1 28(d1).

12 Franklin Lee, *The City of Charlotte: A Review of Current City Contracting and Procurement Practices with Recommendations for Enhancing Small Business Participation*, November 19, 2002.

13 MBELDEF, "The Design-Build Approach To Construction: A 'Time-Bomb' That Can Harm Minority Contracting Efforts," *Vanguard Online*, April 12, 2002.

14 See, for example, New Jersey Statutes Annotated 1 8A:1 8A-24.

15 See, for example, New Jersey Statutes Annotated 2A:44-143 et seq.

16 See, for example, New Jersey Statutes Annotated 1 8A:1 8A-1 8b.

17 See, for example, New Jersey Statutes Annotated 18A:18A-40.1

18 See, for example, *Sperry v Patterson*, 73 NC App 123 (1985).

19 New Jersey Statutes 1 8A:1 8A-15.

20 For example, a study of federal contracting found that for every 100 bundled contracts, 106 contracts were lost to small businesses; and for every \$100 awarded under a bundled contract, small businesses lost \$33 in revenue. Jason Miller, "How OMB Will Limit Contract Bundling," *Government Contracting News*, October 30, 2002.

21 See for example, North Carolina General Statutes €143-129(a).

22 See e.g., *Raynor v. Louisburg*, 220 NC348 (1941).

23 See, for example, North Carolina General Statutes €143-134.1 (b) (1 percent fee).

24 See, for example, North Carolina General Statutes €143-134.1.

# Entrepreneurs' Perception of Policy in the South African Context

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## Abstract

This research investigates the South African entrepreneurs' perceptions of policy obstacles in doing business. A total of 325 entrepreneurs from different industries are provided a list of 15 areas where the firm is confronted with government action and are asked to evaluate the degree to which these areas create obstacles for doing business. Differences in the perceptions of the policy areas will be measured between entrepreneurs based on gender, age and ethnicity using t-tests and ANOVAs. A factor analysis is also performed on the 15-item scale. Overall findings are then discussed and applicable lessons and policy recommendations are then presented.

## Introduction

There are strong reasons to believe that productive entrepreneurship is an essential explanatory factor for the economic performance of a country (Davidsson and Henrekson, 2000). The promotion of SMEs has hence become an important strategy for economic development for most countries. It is interesting to note that despite differences in the institutional environments, entrepreneurs still flourish.

In identifying key institutional determinants of firm emergence and growth, Davidsson and

Henrekson (2000) looked into a number of institutions and policy measures that are likely to have contributed to an environment that discourages firm activity and growth. The aspects dealt with include: missing arenas for entrepreneurship in the care and sectors and for household related services, taxation of entrepreneurial income, incentives for wealth accumulation, wage-setting institutions and labor market regulations. The investigation provides evidence of a low prevalence of nascent entrepreneurs and a small employment contribution by high growth firms.

Entrepreneurs may be discouraged from starting a business if they have to adhere to an excessive number of rules and procedures. The level of procedural requirements for registration and licensing, taxes, and financial reporting may either facilitate or hinder entrepreneurial activities. Research shows that most small businesses consider paperwork very time consuming and cumbersome (Dana, 1987, 1990; Young and Welsch, 1993; Fogel, 1994). Countries that keep procedural requirements to a minimum generally have a viable and dynamic entrepreneurial sector. Research also shows that tax and other start/up incentives have a positive impact on small business establishments and growth.

The main purpose of this study is to determine the policies perceived as obstacles by entrepreneurs in South Africa. This paper will deal only



with the government-business interface. The perceived quality of government action in different fields is this paper's main thrust.

## Problem Statement

To date, there have been few studies that have evaluated the institutional environment surrounding SMEs. It is also important to note that in this study, the entrepreneurs themselves will be asked to evaluate the institutional environment. In order to be effective in promoting and developing SMEs, it is important to evaluate the institutional environment from the point of view of the main actor - the entrepreneur.

In a world-wide study of institutional environments, a World Bank policy team (Brunetti, Kisunko and Weder, 1997) surveyed more than 3,600 entrepreneurs from 69 countries and developed five quantitative indicators of institutional uncertainty: predictability of laws and policies, reliability of the judiciary, political stability, corruption in bureaucracies, and security of property rights. They found out that uncertainty about policies, laws and regulations has hampered development of the private sector in many developing countries.

## RESEARCH METHODOLOGY

### Instrumentation

The complete World Bank questionnaire contained 25 questions. This paper will deal with only one aspect of institutional obstacles specifically the government-business interface. This section provided the respondent a list of 15 areas where the entrepreneurs are confronted with government action and asks them to evaluate the degree to which these different areas create obstacles for doing business.

### Data-Gathering Procedure

Data for the analysis was collected from 325 entrepreneurs in Durban, the largest city in the province of KwaZulu-Natal, South Africa.

Entrepreneurs were requested to fill in a structured survey instrument to ensure reliability and validity in responses obtained. The sample was selected from entrepreneurs from the three dominant ethnic groups in the region: African, Indian and European.

Because a lot of ethnic businesses are still operated in areas dominated by specific ethnic groups, research assistants from the same ethnic group as the respondents were used. This methodology was utilized by Ram (1991; 1994) in his studies conducted in England, who rationalized that having interviewers with the same ethnic background led to more access and acceptance by the respondents.

Research assistants were instructed on how to distribute and collect the questionnaire. They were instructed to point out that only the entrepreneurs themselves should answer the questionnaires. Before leaving the premises of the firm, the research assistant ensured that all questions were answered. This method of data collection provided for a higher response rate and fewer blank replies to questions.

## Discussion of Results

The following table presents the comparative results of perceived policy obstacles. T-test and analysis of variance has been performed in order to determine whether there were significant differences in the perceptions of the respondents on the policy obstacles if they were grouped according to gender, age and ethnic group.

The t-test results indicate that when the sample is categorized according to gender there are differences in the perception of policy obstacles in only two areas: tax regulations and crime and theft. Male entrepreneurs tend to perceive these two policy areas as more difficult when compared to their female counterparts. It is also interesting to note that the top three policy obstacles cited by male and female entrepreneurs are the same (i.e. crime and theft, tax regulations and inflation) although the order of perceived difficulty is different. Male entrepreneurs significantly differ

**Table 1:**  
Comparative Results of Perceived Policy Obstacles (Based on Gender, Age and Ethnic Group)

Policy Area	Gender		t-test	Age					Ethnic Group				
	M	F		1	2	3	4	5	F	Afr	Ind	Eur	F
Start-up regulations	2.47	2.52	-0.275	3.08	2.44	2.58	2.59	1.53	3.133#	2.64	2.24	2.65	2.168
Price controls	2.71	2.88	-0.949	3.13	2.79	3.12	2.49	2.05	3.077#	2.85	2.58	2.92	0.953
Foreign trade regulations	2.87	2.79	0.433	3.38	2.93	2.73	2.75	2.89	1.277	3.11	2.67	2.74	2.641#
Financing	2.83	2.95	-0.675	3.93	3.02	2.87	2.67	2.00	6.576*	3.42	2.35	2.90	10.245*
Labor regulations	3.32	3.06	1.343	3.72	3.11	3.10	3.12	3.82	1.899	3.39	3.28	3.00	2.235
Foreign currency regulations	2.67	2.77	-0.465	2.94	2.72	2.76	2.73	2.84	0.118	2.93	2.48	2.77	2.116
Tax regulations/high taxes	3.77	3.25	2.699*	3.54	3.08	3.71	3.76	3.84	2.020	2.97	4.20	3.56	12.252*
Inadequate infrastructure supply	2.51	2.72	-1.174	2.85	2.90	2.55	2.59	2.33	1.016	2.99	2.15	2.71	7.820*
Policy instability	2.51	2.53	-0.112	3.03	2.69	2.41	2.52	2.28	1.542	2.82	2.18	2.64	4.770*
Safety/env't regulations	2.88	2.77	0.606	3.03	3.03	2.67	3.02	2.25	1.466	2.84	2.82	2.91	0.247
Inflation	3.61	3.7	-0.491	3.91	3.23	3.89	3.41	3.86	2.156	2.91	3.95	4.19	13.105*
General uncertainty on cost of regulations	2.81	3.11	-1.479	3.60	3.03	3.01	2.87	2.06	2.977#	2.94	2.61	3.41	4.584*
Crime and theft	4.17	3.54	2.822*	4.06	3.53	3.98	4.13	4.55	1.504	3.18	4.40	4.30	9.966*
Corruption	3.28	2.93	1.525	3.86	3.22	3.15	3.16	3.23	1.068	3.24	2.96	3.36	1.691
Terrorism	2.42	2.57	-0.697	3.36	2.86	2.09	2.52	2.37	3.993*	3.23	1.91	2.15	12.574*

Legend:

M = male, F = female

1 = 21 to 30, 2 = 31 to 40,

3 = 41 to 50, 4 = 51 to 60, 5 = 61-70

Afr = African, Ind = Indian,

Eur = European

\* - significant at  $\alpha = 0.01$ ;# - significant at  $\alpha = 0.05$

(when compared to female) in their perception of tax regulations and crime and theft and have identified these areas as more problematic. Females however perceived that 9 out of the 15 policy areas as more difficult to deal with when compared to their male counterparts.

When categorized according to the respondent's age, the ANOVA results show that there are significant differences in the perception of policy obstacles in five of the 15 areas considered: start-up regulations, price controls, financing, general uncertainty on cost of regulations and terrorism. In general, younger respondents (ages 21 to 30) tend to view the policy obstacles in a more negative light compared to their more senior counterparts (except for tax regulations and crime and theft). Generally, the top three policy obstacles indicated by the different age groups are: crime and theft, inflation, and tax regulations. The ANOVA results denote that there are significant

differences in the perceptions of the respondent entrepreneurs when they are categorized according to ethnic group in more than half of the policy areas (i.e. foreign trade regulations, financing, tax regulations, inadequate infrastructure supply, policy instability, inflation, general uncertainty on cost of regulations, crime and theft and terrorism). The top three policy obstacles named as problematic by the Indian and European entrepreneurs are the same (i.e. crime and theft, tax regulations and inflation), although the order is different, while the African entrepreneurs mentioned foreign trade regulations, financing, inadequate infrastructure supply, policy instability and terrorism as the policy areas they experience most difficulty with.

A factor analysis was also performed to determine whether the 15 policy areas can be reduced into lesser but more meaningful sets of categories. The completed rotated factor matrix is shown in Table

**Table 2:** Rotated Factor Matrix for Policy Areas

Item	Policy Instability & Bureaucracy	Economic Policies	Crime & Inflation
Inadequate infrastructure supply	0.766		
Terrorism	0.732		
Policy instability	0.676	0.417	
Financing	0.656		
Corruption	0.626	0.539	
General uncertainty on cost of regulations	0.554	0.404	0.367
Price controls	0.357	0.739	
Foreign trade regulation	0.731		
Start-up regulation	0.414	0.663	
Foreign currency regulations	0.659		
Labor regulations	0.568	0.474	
Tax regulations	0.597	0.555	
Crime and theft	0.863		
Inflation	0.728		
Safety and environmental regulations	0.378	0.434	
<b>Eigenvalue</b>	<b>6.872</b>	<b>1.476</b>	<b>1.170</b>
<b>Cronbach's Alpha Coefficient (—)</b> <b>(Overall 0.9122)</b>	<b>0.863</b>	<b>0.851</b>	<b>0.716</b>
<b>Percent of Variance Explained</b> <b>(Total 63.459%)</b>	<b>45.814</b>	<b>9.842</b>	<b>7.802</b>

Extraction Method: Principal Components Analysis. This table is based on Varimax Factor Rotation with Kaiser Normalization

2, which also shows specific factor eigenvalues, alpha coefficients, and the percentage of total variance that each factor accounts for. As can be seen from the table, a number of items loaded onto more than one factor. For the purposes of interpretation, only factor loadings greater than 0.350 have been shown in the table, and the highest loading of each variable has been identified and used in the labeling of the factors.

The decision to have three factors is based on the Kaiser criterion which specifies that the factors should be greater than 1.0 (SPSS, 1990; 1999). The eigenvalues range from 1.170 to 6.872. Factor 1 (policy instability and bureaucracy) contributes a variance of 45.814 percent, followed by factor 2 (economic policies), which contributes 9.842 percent of the variance, while factor 3 (crime and inflation), explains 7.802 percent of the variance. The total cumulative variance explained by the three factors is 63.459 percent.

Item analysis was also performed on the data. The Cronbach's alpha coefficient ( $\alpha$ ) was calculated to determine the internal consistency of the items on the scale. The alpha value for the entire problematic policy areas scale was found to be 0.9122, which indicated that the internal consistency was very high. Cronbach's alpha coefficients for each factor of the scale were as follows: factor 1 = 0.863, factor 2 = 0.851, and factor 3 = 0.716.

The three factors identified in the factor analysis are:

#### **Factor 1: Policy Instability and Bureaucracy**

This factor had six item loadings ranging from 0.554 to 0.766 and included items such as inadequate infrastructure supply, terrorism, policy instability, financing, corruption, and general uncertainty on cost of regulations. This factor related to the entrepreneurs' perception on the ease of dealing with government (corruption), and the ease of obtaining much needed resources such as financing and infrastructure as well as terrorism. It also dealt with the perceptions on the stability of government policies and uncertainty on cost of regulations. Entrepreneurs prefer

environments with very little bureaucracy and corruption and high levels of stability in the policies and regulation.

#### **Factor 2: Economic Policy**

This factor had six item loadings ranging from 0.597 to 0.739 and included items such as price controls, foreign currency regulations, foreign trade regulations, start-up regulations, labor regulations and tax regulations. This factor corresponds to entrepreneurs' perceptions of the basic economic policies. This factor emphasizes that entrepreneurs consider economic policies as important and critical in their decision to start their business. Economies that are based on free competition and minimal government intervention tend to be perceived as favorable by entrepreneurs.

#### **Factor 3: Crime and Inflation**

This factor had three item loadings and included the following items: crime and theft, inflation and safety and environmental regulations. The component loadings ranged from 0.863 to 0.434. This factor indicates that entrepreneurs are more inclined to start their businesses if they feel secure enough that the government can protect their property and person. The factor also indicates that entrepreneurs consider the current status of an economy before making a decision to invest in a business or not.

## **Conclusion and Recommendations**

This study seeks to determine the policies perceived as obstacles by entrepreneurs in South Africa. The entrepreneurs were asked to evaluate from a list of 15 policy areas which ones were most problematic for them.

The findings show that regardless of how the entrepreneurs are classified, there are common obstacles encountered. The top three (3) policy areas perceived as problematic were crime and theft, tax regulations, and inflation. The results also indicate that when the sample is categorized according to gender, age as well as their respective ethnic group, differences in the perceptions of

problematic policy areas emerge. Female entrepreneurs generally perceive more problematic policy areas than their male counterparts. Young entrepreneurs (21 to 30) also perceived more policy areas as difficult when compared to older entrepreneurs. The oldest entrepreneurs however, indicated that labour, tax regulations and crime and theft were most problematic when compared to entrepreneurs younger than them. African entrepreneurs on the other hand perceived the most number of problematic policy areas followed by Europeans and Indians.

Based on the results of the study it is important to point out that there should be an open channel of communication between the entrepreneurs and the government. If the government shows its willingness and sensitivity to hear the entrepreneurs' problems, the more open the entrepreneurs will be in giving suggestions.

The government must look into reviewing its current policies and revise it if necessary to make it more conducive to the needs of the entrepreneurs as well as encourage other individuals to follow the same path. Overall the following policy areas have been cited by the sample as problematic policy areas: crime and theft, inflation, and tax regulations. As can be seen, entrepreneurs in South Africa feel that the government is not addressing the problem of crime and theft.

The government needs to ensure that the law is enforced and that justice is served swiftly and fairly. This is the only way people will start changing their negative perception of South Africa. The government has been doing a good job in improving the economic situation of the country. Inflation rates have improved over the past few months and there seems to be a more positive outlook towards the future of the economy. The government can however, look at examining the current tax regulations and see how it can be adjusted to help budding entrepreneurs. Perhaps

having incentives such as tax holidays, tax credits, additional deductions for labor expenses, tax and duty exemptions on imported capital equipment or spare parts, or exemptions from export taxes, duties or fees could support start-ups as well as encourage more people to invest in the country.

Lastly, it is important to note that young (age 21 to 30) and African entrepreneurs indicated that financing is a problematic area for them. Perhaps the government can create innovative and accessible programs that young and previously disadvantaged entrepreneurs can utilize. Any efforts must be complemented by effective information dissemination, as this is critical to the overall success (in terms of usage) of the program. Procedures, requirements as well as terms for using the program must also be reasonable. In terms of future research, it would be useful to conduct a nationwide study, which will be able to make the results more generalizable to the population. Cross-country studies with other African countries will also indicate what needs to be enforced in terms of policy changes that will help improve the start-up conditions of small firms in similar or dissimilar institutional contexts.

For future research it would also be interesting to relate these perceived policy obstacles to success and/or failure rates of businesses. It will also be noteworthy to study these perceptions and relate them to informal institutional factors such as culture, beliefs and attitudes towards entrepreneurship and ultimately how they can affect enterprise formation.

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# The Black Farmers Settlement: The True Cause of the Struggle

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## Introduction

The Civil Rights struggle of the new millennium for African-Americans is considered by many to be the struggle of attaining economic justice and equality in the United States. Kwesi Mfume, President of the NAACP, has declared throughout the country that integration into the world of business and economics is the primary issue around which the next movement should be organized. This means better jobs, full employment, sharing in the wealth, and in the growth and development of small and large black owned businesses. At the same time, we have attempted to focus our attention on these important economic indicators of prosperity within the black community; we have witnessed a decline in a historically important component of the black business sector - the black farmer.

This research paper examines the implications of the black farmers' recent settlement on African-American entrepreneurship. The intent of the research is to understand the true impact of the settlement on the status of black entrepreneurs who happen to be farmers. Both the dollar and non-dollar effects of the settlement are examined with respect to its impact on the farm community nationwide, and in particular, on Mississippi. This paper begins with a summary of the historic court case that settled the racial discrimination suit brought by black farmers. A presentation of the trends in the decline of black farmers in the United States follows. Next, the current status of

the settlement is discussed with respect to the dollar settlement figures and various issues related to the settlement. Major concerns and key points are drawn from the data, as well as from interviews and previous studies conducted regarding the causes of the decline of black farmers and impact of the settlement. Finally, recommendations are made to address the outstanding issues that the settlement neglected to address.

## Research Approach

The approach to understanding the impact of the settlement involved several steps. First, a copy of the settlement agreement and terms in the Pigford vs. Veneman (formerly Glickman) case that resolved the black farmers racial discrimination suit against the Department of Agriculture was collected and reviewed in depth. Secondly, previous studies and reports documenting trends in farming enterprises owned and/or operated by African-Americans and issues related to their decline in the United States and the South were collected and reviewed. Comparative data was obtained and compiled from the U.S. Bureau of Census reports to further objectify the decline in farming ventures that were owned or managed by blacks as compared to whites during the periods of time specified in the farm settlement. Interviews were conducted with representatives from the Southern Land Cooperative, black employees of the Department of Agriculture in Mississippi and other farm advocacy organizations regarding the

decline in black farmers. Finally, the experiences of five black farmers in Mississippi who were adversely impacted by this type of discrimination during the period of 1981-1996 are presented.

## Pigford vs. Veneman

The Report of the Civil Rights Action Team of the U. S. Department of Agriculture cited one of the primary reasons blacks lost land was because of the discrimination and discriminatory practices by the USDA (USDA 1997). In 1990, the Farmers Legal Action Group filed the first lawsuit against the federal government on behalf of all black farmers with the assistance of the Federation/Land Assistance Fund (Federation of Southern Cooperative 1998). In 1997, the USDA held listening forums to hear minority farmers. The USDA's Civil Rights team developed 92 recommendations designed to end discrimination within the USDA. A second lawsuit was filed in 1997 against the federal government on behalf of black farmers (Federation of Southern Cooperative 1998).

In 1999, the United States District Court for the District of Columbia issued a consent decree in the case now known as Pigford vs. Veneman, formerly Glickman (Pigford versus Veneman, 1999). The plaintiffs in the class action suit claimed that the United States Department of Agriculture discriminated against African-American farmers on the basis of race and failed to investigate and/or properly respond to their complaints of discrimination in the USDA farm credit and non-credit benefit programs. As a result, plaintiffs were consolidated and settled together. Plaintiffs agreed on a settlement under both cases. The class covered by the settlement is defined as follows:

- All African-Americans who farmed or attempted to farm between January 1, 1981 and December 31, 1996,
- Applied to the United States Department of Agriculture during the time period for participation in a federal credit or benefit program, and
- Who believed they were discriminated against on the basis of race in the USDA's response to that application, and

- Who filed a discrimination complaint on or before July 1, 1997 regarding the USDA's treatment of such farm credit and the benefit program. (Pigford versus Veneman 1999)

African-American farmers fitting this definition of the class were given an opportunity to obtain relief for any associated discrimination that they could prove they experienced. Additionally, it gave others an opportunity to withdraw from the settlement and pursue individual claims. Plaintiffs who sought relief were required to provide information about themselves, including reasons they believe they were victims of discrimination, when they filed complaints about that discrimination. (Pigford vs. Veneman, 1999). Plaintiffs were asked to choose relief under two alternate tracks. Track A involved an adjudication process and Track B involved an arbitration process.

Track A claims were decided by a neutral adjudicator without an oral hearing, and were based solely on the claim of the package that the class member submitted along with materials submitted by the USDA. Class members choosing Track A were required to show substantial evidence that they experienced discrimination in a USDA credit or benefit program between the time period of January 1, 1981 and July 1, 1997. The substantial evidence in Track A required a lower burden of evidence than that required in Track B. Class members winning favorable decisions under Track A would receive a discharge of all outstanding debts to the USDA that was affected by the discriminatory conduct they experienced, a cash payment of \$50,000, and an additional payment made directly to the IRS equal to 25% of the sum of the principal amount of debt forgiven and the \$50,000 (Pigford versus Veneman, 1999).

Under Track B, oral hearings were held with an arbitrator and afterwards class member's claims were decided. The class members would be required to show a preponderance of evidence in an oral hearing, not to exceed eight hours. Both the class member and the USDA were required to show evidence. It was required that the evidence demonstrate that the class member experienced discrimination in the credit or benefit program,



that as a result the member suffered economic damage, and that the farmer had filed a complaint of discrimination with the USDA between January 1, 1981 and December 31, 1997. This burden of proof was much higher than that under Track A's substantial evidence requirement. Class members succeeding under Track B were entitled to a cash payment equal to their actual damages, and forgiveness of all outstanding USDA loans that were affected by discriminatory conduct. Class members would not be entitled to appeal if they did not prevail under Tracks A or B. Relief such as the return of inventory, property, and priority consideration for future loans, would become available for class members who prevailed, as additional declaratory and injunctive relief. The African-American farmers who decided to withdraw from these avenues of relief and pursue claims independently against the USDA were required to complete and submit a "Request for Exclusion" form (Pigford versus Veneman, 1999).

## Decline In Farming

In order to fully understand and appreciate the seriousness in the decline of black farming, it is important to examine the magnitude of the decline that occurred both prior to and during the years of the alleged discrimination. Black farmers have never accounted for more than 14% of the total number of farmers in the United States. Between 1920 and 1982 the number of black farmers dropped from 925,710 to 33,250 (Banks, 1986). During the same period, the average size of the farms dropped from 104 acres in 1900 to 51 acres in 1982. By 1982, more than 90% of the 33,000 black farmers were located in the South (Banks 1986). Almost half of the farms owned or operated by blacks were less than 50 acres in size and earned less than \$2,500 in sales annually. As compared to the national average of 440 acres per farm in 1982, black farmers possessed an average of 100 acres (United States Department of Commerce 1984).

Individuals who engaged in farming as a full-time business and who both owned and operated the farms accounted for 61% of the total number of black farmers (Department of Commerce 1984).

Due to the lack of income generated by farming, many required non-farm employment. Many of those lacked skills and were in age groups that found it difficult to secure such employment. About 45% of the farmers specialized in livestock. Cash grains were a distant second at 20.7%. 80% sold less than \$10,000 in agricultural products (Department of Commerce, 1984).

The Pigford versus Veneman suit covered a period of discrimination beginning January 1981 to December 1997. The continuation in the serious decline of numbers of African-Americans engaged in farming in relation to all farmer during the period covered by the Pigford case can be seen by examining Census data reported for the 1982-1997 period, a period that roughly coincides with the time period of the alleged discrimination in the Pigford case. Table 1 presents both the total numbers of farmers in the United States and the total number of African-Americans engaged in farming during the period of 1982-1997.

While the decline in the total number of farms exists, decreasing from 2,240,978 in 1982 to 2,087,759 in 1987, and representing a 7% decline, the decline in farms owned or operated by black individuals fell from 33,250 to 22,954 during that same time period, representing a decline of 31%, which is four and a half times greater than the decline of the total number of farms. Similarly, declines from 1987 to 1992 are twice as large for black farmers as compared with the total number of farms. Although overall declines from 1992 to 1997 are considerably reduced, the total number of farms-to-black-farm decline ratio, is still one-to-two.

**Table 1:**  
Total and Black Farmers in U.S.

Year	Total	% chg	Black	% chg
1982	2,240,978	---	33,250	---
1987	2,087,759	-7	22,954	-31
1992	1,925,300	-8	18,816	-18
1997	1,911,859	-1	18,451	-2

Source: U.S. Bureau of Census 1982, 1987, 1992, and 1997

The decline in the number of farms owned and/or operated by blacks in Mississippi is greater than the national declines in numbers for total and black farmers. Table 2 represents changes in the total number of farmers and in black farmers in Mississippi from 1982 to 1997. In 1982, the total number of farmers in Mississippi was 42,415; the number of blacks who were farmers was 4,802. Accordingly, the total number of farmers declined by 20% from 1982 to 1987, but the decline among black farmers for the same period was 37%. The decline in black farmers from 1987 to 1992 was three times greater than was the decline in the total number of farmers for the same period, and was seven times greater for the 1992 to 1997 time frame.

From 1982 to 1997 (a period roughly overlapping the discrimination settlement period), both nationally and in the state of Mississippi, black farmers declined at rates substantially higher than did their white counterparts.

**Table 2:** Total and Black Farmers in Mississippi 1982, 1987, 1992, and 1997

Year	Total	% chg	Black	% chg
1982	42,415	---	4,802	---
1987	34,074	-20	3,016	-37
1992	31,998	-6	2,481	-18
1997	31,318	-3	2,141	-14

Source: U.S. Bureau of Census 1982, 1987, 1992, and 1997

## Current Status of Pigford vs. Glickman

In 1982, the United States Department of Agriculture's Civil Rights Action Team published a report stating that the primary source of loss of land owned by blacks is the United States Department of Agriculture (USDA, 1997). USDA assistance provided throughout the country was often denied to black farmers (Pennick and Gray 2000). Aggravating problems already caused by this discrimination, the Civil Rights Division of the USDA was shutdown during the Reagan-Bush

era (USDA 1997). As a result, there was no place within USDA to file a complaint. Additionally, several black USDA employees participating in the Blacks Farmers Claims Workshop reported that the lack of computerization of records prior to 1992 further added to the challenge of documenting occurrences of discrimination. Many files that could have substantiated discrimination practices were destroyed or improperly stored (Black Farmers Claims Workshop, 1999).

There has been significant filing of claims under the Pigford case. Table 3 shows the status of claims under Track A. As of December 23, 2002, 21,591 claims had been accepted under track A. Nearly all (99%) of those claims have been adjudicated. Of the 21,582 adjudications that were completed, 60.3% were awarded to the claimant. As a result, a total of 12,972 claimants became eligible for a payment of \$50,000. As of December 23, 2002, 12,690 payments had been made, resulting in a total of \$634,500,000 being paid to the black farmers who had submitted claims.

**Table 3:** Track A Claims Status as of July 11, 2002

Outcome	Number	%
Total Accepted	21,591	
Adjudicated	21,582	99.4
Completed	21,512	
Against	8,540	39.7
For	12,972	60.3
Eligible For	\$50,000	12,737
Payment Made	12,690	
Total To Date	\$634,500,000	
Loans Canceled	\$11,654,114	

Source:  
U.S. Department of Agriculture (Pigford versus Veneman 1999)

The requirement for filing under Track A included the completion of an affidavit stating that the person had attempted to take out a loan. Under Track A many farmers were eliminated from consideration. Table 4 shows the status of Track B claims. The number of claims submitted under Track B is clearly fewer in number, given the more stringent requirements as compared to

those for Track A. 182 claims went forward under Track A. 54 claims were settled for payments totaling \$7,226,780. 54 claims originally submitted under Track B were switched to Track A. 29 claims were dismissed, and six claimants withdrew their claims entirely. Of those cases submitted for adjudication, 10 have prevailed and 15 were not successful (Pigford versus Veneman 1999).

**Table 4:** Track B Status

Forwarded for Consideration	182
Switched to A	54
Settled	54
Dismissed	29
Withdrew	6

#### Hearings Adjudicated

Against	15
For	10

Source:  
U.S. Department of Agriculture (Pigford versus Veneman 1999)

The Southern Farmers Cooperatives members participating at the Black Farmers Claim Workshop reported that claims submitted under Track B were not approved for the following reasons: 1) application packages were improperly completed; 2) claimants did not produce the minimum of two names of white farmers who received loans during the defined period of discrimination; 3) black market packages available for a fee were discovered and rejected; and 4) non African-Americans attempted to submit claims under the guise of being African-American (The Blacks Farmers Claims Workshop, 1999).

## Intergenerational Disruptions

The discrimination that occurred during the period of the suit disrupted the intergenerational link of farms that were passed down from one generation to the next. Some young farmers whose grandparents had given them land for the purpose of farming were turned down for loans even though their grandparents had successfully obtained loans and were willing to co-sign loan applications for these younger farmers.

The researchers interviewed five such farmers during the Black Farmers Claim Workshop held in Jackson Mississippi in 1999. Table 5 summarizes the experiences of these farmers.

Farmer Number One, who leases 90 acres of farmland in Jefferson County, Mississippi, reports that in January 1989 he applied for an operating loan to increase his cattle and vegetable operations. He further stated that the County Supervisor of the USDA told him that there were no loans available and that funds could not be used to grow vegetables. However, Farmer Number One was aware of four other farmers who had received funds to raise vegetables in 1989 and three more farmers who received operating loans.

Farmer Number Two reported that he made attempts to apply for a farm ownership and operating loan in 1989. He planned to buy 60 acres in Yazoo County, Mississippi as well as specific supplies and equipment needed in order

**Table 5:** Summary of Interviews with Black Farmers

Interviewee	Loan Type	County	Decision	Total
Farmer 1 Cattle Vegetable	Own/Oper.	Jeff.	Denied	\$796,400
Farmer 2	Own/Oper.	Yazoo	Denied	\$31,000
Farmer 3 56 Acres	Purchase	Jeff.	Denied	\$195,000
Farmer 4 100 Acres	Purchase	Hinds	Denied	---
Farmer 5 50 Acres	Purchase/Oper.	Jeff.	Denied	---

to maintain the farm. He had just moved into the area in order to work with small and limited resource farmers in Holmes and Humphrey Counties. The County Supervisor of the USDA in Yazoo County told him that he had to reside in the county for two years and be able to show evidence of prior farming experience. He attempted to apply again in July and in November, and both times he was told that no funds were available. Farmer Number Two has a B.S. degree in agriculture and was working on his Master's degree. During the interview, he identified eight white farmers with very similar qualifications and situations, all of whom were granted loans.

Farmer Number Three attempted to purchase 56 acres of farmland in Jefferson County, Mississippi in 1984. The land belonged to his grandfather. He reportedly made several attempts to apply for a USDA farm ownership loan, but was told they were not taking applications. Several months later when applications were being accepted, he was told that there were no funds available. Farmer Number Three expressed awareness of white farmers who were in similar situations who had received loans during the same time period when his loan application was denied.

Farmer Number Four is shown in Table 5 owning 10 acres of farmland in 1989 in Hinds County, Mississippi. He attempted to purchase 100 acres of farmland from a white farmer in Terry, Mississippi. He reports that he applied for a farm ownership and operating loan but was told by the Secretary of the USDA farm services for Hinds County that only row crop applications and applications from existing farmers were being taken at that time. In April 1989 he was allowed to complete the application process but was told that no funds were available. Later in September of 1989, Farmer Number Four was told that he needed 150% collateral. He was able to identify three white farmers who were similarly situated and who received a timely response from the USDA.

Farmer Number Five reported that in 1991, he had attempted to purchase 50 acres in Jefferson County Mississippi. In February 1991, he submitted an application through the Jefferson County of

Farmers Home Services for an operating and farm ownership loan in the combined amount of \$30,000 in order to purchase the land and 25 head of cattle. He was told, after months of waiting, that he was denied because he did not have enough farming experience, even though he had grown up on a farm, had worked with cattle, and had a college degree in agriculture. Later he was told he needed 20% collateral. He reportedly also knew similarly situated white farmers who lived in Jefferson County in 1991 who had less farming experience and who received farm ownership and operating loans.

Of the five farmers whose testimonies revealed loan denials, records of the adjudicators report that one farmer should have received emergency and operating loans from 1981 to 1993, totaling \$725,000. This same farmer should have received an additional \$71,400 to operate 1,400 acres. A second farmer should have received two operating loans in February of 1988 and in March of 1989 totaling \$131,000. A third farmer should have received an operating loan of \$54,000 in 1984, \$77,000 in 1988, and \$64,000 in 1990. The monetary amount of the loans that these three farmers should have received totals \$1,224,000 as compared to the \$150,000 that they received under Track A.

Despite the government's assurance that no person in the United States shall be denied benefits or otherwise subjected to discrimination under any program or activity, it is asserted that the USDA and its county agents discriminated against African-American farmers through the acts of denying, delaying, and otherwise frustrating the African-American applicants and the application processes for farm loans and other credit and benefit programs (USDA 1997). To compound the problem, the USDA disbanded its office of Civil Rights in 1983 and subsequently stopped responding to claims of discrimination. These situations disrupted the critical intergenerational links in farming that would have supported and encouraged the passage of farm businesses from one generation to another, instead, they greatly contributed to the exodus of farmers and prevented the transfer of farms from grandparents and great grandparents.

Because of the loan denials, many farmers lost potential estimated profits that could have been earned from expanding their operations, and endured financial damages in the loss of farm income due to the inability to obtain a farm ownership loan – a loan that would have allowed the African-American farmer to purchase land. It is estimated that this land would now be considerably more valuable than it had been during the specified time frame associated with the original loan application and potential purchase. In most cases, decisions to deny or approve applications began with local committees at the county level.

During this period of time, during the decline in farming, the Southern Land Cooperative has provided services such as the organization of credit unions as a response to some of the financial needs faced by farming enterprises. (Gray 2000) As part of these cooperatives, seven or eight members come together to share in the costs and use of equipment. In addition, the Federation of Southern Farm Cooperatives mobilized southern farmers to help pass the Minority Farmers Act (Section 2501) for incorporation into the 1990 Farm Bill. More than 250 grass root meetings were held, involving extensive coalition building and strong advocacy efforts (Pennick and Gray 2000). With the passage of this bill, 1890 black land grant colleges and community-based organizations have been able to implement a comprehensive technical assistance program designed to help farmers in a holistic way. Funding has ranged from \$1 million to \$3 million, as opposed to the \$10 million originally proposed, as it has not been fully funded by Congress (Pennick and Gray).

In assessing the impact of 2501, the oldest and largest project, consisting of 18 counties in Georgia, the latest data available based on the 1997 Census reported a count of 1,175 black farmers, 328, or 28%, residing within this geographical area (Pennick and Gray 2000). From 1992 to 1997 there was an increase of 95 farms owned by blacks within the 111 counties in Georgia that reported a population of black farmers. 75% of this increase occurred within the 18 counties included in the Federation 2501 project (Pennick and Gray 2000). Under the

program, the Co-op provides one-on-one assistance to farmers, coordinates resources, organizes cooperatives, develops local leadership, and develops collaborative relationships with private and public sectors.

There have been many reports made to the Southern Land Cooperative by African-American farmers regarding flaws in the settlements. First, many existing farmers did not benefit as much as did farmers who attempted to farm or who discontinued farming. In fact, there have been reports that some existing farmers in Mississippi have not applied for relief due of fear of reprisals (The Black Farmers Claim Workshop 1999). These reprisals reportedly involve the possibility of “squeezing” farmers who have existing loans. Secondly, the lack of reliable data on loans applied for during the period of the settlement makes it virtually impossible to accurately ascertain which farmers are most negatively impacted.

## Recommendations

There are three primary recommendations made as a result of this study. Some of these recommendations are re-enforced in a report of the USDA National Commission on Small Farms entitled “A Time To ACT.” First, we believe greater emphasis should be placed on governmental support designed to maintain existing farmers. Despite the government’s failure to live up to its commitment to preserve African-American farmers and their farms, they can still survive if program opportunities are offered through governmental subsidies. Farmers can use more knowledge and management-intensive production systems (USDA, 1998). Policies that disproportionately favor large farms should be restructured in an attempt to equalize opportunities among farms of all sizes and scales (USDA, 1998). To adequately reverse decades of discrimination, solid practical assistance should be brought to existing farmers. Additionally, the USDA should set up an advisory committee charged with providing consistent and on-going assistance to individuals who are just beginning to farm.

Clearly, when services, information, and technical assistance are provided to farmers and to their communities, there will be positive results as has been demonstrated in Georgia. Our initial findings indicate that the Minority Farmers Rights Act, Section 2501, has been successful in fulfilling its mandate of providing services to black farmers. It is therefore imperative that 2501 remain an integral part of USDA's outreach effort and receive adequate and permanent funding from Congress.

Secondly, we propose that funding be made available to minority farm organizations in order support efforts to create and expand farm businesses. A significant share of any new resources should be directed to those identified as being under-served farmers. These resources should be allocated in partnership with the 1890 Land Grant Colleges and Universities Program. At a minimum, 200 million dollars should be dedicated for use by a business and industry loan program in order to better finance projects such as farmer-owned value-added co-ops, as well as to mechanisms enabling farmers to purchase stock in start-up cooperatives (USDA 1998). Through these initiatives farmers may be able to realize additional income generated by increasing the value of commodities produced for sale (USDA 1998). Through financial and technical help, the USDA should be committed to new cooperatives and to farmer-owned enterprises that can generate income by linking producers to processors.

Finally, to date there have not been any documented cases or threats of reprisal according to the Pigford vs. Veneman monitor's office. However, it is suggested that since there have been some allegations of threats on farmers who have existing loans, investigations should be initiated in order to determine the factual basis of any such alleged threats.

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# Tourism Entrepreneurship - When is it Entrepreneurial and When is it Small Business

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## Introduction

Entrepreneurship is branded as one of the key drivers of job creation in South Africa. In its broadest sense it refers to a way of behaviour that conjures up different meanings to different people. This difference in interpretation leads to confusion when designing programs to ignite job creation or when comparing statistics. The questions of: “what is entrepreneurship?” and “what is small business management?” within the tourism industry were explored. In order to answer these questions the origin and historical evolution of the word “entrepreneur” and the current meaning ascribed to it by tourism professionals must be understood.

## Methodology

The historical evolution of entrepreneurship was determined by studying current literature in this specific field and definitions for tourism concepts were derived from academic literature and definitions recommended by the World Tourism Organization. A questionnaire was circulated to tourism professionals from developing countries who attended a Tourism Destination Management course in Belgium. These delegates originate from four different continents and although they represent a very small sample (14 delegates), they provide an insight into the possible diversity of interpretation among tourism professionals from different parts of the world.

Respondents were asked to comment on the characteristics, actions and definitions they ascribed to the terms “entrepreneurship” and “small business management.” They were also asked to rank the characteristics they attached to these two terms and rank the skills they ascribe to entrepreneurs.

## The Historical Evolution of the Term “Entrepreneurship”

The term entrepreneurship can be traced to the 12th century when it was used as “entrepene” and in the 14th century as “undertaker” and “adventurer” in the business sense. In the 18th century entrepreneurs were also known as “project contractors.”

From the 12th to the 18th centuries, entrepreneurship was based on handicrafts. These handicrafts were organized in a specific system that created a secure employment opportunity. Only those who were qualified in a specific trade could legally practice this trade. The system controlled the number of qualified craftsmen and the trade secrets were not disclosed to outsiders. New applicants had to learn the technical skills and participate in an apprenticeship until they were qualified. During this period their labour was utilized by the craftsman who gave the training. Only after completing their apprenticeship were they allowed to “produce” and trade. They were known as craftsmen and could practice in a specific trade.

The Industrial Revolution created the opportunity for a distinction between entrepreneurs and craftsmen. Those who could identify an opportunity to satisfy a need based on psychological or physical needs, and organism large-scale production in a rational fashion to address this need, were called entrepreneurs.

Great thinkers such as Adam Smith (1723-1790), Karl Marx (1818-1883) and Max Weber (1804-1891) described these processes and the way they could benefit society. However, Nieman et al. (2003:5) argues that it was Schumpeter (1928) who launched the field of entrepreneurship. It is this definition by Schumpeter that is tested in the survey among Tourism Destination Management students in an attempt to find how it could be applied in our current teaching and thinking.

The industrial revolution also gave rise to the emphasis of international trade and the entrepreneurs were now associated with doing business in these uncharted waters. They took on calculated risks of ventures in unknown environments and created fast-growth companies. Economists therefore ascribed calculated risk-taking to entrepreneurs.

Entrepreneurship is also defined variously by professionals from different disciplines. Economists, for example, define entrepreneurship as being associated with innovation and a driving force for development. An example of this is the definition of Schumpeter: "The essence of entrepreneurship lies in the perception and exploration of new opportunities in the realm of business... it always has to do with bringing about a different use of national resources in that they are withdrawn from their traditional employ and subjected to new combinations" (Nieman et al. 2003:5).

Behaviourists, on the other hand, define entrepreneurship in terms of flexible interpretative models and a multidimensional approach. They define entrepreneurs as social beings and therefore products of their environment.

In 1985 Gifford Pinchot created the term "Intrapreneur" to describe entrepreneurial activity inside the business where individuals champion

new ideas. This term is also referred to as "corporate entrepreneurship" and supports actions to enhance employees' innovative abilities within the business. In this instance, the business assumes the business risk and the employee the career risk.

## Defining Small Business Management

On the other hand, small business is defined by Nieman et. al. (2003:10), as any business that is independently owned and operated but not dominant in its field or sector. If we assume the Schumpeter definition, then surely all small businesses are not entrepreneurial. However, an entrepreneur needs to have business management skills to coordinate the five basic management functions in the business:

1. Planning,
2. Organizing,
3. Directing/Leading,
4. Controlling, and
5. Coordinating.

(It is interesting to note that the Harvard Business School introduced an "Entrepreneurial Management" course in 2000 to replace their Business Management course.)

## Defining the Tourism Industry

The tourism industry consists of active role players directly involved in delivering tourism products and services. These include attractions, accommodations, transportation, entertainment, and tourism services, etc.

## Defining the Tourism Economy

The tourism economy consists of the tourism industry as well as the role of players indirectly involved in the delivery of tourism products and services. These indirect role players include providers of food, building materials, chemical products, publishing services, aircraft manufacturing, furniture, and general retail products, etc.



## Identifying the Differences Between Entrepreneurial Companies and Small Business

In the early stages, entrepreneurial companies and small business start-ups were very similar and therefore there is a lack of identifying or understanding entrepreneurial companies in this stage. Similar characteristics include: start small, lots of energy required, adventurous, stimulate the economy, create jobs, etc. Small business is often the key supplier to entrepreneurial endeavours; however, the secret ingredient to take-off are the “Productivity Gains” that are latent in the business. This relates to the Schumpeter definition of deploying resources in a non-traditional way and creating new opportunities in this manner.

Entrepreneurs have a growth vision from the start of the business and are often driven by audacious goals. They take bigger risks because they operate in unexplored territory and have no proven business model or established business network in that territory.

The National Commission on Entrepreneurship lists, in order of importance, the following factors that move entrepreneurs from thinking about the venture to doing it:

- Suitable opportunity,
- Discovery of a partner,
- Available finance,
- Entrepreneurship training, and
- Frustration with existing job /low perceived risk (same ranking).

They also cite the following as reasons for venture failure:

- Lack of management skills,
- Lack of experience,
- Poor control, and
- Poor market analyses.

From the items identified above, it is clear that management skills are vital if entrepreneurs are to survive. Venturing into new and unexplored territories means that entrepreneurs experience these realities for the first time. It is therefore very

important to be able to adapt quickly and to exercise sufficient control in these unfamiliar circumstances. An additional challenge is to conduct market forecasts based on very little, if any, specific data that pertain to this new application of resources.

## Survey Results

The first objective of the survey was to determine if respondents considered themselves familiar with the term “entrepreneurship.” The vast majority indicated that they were familiar with the term “entrepreneurship” and generally supported the Schumpeter definition.

The two main actions/activities that they associated with *entrepreneurship* were:

1. Individually owned businesses, and
2. Managing your own business.

The following actions/activities were also associated with *entrepreneurship*:

1. Planning,
2. Risk-taking,
3. Small business management,
4. Decision-making,
5. Creativity,
6. Profit-making,
7. Marketing, and
8. General business.

The question that arose from these responses was: How does this differ from “small business management”? Although they agreed with the Schumpeter definition, they did not apply it in their interpretations of an individual being an entrepreneur.

When questioned on the actions and activities associated with business management respondents referred to the following:

1. Planning,
2. Organizing,
3. Controlling,
4. Day-to-day running of a business, and
5. Financial management.

From these results it can be concluded that respondents associated the actions and activities performed by entrepreneurs and small business managers as similar, apart from risk-taking and creativity.

The next step was to identify perceived differences between the characteristics of entrepreneurs and those of small business managers. The respondents identified and ranked, in order of importance, the following characteristics as being those typical of an entrepreneur:

1. Decisive,
2. Pro-active,
3. Creative,
4. Business-minded, and
5. Risk-taking.

The respondents identified and ranked, in order of importance, the following characteristics as being typical of a business manager:

1. Decisive,
2. Pro-active,
3. Creative,
4. Organized, and
5. Focused.

## Discussion of Survey Findings

The first three characteristics are identical to those associated with entrepreneurs. Not only are the same characteristic identified, they are ranked in the same order. Therefore, the perception is that both entrepreneurs and business managers have to be decisive, pro-active, and creative in order to survive in the tourism industry.

However, the differences indicate that business managers are perceived to be more closely associated with being organized and focused than are entrepreneurs. This observation might originate from the fact that business managers operate in familiar territories and follow existing business models, while the entrepreneurs were seen as being more business-minded and bigger risk-takers in their business endeavours.

## Recommendations

It is important for governmental entities to acknowledge these differences when constructing policies and incentives designed to stimulate entrepreneurship and create jobs within the tourism industry.

Mechanisms provided to minimize risk should be high priorities. Potential entrepreneurs should be encouraged to be more business-minded and creative in terms of the tourism economy. Identifying these latent or potential opportunities in the tourism economy will be the key factors in generating large numbers of jobs.

Education should focus on skills that will enhance the abilities of both business managers and entrepreneurs to be decisive, pro-active, and creative in their business activities. These skills are necessary over and above the normal management skills that are historically presented in management courses.

Actions that can support and contribute to the items noted above are to:

- Build entrepreneurial networks that will support the learning process,
- Speed up the development of new applications of resources, and
- Encourage venture capital initiatives to bridge any gaps between risk and finance that might exist in the marketplace.

## Conclusion

The results obtained from this pilot study clearly indicate the differences perceived to be present between entrepreneurship and small business management. However, the results were obtained from a small sample and a comprehensive survey could further clarify these differences.

Although respondents accepted the Schumpeter definition that referred to innovation, they defined entrepreneurs as individuals who own and manage their own business. The characteristics of

being decisive, pro-active, and creative were ascribed to both entrepreneurs and small business managers. The factor of innovation was discarded as a measure of distinction between the two. An additional study could determine if ownership of a company is the primary distinguishing factor between entrepreneurs and business managers.

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# Sustainable Micro Entrepreneurship Will Ensure Positive Economic Growth in the Western Cape

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## Introduction

The high unemployment rate in South Africa has forced many people to think of creative ways to derive an income. This in turn has resulted in the increase of micro entrepreneurs who could contribute positively to the economy if given the opportunity. According to the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995), the objective is to stimulate and promote small businesses by providing requisite resources or access to requisite resources. However, what has become apparent is the lack of resources for micro entrepreneurs, as well as problems with accessibility to the few available resources.

One hears or reads about money being made available by government or foreign sources of funding to assist micro entrepreneurs in getting businesses started. There is also much talk about empowerment of entrepreneurs via financial resources as well as through skills training. However, much of the assistance is available for opportunity entrepreneurs and not for the survivalist entrepreneurs.

Although there has been a commitment by government to promote small business, it yet again focuses on the opportunist entrepreneur rather than the survivalist entrepreneur. Survivalist micro-entrepreneurs face huge challenges in accessing any type of resources. Although there is

much talk about promotion of small business, there seems to be a gap in what is being advocated and what is being done.

The purpose of the paper is three-fold:

- I. To establish the difficulties experienced by the survivalist micro entrepreneurs;
- II. To establish what resources are available for the survivalist micro-entrepreneurs and
- III. To demonstrate an initiative to assist survivalist micro entrepreneurs by providing requisite skills.

## Clarification of Basic Terms and Concepts

- *Sustainable* – A business opportunity which is prolonged and productive.
- *Entrepreneurship* - In the broadest sense is about the capabilities of people to combine scarce resources in new ways to respond to challenges and opportunities or provide solutions to problems
- *Micro entrepreneurship* - Opportunity entrepreneur – An individual who is in a successful or comfortable job and is looking for an opportunity in which to invest.
- *Survivalist entrepreneur* – An individual who has no other choice but to sell goods and services to earn an income.

## Background

Unemployment affects at least one in every four people in South Africa. The most effective way to combat this problem is through entrepreneurship. Small, medium and micro enterprises (SMME's) represent an important vehicle in addressing the challenges of the job creation, economic growth and equity in the country in this regard (DTI, 1995:iv). The South African government has acknowledged the economic potential of a SMME sector and is committed to the promotion and growth thereof. It has aimed at increasing the number of new ventures as well as creating an enabling environment to ensure the survival and growth of small businesses.

Despite efforts by the government to establish a support structure for the small business sector, to date these efforts have not met with success. The Minister of Trade and Industry admitted that his department had failed in its chief objective of supporting and growing the small business sector in South Africa (Erwin admits SMME sector failure 2000:11).

## Difficulties Experienced by Micro-Entrepreneurs

Although there has been a commitment by government to promote small business, it yet again focuses on the opportunist entrepreneur rather than the survivalist entrepreneur.

What has happened thus far is that small and medium enterprises have been branded under one label, proving detrimental to the micro-entrepreneur. In addition, there also has to be a distinction made between the opportunist entrepreneur and the survivalist entrepreneur, as each of these individuals have vastly different needs. For the survivalist entrepreneur to access resources is an intimidating and often fruitless exercise. The process is further hindered by:

- Education - which is poor for a large proportion of the population, leading to a lack of the requisite skills,

- Cultural and social norms - which often do not see entrepreneurship as a career choice,
- Financial support - which involves red tape and very often is not available for entrepreneurs seeking small quantities of finance,
- Poverty and lack of assets - resulting in collateral not available to access formal loan finance,
- Government policy - which intimidates survivalist entrepreneurs with administrative, labour and policy procedures, and
- Lack of mentorship programs to ensure sustainability.

The economic improvement of South Africa depends largely on sustainable dynamic entrepreneurial activity. According to Vosloo (1995) the ever-increasing problem of unemployment can be attributed to the lack of a strategic plan by the national government. An entrepreneurial culture has to be nurtured through appropriate training programs not only for the literate but also for the vast majority of uneducated South Africans who have the talent and skills but lack the necessary business skills to access resources.

This viewpoint is supported by Tilley and Tonge (2003) who are of the opinion that the micro entrepreneurs often lack managerial as well as technical skills which results in the business being mismanaged leading to the failure of the business. In addition, sustainable development programs have to be made available so as to ensure that the entrepreneur's performance is monitored and that there is mentorship provided to assist with the development of the entrepreneur. The point has also been stressed that there has to be incentives for micro businesses as environmental solutions which are designed for larger businesses cannot be applied to smaller businesses.

A lack of higher education also contributes to the lack of networking which often results in accessing resources vital for the sustainability of the smaller business. In his research, Jones (2003) found that entrepreneurs who for geographic, cultural or

social reasons, lack access to free information through personal networks operate with less resources, thereby placing them at a disadvantage from the outset.

A continuing inability to find work will propel future generations of youth into self-employment. Small, medium and micro enterprises (SMME's) fulfill two goals, providing both a livelihood and a personal stake in the economy for those with initiative but not much capital. The survey conducted by Ntsika (2000/2001) established that Black, Colored and Indian people run 87% of survivalist enterprises but only 22% of very small businesses. Women owned 42% of the survivalist enterprises but only 11% of the small enterprises. Although Ntsika predicts a "long-run growth process" for SMME's, entrepreneurs will nevertheless face difficulties with regards to development, as they will find it difficult to access resources and obtain credit.

## Resources Available

The 2002 South African Global Entrepreneurship Monitor Executive Report has found that Khula, a small firm finance company established by the Department of Trade and Industry to increase finance among amongst smaller companies, has only benefited 9.3% of applicants. One of the reasons for the lack of impact by Khula is possibly the lack of awareness of the resources available from the organization. It is precisely this lack of information on the type of financial products available to the SMME's which requires a co-coordinated marketing strategy.

Land Bank, who offers loans to a maximum of R15 000 has not seen a positive return on their investments as many of the entrepreneurs lack the finances to repay the loans, as many of their businesses tend to fail. This phenomenon is not unusual amongst the survivalist entrepreneurs as a result of the lack of education and training.

Government has put various support structures in place to assist small business but to date these efforts have not met with far-reaching success. The Minister of Trade and Industry admitted that his

department had failed in its chief objective of supporting and growing the small business sector in South Africa (Erwin admits SMME sector failure 2000:11). The minister attributed this to weaknesses in government procurement strategies, a lack of human resources and poor co-operation by banks as the biggest shortcomings in its mission to create employment in small business. In addition he stated that governments slow turnaround time in paying small businesses places a severe drain on a small businesses cash flow.

The high unemployment levels in the townships motivated many non governmental organizations (NGO's) and community based initiatives to look at ways and means to strengthen SMME's in their areas. Funds for these efforts have always been extremely scarce, even with the rise of foreign donor interests in the SMME sector. Often these and corporate sponsorships did little more than somewhat prolong the agony of poor SMME performance, low program efficiency and NGO failure or withdrawal.

According to the DTI and its latest available statistics in conjunction with Statistics South Africa, the small business sector employs close to 50% of the country's workforce. It nevertheless appears that that almost 80% of SMME's fail annually due to a lack of management expertise. Mrs. Lindiwe Hendricks, Deputy Minister of Trade and Industry, revealed in her speech (SABC 2002), that appointed institutions such as Khula and Ntsika, that were established to provide finance and training, had failed in their efforts to make the expected impact. The development of the new strategy based on mentorship was to rectify the department's failed attempts in fostering entrepreneurial growth.

### **An Initiative to Assist Survivalist Micro-Entrepreneurs**

*The qualities of a successful entrepreneur are hard to isolate and define. It would be impossible to provide a perfect outline. Entrepreneurs come in many different shapes and sizes. The only question that remains is whether we really have what it takes.*

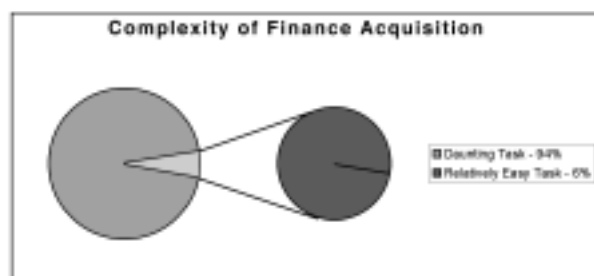
Sharma (1999:16).

To establish what difficulties are experienced I attained the requisite information via personal interviews, questionnaires and focus groups with a sample of 17 micro-entrepreneurs on the Cape Flats involved in a range of services that have the ability to grow their businesses with the requisite assistance.

With the co-operation of Business Focus Group, a Land Bank consultant and a co-coordinator at CLOTEX and I were able to determine a few of the problems experienced by the survivalist micro entrepreneurs and to voluntarily provide training in the much needed areas. I have focused on three common difficulties experienced by the entrepreneurs.

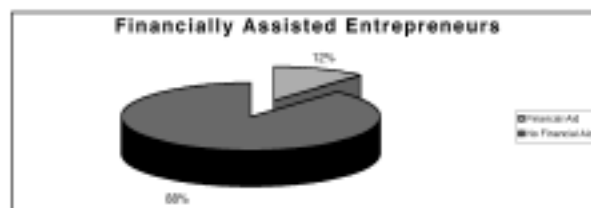
The first and most obvious difficulty was a lack of start-up and access to finance. The first workshop dealt with financial application guidelines and preparations. We discussed the expected red tape which entrepreneurs may encounter and ways in which they could deal with it. The first session was also a chance for participants to discuss and share problems and solutions. The creation of a Business Plan became the objective and for many of the entrepreneurs is still a work in progress.

**Figure 1:** Complexity of Finance Acquisition



The perception that application and acquisition for financial assistance is a daunting task is a real issue which many of the entrepreneurs had to face. The survey in Figure 1 depicts a graphical representation that supports this perception. The figure reveals that only 6% of the sample population claimed that the application for finance was not as daunting and complex as perceived.

**Figure 2:** Financially Assisted Entrepreneurs



Of the sampled entrepreneurs in Figure 2, 88% had no financial aid or could not get financial assistance from the financial institutions. Only 12% were able to access funding.

The second difficulty experienced by many of the entrepreneurs attending the workshops was the lack of understanding with regards to the administration and financial procedures required to run a business. This resulted in many hours dedicated to running workshops on the importance of documentation, as well as the application of the skills required to create and complete the various items of documentation, such as invoices, quotations, petty cash, and wages. These sessions also included practical bookkeeping as it is found that inadequate bookkeeping leads to deficiencies in several other areas of financial management.

**Figure 3:** Administrative and Financial Knowledge

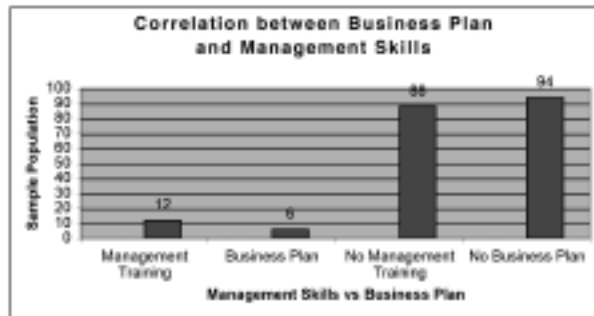


Figure 3 clearly demonstrates that only 18% of the sampled population had knowledge of administrative and financial aspects which pertains to running a business.

The third difficulty experienced was the lack of management skills required and human resource knowledge. It has been found that inadequate

managerial skills are the most prominent reasons for failure especially in the start-up phase. These workshops explored the role of the manager, internal controls as well as risk management. It also focused on the managers delegating duties to subordinates as it is found that the entrepreneurs often involves themselves in all of the tasks which have to be performed. Besides being exhausting it is also dis-empowering for the employees thereby creating an atmosphere of mistrust as well as dependence. In addition I also conducted workshops on basic human resource issues including topics such as contracts, disciplinary procedures and employee benefits.

**Figure 4:** Correlation between Business Plan and Management Skills



In Figure 4 the survey reveals that of the sampled entrepreneurs, about 12% started their business with the requisite business training and the remaining 88% had no formal management training. The survey also reveals that only 6% of the entrepreneurs started the business with a business plan as opposed to the 94% that attempted the venture without a business plan.

The perceived concerns highlighted by the entrepreneurs surfaced in the survey by the sampled population. The institutions that were formed to assist in the establishing and mentoring of entrepreneurs and SMME's were ineffective.

However, the participation and commitment displayed by the entrepreneurs in the various workshops have been both motivating and empowering for all parties concerned. There is a willingness to learn so that the business not only becomes sustainable but also serves as empowering entrepreneurs.

## Conclusion

Research into survivalist entrepreneurship is vital as this type of entrepreneurship tends to be one response to poverty. Every attempt has to be made to alleviate poverty and improve the social economic conditions of all South Africans. This can only be achieved if government, industry and academics commit to a partnership which not only provides financial resources but also continues providing support through a training and mentorship program.

With the requisite resources the survivalist entrepreneur should progress to becoming an opportunist entrepreneur. This progression will not only address the problem of unemployment but will also assist in alleviating poverty as well improving the social conditions in the local economy.

## Summary

For many survivalist entrepreneurs it is about paying the rent or putting food on the table. However, they should not be excluded from the long term plan of economic development in South Africa. Entrepreneurship is first and foremost about people. Although individuals may start off as survivalist entrepreneurs, they have the potential to grow their business with the necessary assistance.

To ensure sustainable micro-entrepreneurship, the most fundamental issues of poverty, education, resources as well as government policy has to be addressed in consultation with non-governmental organizations, industry, micro-entrepreneurship representatives and government, to ensure prolonged sustainable entrepreneurship. This total involvement can best be described by Steve Mokwena, Sunday Times, 9 November 2003 when he states:

“...participation in public life is not just about voting every four years. It is about being a citizen, engaged at seeking solutions at all levels.”



The Local Government's Minister of Finance in the Western Cape, Ebrahim Rasool, made a public announcement that the plight of the entrepreneur in Western Cape would be examined. The speech was followed by similar speeches made by DTI at a national level. Globally it has been proved that countries that support their entrepreneurs have grown and prospered, as they have not only assisted in curbing unemployment but have also assisted in reducing crime and uplifting the standard of living. The recognition of the importance of fostering the entrepreneurial sector in the Western Cape has an important role to play in the stimulation and growth of the local economy.

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# An Effectiveness Study of Online Advertising Models

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## Abstract

The Internet has become an important advertising medium, and advertising conducted on-line has been growing rapidly. However, research on methods used to create effective and innovate online advertising models, and how to evaluate the effectiveness of online advertising models has not kept pace with the widespread of online advertising. This research aims to propose and implement two creative online advertising models: the background sound model and a hybrid model. An experiment was conducted to measure the effectiveness of the background sound model and of the hybrid model by comparing them to the banner, pop-up, and pop-under models. A set of metrics was defined to measure advertisement recall and recognition as well as branding efficacy.

## Introduction

The emergence and ubiquity of the Internet has proven itself of having huge potential as an advertising medium. Online advertising has been the fastest growing part inside the whole advertising industry. As an interdisciplinary research field, online advertising needs support from different disciplines such as business, psychology and computer science. Unfortunately, the research on online advertising is still remarkably scarce.

Rare conclusions can be found to answer questions like “What ad form will be the most

effective and what should be in the ad.” The current limitation of online advertising may be concluded as:

- (1) The form of online advertising is still insufficient. As is known, the widely used online advertising models are only banner, pop-up and pop-under. The effectiveness of these models is still not satisfactory to advertisers.
- (2) Although there are various evaluation activities involved in campaigns and experiments, it is still difficult to determine the performance of current online advertising models. More and more evaluation experience is still required to establish universally accepted and well-approved measurement methodologies and techniques for online advertising.
- (3) Most research studies tested the effectiveness of a single model. Little research has been done on evaluating and comparing two or more online advertising models. To help advertisers to select appropriate and effective advertising models, it is necessary to carry out comparison studies among different online advertising models.

Therefore, it is time to introduce more creative components such as sound, animation and streaming media to online advertising, by which designers can design and implement new online advertising models. Also, because our knowledge of what factors can affect the success of online advertising is limited, it is necessary and valuable

to conduct experiments to evaluate the online advertising models. The findings will be useful to establish standards and guidelines of online advertising.

This paper aims to present two new online advertising models: a background sound model and a hybrid model. In the background sound model, sound is the only vehicle to convey advertising information. In the hybrid model, advertising information is conveyed via the combination of banner, pop-up, pop-under and background sound. In the empirical part of this research, five online advertising models (banner, pop-up, pop under, background sound and hybrid) were tested to see their effectiveness on advertising recall and recognition as well as brand recall and recognition. How these models annoy the Web users was also measured in the experiment. From this empirical study, the performance of banner, pop-up, pop-under, background sound and hybrid were evaluated and compared.

## New Online Advertising Approaches

Currently, the most common online advertising models are banner, pop-up and pop-under. A banner is typically a static or dynamic image in the Web page; a pop-up is a new displayed browser window that appeared when the Web page is loaded; a pop-under is similar to a pop-up except that it always hides behind the loaded Web page. Although these models are used widely, they are still considered ineffective because of their disadvantages. For example, banners are easy to ignore; pop-up and pop-under advertisements are often perceived as an annoying and intrusion. With the emergence of new technologies such as streaming media and rich media, integrating sound and multiple media into online advertising is a mainstream. The following sections discuss the new online advertising models: the background sound model and the hybrid model.

### **The Background Sound Online Advertising Model**

Considered one of the most important and widely used media for communication and information dissemination, sound is incorporated into online

advertising to build a new online advertising model: the background sound model. The background sound model tries to take advantage of human hearing to subliminally appeal to viewers. This model plays advertisements in the form of streaming audio while users are viewing Web pages. In general, the embedded audio ad begins to play as soon as the Web page loads. Compared to other online advertising models, background sound ads have the following distinct advantages:

- (1) Sound can convey information efficiently. In other words, sound can convey a vast amount of information at a relatively high speed. A landmark study by Chapanies found that modes of communication that included voice were much faster than those that did not. In the Computer-Supported Cooperative Work (CSCW) community, there have been a number of compelling demonstrations of the power of voice communication (Zhang, Wolf, Daijavad, and Touma, 1998).
- (2) Sound allows human computer interaction to occur in a natural and emotional way to communicate. As a medium of sound, audio has the ability to emotionally involve customers with advertising (Gusco, 2001). By providing a rich audio environment in which to engage, entertain and interact with customers, audio advertising could be a better way to communicate a message to a user.
- (3) Streaming audio has two advantages over streaming video. First, streaming audio needs considerably less bandwidth to achieve high quality than does streaming video. Secondly, users can access streaming audio even when they are working, playing games or surfing the net. This facilitates the design and implementation of subliminal advertising, which is a technique of exposing consumers to advertising stimuli without the consumers having conscious awareness. Because customers are believed to decode the information and act upon it without being able to acknowledge a communication stimulus, subliminal advertising can minimize its annoyance.
- (4) Background sound ads generally don't occupy any screen space. Therefore, Web pages have

more space for Web designers to design visually appealing Websites. At the same time, sound can convey a considerable amount of information without wasting any screen resource.

According to the above analysis, background sound is a promising model for online advertising. With the widespread of streaming media technology, background sound advertising will be more accepted and applied.

### **The Hybrid Online Advertising Model**

The hybrid model combines different individual online models. It can mix banner, pop-up, pop-under or background sound. The goal of the hybrid model is to get optimal combination of different online advertising models so as to take advantage of the strength of these models and overcome the weakness of them individually. Obviously, this model has its distinct advantages:

(1) Any given Web site could feasibly employ combined model advertising where specific Web pages use specific models. For example, a pop-up ad is not appropriate for a Web page that has a pop-up window as its content. Otherwise, it is possible to cause confusion in the viewers because it is hard to distinguish which pop-up window is the content or the ad within a glimpse. The relative weighting of each individual model is adjustable, and can be modified during campaign or experiment to increase hybrid advertisements' effectiveness.

(2) The hybrid model accommodates more interactivity and technological flexibility. The hybrid model generally combines different online advertising models, which expands its capacity to accommodate different types of objects such as rich media and digital creative technologies. An optimal combination of more than one model should be able to maximize the effectiveness and minimize the annoyance of online advertising.

Defining the background sound and hybrid \advertising models alone is not good enough. The models must be evaluated through experimentation to determine their effectiveness.

## **Experiments and Analysis**

To discover the performance of the background sound and the hybrid models by comparing them to the banner, pop-up and pop-under models, an experiment was conducted to evaluate the effectiveness of these five models. It was expected that the background sound and hybrid models could have better recall and recognition effectiveness than the banner, pop-up and pop-under models.

## **Method**

### **Materials**

In this research, advertisements were designed for a wireless service provider: CDS. It is a fictitious brand that can guarantee the experiment participants have no awareness of this brand prior to this study, so we can eliminate the influence of awareness difference. Five online advertising models were implemented: banner, pop-up, pop-under, background sound and hybrid. Each model contains four advertisements for CDS. These four advertisements convey the same information, although they are in different models. The advertisements are embedded in a JavaScript Web tutorial. They are also located on the same Web pages in different models. Therefore, we can guarantee three identities among these five models. (1) They convey almost the same information such as product/service category, the brand, and advertising message. Therefore, all models delivered the same advertising contents. (2) They are embedded in the same Web pages in a Web tutorial. (3) The total exposure of each advertisement is the same. These identities minimize the differences caused by other factors like the advertisement contents. Figure 1 contains a sample illustration of the banner-advertising model used in this experiment. Figure 2 contains a sample illustration of the pop-up advertising model. Figure 3 has a pop-under advertisement. Because pop-under advertisements appear behind the main browser window, it can only be seen in the task bar at the bottom. When the main browser window is closed, the pop-under advertisement becomes visible, see figure 4. The background

sound advertisement has no visual appearance; it operates using sound. The hybrid model uses combinations of all of the models.



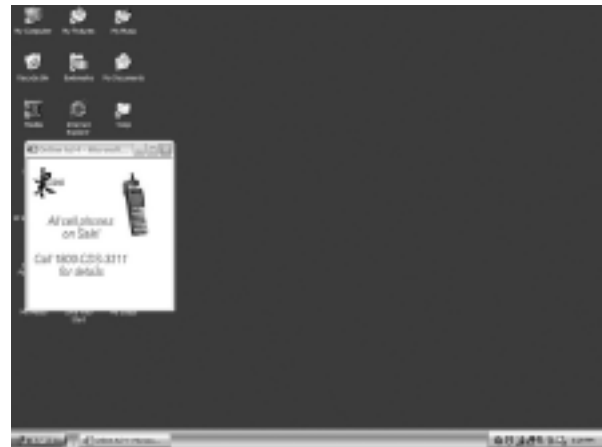
**Figure 1:**  
Illustration of a Banner Advertisement



**Figure 2:**  
Illustration of a Pop-up Advertisement



**Figure 3:**  
Illustration of a Pop-under Advertisement



**Figure 4:**  
Illustration of a Pop-under Advertisement closing the main browser window.

## Participants and Procedures

Participants for this experiment were Computer Science students enrolled in an introductory programming language course. They could be considered as Web users with similar experience. They were divided into five groups randomly and these five groups were involved in the test of the five ad models respectively. The participants who did the advertisement experiment and gave their feedback were also called respondents.

Participants were told that the purpose of this experiment was to learn JavaScript using a Web tutorial. The participants were not aware that the experiment was an online advertising experiment. They worked alone to read this tutorial during 30 to 40 minutes, which displayed or played the ads in one of the models. After they finished their reading, they were given a quiz on JavaScript. At the end of the experiment, participants were interviewed and asked if they saw or heard any ads during their JavaScript tutorial. If they answered "yes," they were asked to answer questions on a questionnaire related to the advertisements. Upon completion, they were told not to talk to their classmates about the experiment to make sure that all participants had an equal amount of knowledge of the experiment coming into it.

## Measurement

Today, there is an increasing usage of metrics on consumer's attitude, branding effect and advertisement recall and recognition in evaluating online advertising effectiveness (Higie, Sweall, 1991; Sukpanich, Chen, 1998). To evaluate the effectiveness of ads in different models, three metrics were employed: Ad recall/recognition, Brand recall/recognition and annoyance to this experiment. Ad recall/recognition is the major metric of this experiment; brand recall/recognition is a subset of ad recall/recognition for evaluating the branding effects; Annoyance is a general attitude for the online advertising models, which is also an important factor affecting the ad effectiveness. To evaluate this, we define annoyance as a measure. The following definitions were used:

- *Ad recall/recognition:*  
Measures the extent to which respondents can recall or recognize the contents of the ad. It is determined by product or service, brand and message recall and recognition. Message recall and recognition measures the extent to which respondents can recall or recognize message other than the product/service and brand.
- *Brand recall/recognition:*  
Measures the extent to which respondents can recall or recognize the brand name, and it is decided by both brand recall and brand recognition.
- *Annoyance:*  
Measures the level of annoyance with each type of ad model. It is the percentage of respondents that feel the ads are annoying. In other words, it is the proportion of annoyed respondents versus total number of respondents.

To evaluate these measurements, a set of questions was designed for interviewing participants in the form of a questionnaire, see Table 1.

### **Measurement Question**

#### **Product/service recall**

Do you recall what product/service was advertised?  
If yes, can you write down the product/service?

#### **Brand recall**

Do you recall what brand was advertised?  
If yes, can you please write down the brand name?

#### **Message recall**

Do you recall what else the advertisements said about the product/service?

#### **Product/service**

Do you recall seeing/hearing any ad for wireless recognition service? Select "Yes" or "No"

#### **Brand recognition**

Do you think which brand was advertised on the JavaScript tutorial?  
Select the brand from a list of brands.

#### **Message recognition**

What do you remember about the ad(s)?  
Select the messages advertised from a list of messages.

#### **Annoyance**

If you were describing these ads to a friend, would you say these ads are...  
Select all that apply from a list of impressions like "interesting," "informative," "confusing" and "annoying" as well as "no opinion."

**Table 1:**  
The Question Design of Measurement

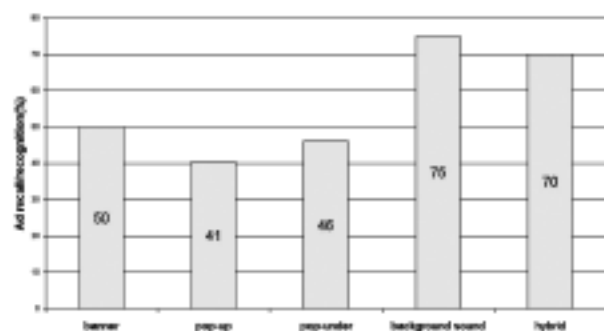
## Results and Discussion

All the respondents' feedback data were collected and used to calculate the values of the measurements. All values of the measurements were calculated as percentages of the sample that recall or recognize the specific contents of the ads and feel annoyed by the ads. The following are the equations:

- Product/service recall = number of respondents who recalled the product or service/number of respondents.
- Brand recall = number of respondents who recalled the brand/number of respondents.

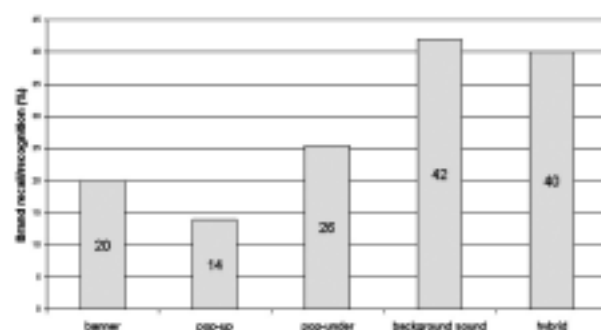
- Message recall = number of respondents who recalled the advertising message /number of respondents.
- Product/service recognition = number of respondents who recognized the product or service/number of respondents.
- Brand recognition = number of respondents who recognized the brand/number of respondents.
- Message recognition = number of respondents who recognized the advertising message/number of respondents.
- Ad recall/recognition = (Product/service recall + Brand recall + Message recall + Product/service recognition + Brand recognition + Message recognition)/count of the total recall and recognition measurements.
- Brand recall/recognition = (Brand recall + Brand recognition) / count of the brand recall and recognition measurements.
- Annoyance = Number of Respondents Annoyed/Total Number of Respondents.

In this case, count of the total recall and recognition measurements is 6 and count of the brand recall and recognition measurements is 2. Figures 5, 6 and 7 show the results of ad recall/recognition, and brand recall/recognition as well as annoyance measurements, respectively.



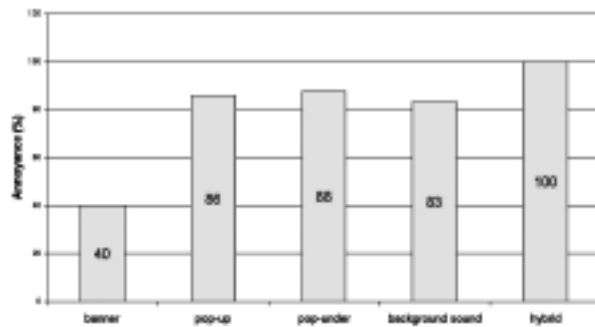
**Figure 5:** Advertisement Recall/Recognition

According to Figure 5, the ad recall/recognition values of banner, pop-up and pop-under were 50%, 41% and 46% respectively, while those of background sound and hybrid are 75% and 70%. In other words, 46% of the respondents could recall or recognize the ads in the banner, pop-up and pop-under models, about 73% respondents could recall or recognize those ads in the background sound and the hybrid models. These experiment results reflect the background sound ads and the hybrid ads are more likely to be recalled or recognized than the banner, pop-up and pop-under ads. The background sound model has the highest ad recall and recognition effectiveness, 75%. Therefore sound is possibly playing an important role in increasing ad recall/recognition.



**Figure 6:** Brand Recall/Recognition

As far as branding efficacy, the background sound model and the hybrid model are also more effective than the banner, pop-up and pop-under models. According to Figure 6, while the brand recall/recognition values of banner, pop-up and pop-under were 20%, 14% and 26% respectively; the brand recall/recognition values of background sound and hybrid were 42% and 40%. In other words, about 20% of the respondents could recall or recognize the brand name, in the cases of banner, pop-up and pop-under. About 41% of the respondents in the cases of background sound and hybrid, could recall or recognize the brand name. Therefore, we could summarize that the background sound and the hybrid models were twice as effective as the banner, pop-up and pop-under models in recalling and recognizing brand.



**Figure 7:** Annoyance

The experiment results of annoyance indicated that banner ads were the least annoying, only 40% respondents thought they were annoying. However, the annoyance values of pop-up and pop-under are close, which are 86% and 88%, respectively. The annoyance value of background sound is 83%, which means that 83% of the respondents thought the background sound ads were annoying. The hybrid model has the highest annoyance value: 100%. All respondents thought hybrid ads were annoying, which suggests this model should be used where the users' interests are known and relate to the advertised product or service.

In summary, compared with the banner, pop-up and pop-under models, the background sound and hybrid models were more effective in ad recall and recognition as well as brand recall and recognition. Background sound was the most effective model among these five models. It implies sound is an effective vehicle to convey advertising information online. By taking advantage of sound, background sound advertising appears to be more powerful than banner, pop-up and pop-under advertising to build brand awareness that favorably influences purchasing behaviors. Its ability to embed typical sounds like a cell phone ring into the ad gets the viewers' attention and helps them to be aware of the advertisements. Only more annoying than banners, background sound ads were not as intrusive as expected. But, to minimize the annoyance is critical in applying sound to online ads because they are very easy to be suppressed.

As observed, some respondents turned down the speakers when they heard the ads. The hybrid model had 4 different ad models: banner, pop-up, pop-under and background sound. Although the contribution each ad form made to ad recall and recognition was not determined in this experiment, it still implies that the combination of different ad models improves ad effectiveness in recall and recognition. However, all respondents felt hybrid ads were annoying. The reason is possibly that it is very difficult for respondents to get use to different ad formats in a short period of exposure.

To avoid a high risk of being suppressed, the background sound and hybrid ads should be targeted appropriately and relevant to viewers' interests. It is also important to keep the advertising message close to the content of the Web page. These are all keys to successful online advertising.

## Conclusions

Two major works have been done in this study. First, two new online advertising models (the background sound model and the hybrid model) were addressed. Secondly, an experiment was conducted to compare the effectiveness of these five online advertising models: banner, pop-up, pop-under, background sound and hybrid.

Several interesting conclusions can be reached from the results and observations made during the experiment. The background sound ads and the hybrid ads were more effective in ad recall/recognition and brand recall/recognition than the banner, pop-up and pop-under ads. Banner ads had the lowest annoyance value, the pop-up, pop-under, background sound and the hybrid ads all have high annoyance value. This effect is probably due to the fact that banner ads are most commonly used in practice. Therefore, the participants were use to seeing and ignoring banner ads. So it suggested the hybrid model and the background sound model should be used where the viewer's interests are known and the content of the ads relate to these interests. Otherwise, these advertising models can become a deterrent. In general, the results of this study



support the background sound advertising model and the hybrid advertising model as promising alternative models of online advertising if they are used carefully. This was a small controlled study conducted to compare three existing online advertising models to two new advertising models. The results are reported here, but more extensive studies should be conducted with a larger participant base to further support the findings of this study.

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Empowerment through Entrepreneurship Conference  
Cape Town, South Africa, November 16-18, 2003

# Entrepreneurship: The Path to Empowerment

### **Brian Dabson, President**

Corporation for Enterprise Development  
Washington, D.C.

It is a great honor and privilege to be asked to make a presentation at this important conference. Until today I had not used the words 'entrepreneurship' and 'empowerment' in the same sentence, and I was intrigued, not having been to South Africa before, as to the implications of this coupling. The word 'empowerment' has been overused in the United States to the point of being meaningless – some notion that poor people and distressed communities can regain some semblance of control over their destinies, mixed with the idea that this can be achieved through government programs. In South Africa, I understand it has a powerful and very specific meaning – the increase of black ownership of enterprises, and the achievement of economic power commensurate with recently-won political power.

The World Bank defines empowerment as "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives." This phrasing parallels the mission of my own organization – fostering asset-building and economic opportunity strategies among poor people and distressed regions, through assets, entrepreneurship, and economic development.

During an Internet search for 'entrepreneurship and empowerment', I found the words used together by UNICEF to describe extraordinary steps taken by women in India. They took the

initiative in both the decision-making and job creation associated with water and sanitation projects. Instead of remaining bystanders they had become empowered to be trained as mechanics and to enhance their lives as entrepreneurs. In the United States, I learned that the Ford Company has been running for the past four or five years Empowerment through Entrepreneurship symposia. These have been organized at major African American national and regional conferences across the country to promote the idea that minority entrepreneurs and businesses can become major suppliers to the auto manufacturer. The company has also provided scholarships to winners of student essay competitions on the topic of 'empowerment through entrepreneurship.'

Similarly, the Coca-Cola Company three years ago committed itself to a five-year \$1 billion commitment to diversity through its own empowerment and entrepreneurship program. The executive vice-president is quoted as saying, "The impact of the Coca-Cola system on local economies around the world through the development of entrepreneurs and local businesses is well-documented... Through them, we equip talented individuals with the skills to lead, work with our neighbors to build strong communities and foster a climate of entrepreneurial opportunity for minority and women-owned companies to succeed."

Starting and growing a business anywhere is fraught with well-documented perils. These are compounded for many in South Africa, as well as some parts of the United States, by a complex array of historical, cultural, and ethnic factors with their implications for access to markets, capital, labor, peers, and infrastructure, as well as the way they shape attitudes towards entrepreneurship. Yet there is evidence of organizations, institutions, and agencies – many of whom are represented here today – that are pursuing all manner of programs and initiatives that are meant to encourage greater entrepreneurship in South Africa.

I am going to begin with some simple definitions.

*Entrepreneurs* are people who create and grow enterprises. They come in many different types and with many different motivations:

- **Survival** entrepreneurs – those who resort to enterprise creation to supplement their incomes.
- **Lifestyle** entrepreneurs – those who create enterprises in order to pursue a certain lifestyle or live in a particular community.
- **Growth** entrepreneurs – those who are motivated to develop and expand their businesses that create jobs and wealth and
- **Serial** entrepreneurs – those who go on to create several growth businesses.

Entrepreneurship is the process through which entrepreneurs create and grow enterprises. This process has four main elements:

1. Identifying an **opportunity** for taking action or a need that might be met.
2. Developing an **idea** to seize that opportunity or meet that need.
3. Creating a **venture** that would bring together the necessary resources – intellectual, physical, financial – to translate the idea into a reality, make it effective, and sustain it.
4. Embracing **creative thinking** to resolve problems, remove obstacles and identify further opportunities.

Entrepreneurship development refers to the building of the infrastructure of public and private supports that facilitate entrepreneurship. And entrepreneurial communities are those where there is significant economic and social entrepreneurial activity and where there is an effective system of entrepreneurship development.

Although entrepreneurship is a term usually applied to the creation and sustaining of business ventures, it has equal power in the worlds of social services, the arts, the sciences, and in community development – anywhere in fact where complex problems have to be solved in an uncertain environment. We should add a further definition at this stage – social entrepreneurs – people who create and grow enterprises or institutions that are primarily for public and community purposes.

Entrepreneurship, contrary to common view, is neither an exercise in rash risk-taking nor a solo occupation. In fact, it is just the opposite. Entrepreneurship is about carefully assessing the balance of risk and reward (costs and benefits) and it flourishes in an environment where there are many entrepreneurs of all types. People of all kinds can be and are entrepreneurs. Some may be naturally inclined to be entrepreneurial, others learn to be entrepreneurs, but there is nothing in the rule book that prevents groups and communities working together for a common cause in an entrepreneurial fashion.

Ensuring that a community, province, or nation has the right climate or culture in which entrepreneurs and entrepreneurship can flourish is in itself a creative process – one which requires identifying opportunities, developing ideas, creating mechanisms for marshaling resources, and embracing creative thinking.

South Africa is one of 37 nations participating in the Global Entrepreneurship Monitor (GEM) program. This program is the only comparative assessment of entrepreneurial activity across the world. The most recent edition published last year provides some insights into South Africa's entrepreneurial standing:

- Globally, 12 percent of adults (18 to 64 years of age) were actively engaged in the start-up process or managing a business less than 42 months old. In South Africa the percentage was 6.5 or 1.6 million people – the US level was 10.5 percent. This places South Africa 19th out of the 37 and the US 11th. The most entrepreneurial countries were Thailand, India, China, Chile and Argentina.
- GEM argues that economic growth may be a function of entrepreneurial activity. The recent worldwide decline coincided with a drop of entrepreneurial activity – in South Africa from 9.45 percent in 2001 to 6.4 percent in 2002.

GEM divides entrepreneurial activity into two basic categories: opportunity-based or necessity-driven; between those who seek out business opportunities, and those who see establishing a business as a last resort. Worldwide, 61 percent of entrepreneurs fall into the opportunity-based category. South Africa ranks 26th highest for the extent of opportunity-based entrepreneurship and 9th highest for necessity-driven entrepreneurship. The equivalents for the US are 4th and 18th. This implies that a significant proportion of South Africa's entrepreneurs are doing what they are doing because they have to, not because they have a dream of owning their own successful enterprise.

I read with interest a report published by the Province of Western Cape on "Preparing The Western Cape for the Knowledge Economy of the 21st Century. In it there is a section on 'Enterprise and Empowerment' where there are four policy objectives concerned with:

- Fostering a culture of entrepreneurship;
- Creating an 'enabling' environment for small, micro and medium enterprises as a main engine of growth and employment in the province;
- Assisting such enterprises prepare for the challenges of the global economy; and
- Supporting development of these enterprises among previously disadvantaged individuals and communities.

A long list of strategic initiatives were proposed to achieve these objectives, most of which are very familiar and make perfect sense. But I would like to offer a policy and practice framework that may help to increase the chances of success.

There are two main objectives for entrepreneurial development:

- First, the creation of a pipeline of entrepreneurs. There should be an infrastructure of lifelong learning from elementary school to the golden age, based on the principle that it is never too early or too late to be an entrepreneur. The aim should be to create a large and diverse pool of people out of which there will flow a steady stream of high achievers with an interest in creating business, jobs, and wealth in their communities. This objective requires strategies that embrace entrepreneurial education into the school system and post-secondary educational institutions, providing continuing support and encouragement through networking among entrepreneurs, and raise the profile of successful local entrepreneurs as role models.
- Second, the forging of the wide array of business support programs into a seamless system that can deliver effective financial, technical assistance, and real estate services entrepreneurs at different levels.

This second objective needs further explanation. Entrepreneurship development is usually practiced not as a coherent system but as a disconnected set of programs – access to debt and equity capital, incubators, technical assistance, training, mentoring and so on. These may all be excellent, effective, well-managed programs, but if they are not working as an integrated into a system then they will fail to meet the needs of most entrepreneurs. In some states in the US, even when there are sophisticated programs available, fewer than 1 in 10 entrepreneurs know about them, and fewer still use them. Why? Because entrepreneurial challenges do not come neatly packaged according to available categorical programs and it is too hard and time-consuming to work your way through multiple agencies. This is not an argument for one-stop shops, but for the adoption

of systems approaches to the provision of business services, where any one provider becomes the portal to the whole system of supports.

To continue with the framework: I believe that people and institutions at all levels should embrace a set of four key principles for entrepreneurship development:

1. **Firstly, entrepreneurship needs to be community-driven:** The community – whether large or small city, township or rural community – provides the immediate environment which will determine whether entrepreneurship flourishes or withers. Local communities need the tools and resources to identify and build upon their assets, to make choices that appropriately balance economic, social, and environmental imperatives, to learn from the experiences of others, and to be open to experimentation and innovation. It requires that all sectors of the community are invited and expected to contribute.
2. **Secondly, entrepreneurship needs to be regionally-oriented:** A regional focus to entrepreneurship is critical in three ways.
  - a. Political jurisdictions, more often than not, make little sense in economic terms and the resources available in many communities are inadequate to match the scale of need (or opportunity). Only through regional cooperation across multiple jurisdictions, and through regional institutions, can there be sufficient scale, resources, and expertise to enable individual communities to play their full role.
  - b. Arbitrary distinctions between urban and rural interests both mask the issues and concerns that are common to all residents and businesses and prevent the search for regional solutions.
  - c. For entrepreneurs, local markets are generally inadequate to sustain their businesses and they need access to the main regional economic drivers to survive and expand.
3. **Thirdly, entrepreneurship development needs to be entrepreneur-focused:** Current thinking in the US on entrepreneurship development points to the ineffectiveness

of entrepreneurial development supports that are both programmatic and uncoordinated. The notion that entrepreneurs have different needs that are a function of their education, skills, and maturity seems obvious, but tailoring the plethora of training, technical assistance, and financing programs and products to these needs usually requires major adjustments to current practice. This brings along the need for systems thinking as I mentioned earlier, requiring providers of entrepreneurship development services to be aligning themselves as parts of regional systems rather than independent fiefdoms with turf and resources to protect. A focus on entrepreneurs also represents another shift to the idea that entrepreneurship development is largely about social capital. It requires a focus on relationships particularly among entrepreneurs, not simply completing transactions. It requires skills that are rare among economic developers: the skills of diagnosis, facilitation, and organizing, as well as patience and a long-term view.

4. **And the fourth principle is: entrepreneurship development needs to encourage continuous learning:** Entrepreneur networks have been stressed by many as essential ingredients of a supportive entrepreneurial environment because they provide individual entrepreneurs the opportunity to learn from their peers. This is (or should be) also true for practitioners, community leaders, and policy-makers. At another level, there is a pressing need for rigorous evaluation of the effectiveness of entrepreneurship strategies and the returns on investment that can reasonably be expected.

There are also three other important essentials I want to mention for promoting an entrepreneurial climate: anchor institutions, supportive public policy, and an approach that makes all entrepreneurs welcome:

1. **All entrepreneurs welcome:** I mentioned earlier about the Global Entrepreneurship Monitor's distinction between opportunity-based and necessity-driven entrepreneurs. The natural tendency is for policy makers and eco-

economic developers to want to focus on the former as they seem to have the highest likelihood of becoming the engines for wealth and job creation. However, it is very hard to pick winners. Most entrepreneurs start from modest beginnings – 69 percent of the Inc Magazine’s 500 fastest growing firms in the U.S. started with less than \$50,000 in capital, 50 percent had businesses that were non-technology-related, and 56 percent started their business at home.

The idea of creating a diverse pool of entrepreneurs with different motivations, whether for survival, lifestyle, or wealth, out of which fast-growth enterprises, is a powerful one. It suggests that anyone can make it with a little bit of support and encouragement. So a micro-enterprise could be just a means to provide supplementary income to a poor family or it could be the beginning of a rapidly growing venture with a global market.

2. **Supportive Public Policy:** I have already mentioned the fine intentions of the Western Cape, which on paper at least seems to be offering a supportive public policy environment. There are some fine examples in the US of comprehensive and creative approaches to state policy to encourage innovation and entrepreneurship, such as working through nonprofit and higher educational institutions with significant resources and a mandate to reach out to entrepreneurs in the remotest and poorest rural counties. But generally, there are mixed messages from government. At the federal level, there is a vacuum of leadership for pursuing an entrepreneurship agenda and this is reflected in repeated attempts to cut back resources for programs targeted at small business, development finance, micro-enterprise, and community-based economic development. At the state level, some legislators are showing interest and support for comprehensive approaches to entrepreneurship development and education, while others are cutting back on supportive programs, even as they continue to endorse expensive business recruitment policies. Perhaps we shall hear

more at this conference just how supportive public policies here in the Western Cape are going to be.

3. **Anchor Institutions:** The presence of non-profit institutions with the capacity to articulate a vision and/or advocate for change, build partnerships, and attract and mobilize resources has been critical to entrepreneurship and homegrown economic development. In the US, these can be universities, community colleges, community development financial institutions, community development corporations, or nonprofit research and advocacy groups. Here we have four major higher educational institutions that are stepping up to be entrepreneurial anchor institutions.

They can be particularly effective when they embrace the four principles by directly engaging with local communities, operating at a regional scale, focusing on the particular needs of entrepreneurs as part of integrated systems of support, and providing opportunities for exchange and reflection.

This is a daunting set of requirements. But there are a number of entry points that educators, advocates, communities, governments, foundations, and businesses should consider in order to create a supportive entrepreneurial climate. These can be grouped into three main strategies: investment, learning, and advocacy.

1. **Investment Strategies:** Encouraging behavioral changes in communities, institutions, and governments requires the creation of a set of incentives and a willingness to invest for the long haul. For instance, capacity-building and challenge grants can be used to encourage innovations in design and delivery of services, and the development of effective and accountable systems of entrepreneurship support.
2. **Learning Strategies:** Rigorous evaluation of entrepreneurship strategies, systematic case studies of effective practices and initiatives, “how to” guides, training programs for elected

officials and policymakers, and opportunities for peer exchanges all represent a vital strand of learning strategies. Other approaches might include experiential (hands-on) entrepreneurship education efforts in schools, colleges, clubs, community centers, and camps.

3. **Advocacy Strategies:** What is needed is to energize networks of organizations and institutions that can use the results of these investment and learning strategies to generate further public and private resources to support entrepreneurship development.

So, to conclude: Successful economies need entrepreneurs. Successful entrepreneurs can come from all walks of life and be motivated by a wide range of factors. Entrepreneurial development programs in order to be effective need to operate as systems of support focuses on the needs of entrepreneurs. Universities can be critical anchor institutions for supporting and enhancing these systems if they promote community-driven, regionally-oriented, entrepreneur-focused, and continuously learning strategies.

So how does entrepreneurship become the path to empowerment? Entrepreneurship is not about waiting for someone else to act on your behalf. It is about identifying an opportunity for taking action or a need that might be met; developing an idea to seize that opportunity or meet that need; creating a venture that would bring together the necessary resources – intellectual, physical, financial – to translate the idea into a reality, make it effective, and sustain it, and embracing creative thinking to resolve problems, remove obstacles and identify further opportunities. The skills that are required can be learned.

At the beginning of my presentation, I mentioned my search for references on where empowerment and entrepreneurship meet. One brief description about the Heritage Academy for Girls in Baton Rouge, Louisiana that caught my eye: The academy has the mission of economic empowerment of girls through entrepreneurship and investment training. The founder had noticed that young girls, while still young, were becoming dependent on boys for money to get their hair

and nails done. They were looking for a “Suga Daddy,” falling into a cycle of dependency behavior very early. In an entrepreneurial move, she used her personal savings to create the academy so that she could give the tools of entrepreneurship to empower young girls to define their own destiny.

I was invited to participate in this conference by Dr. Keenan Grenell with whom I have had the good fortune to work on the Board of REAL Enterprises, Inc. REAL for over twenty years has promoted experiential entrepreneurship education for young people from kindergarten to higher education. It was designed specifically to engage youth in poor rural communities so that they would be better able to advance in a changing world while understanding the economic forces that impact on their home communities. This, I believe to be a noble cause, and thank you for making me see that what we are doing is fostering empowerment through entrepreneurship.

### **Brian Dabson**

*Brian Dabson has been President of the Corporation for Enterprise Development (CFED) since 1992. The CFED promotes asset-building and economic opportunity strategies that bring together community practice, public policy, and private markets in new and effective ways. He is author and editor of many publications on economic development and entrepreneurship. Brian has just completed two terms as President of the OECD Forum on Social Innovations, and was, until its recent merger with CFED, the Chair of the National Board of REAL Enterprises Inc. He is a member of the Advisory Board of the Center for Rural Entrepreneurship. Before joining CFED he was the Managing Director of a European consulting and research organization specializing in economic development, training and employment issues. Prior to that, he worked in local government mainly in the cities of Glasgow and Liverpool. He holds a degree in planning and a Masters Degree in public sector management and administration.*

8th Annual African-American Entrepreneurship Summit  
Entrepreneurship Education is the Practice of Freedom

Remarks for a Free-Thinking Person Lecture  
Auburn University, Alabama, February 12-15, 2002

# The Challenges Facing Black America at the Dawn of the New Century

**Dr. David Wilson,**

**Associate Provost and Vice President for University Outreach**

Auburn University

Good Afternoon. I am honored and humbled to be invited here to deliver the John Sibley Butler Free Thinking Person Lecture as part of the African-American Entrepreneurship Summit here at Auburn University.

John Sibley Butler is one of this nation's most celebrated and brilliant minds - a scholar of the highest rank. Currently, a distinguished professor of sociology at The University of Texas, Professor Butler's career is most impressive. He is a prolific scholar, an individual who has written numerous articles and award winning books on African American entrepreneurship. His current position at The University of Texas as the holder of two endowed chairs speaks to the esteem to which he is held by higher education in America.

Let me be the first to issue a disclaimer - I am not a scholar of the ilk of Professor Butler. If anything, I fashion myself as a public intellectual, a person who sees things as they affect everyday life, and tries to bring some perspective to them in order to improve the society in which we live. I know this conference is devoted to issues of African-American entrepreneurship, but when Professor Keenan Grenell invited me to give the Free Thinking Person talk, he said I was entitled to speak on what ever subject I wanted to. Therefore, this afternoon, I want to shape my

remarks around the theme "The Challenges Facing Black America at the Dawn of the New Century."

Over the last four decades, African-Americans have made remarkable strides in almost every aspect of American life - socially, politically and economically. Sometimes it's hard to believe that just 40 years ago, many American streets were war zones, utterly flowing with blood.

As some of you might recall, major defenses were mounted on the part of numerous individuals, organizations, cities, towns, and states, to keep blacks from enjoying the basic accoutrements of American citizenship, mainly the right to vote, to live in a neighborhood where you wanted to live, to send your children to good schools, and to earn a decent wage. It's hard to believe that so much effort and energy, not to mention hoards of money, were exerted to keep blacks and whites apart, to keep us from literally sharing bread together in the same eating establishment, or drinking from the same water fountain.

We have come a long way in 40 years. According to the 2000 census, the median income of African-American households is approximately \$30,500, up almost 6 percent from 1999. That same census reports that the poverty rate for



African-American was 22.1 percent in 2000, the lowest measured rate since 1959, which is the earliest year for which poverty data are available. The 2000 rate was down from 23.6 percent in 1999. What that means is that about a half-million fewer African-Americans were poor in 2000, than in 1999. On the education front, even more good news: 79 percent of African-Americans age 25 and over were high school graduates in 2000 - record high. Also, 17% of African-Americans age 25 and older had at least a bachelor's degree and 81% of African-American children ages 6 to 17 had access to a computer, either at home or in school. These numbers are quite encouraging. Politically, we also have done quite well in some areas. For example, according to the Joint Center for Political Studies in Washington, more than 40 US cities with populations of 50 thousand or more now have black mayors. I personally think this is remarkable when you consider that twenty-five years ago, you could count the number of blacks leading major American cities on one hand and still have three fingers left. However, we have found that political power without economic strength and resources is not enough to revive many of these cities that had undergone years of neglect before blacks began to control them. On the national level, there are 38 black representatives in Congress and a fair share of African-Americans who head national organizations and associations.

In corporate America, the last bastion of white male dominance and the area most resistant to change, we are seeing some kernels of progress. We now have people of color who head some of America's most venerable Fortune 500 corporations. People like Richard Parsons and Kenneth Chenault have finally shattered the glass ceiling in the corporate board room and I hope with these and other breakthroughs, that America is finally willing to look at talent, without regard to race or gender. Corporate America seems to understand that it must now compete in a global marketplace, and to do so successfully, it must have leaders and officers who are more diverse, and who understand, appreciate and value the diversity that makes up the world.

Increasingly, higher education in the United States has also begun to blow the same bugle as corporate America. Forty years ago, you could not find an African-American person as president of a predominantly white college or university in America. But today, higher education, as an enterprise, is finally embracing diversity in its highest ranks.

There is now an impressive list of universities that have African-American and/or women chancellors and presidents, though my state of Alabama has yet to name a person of color to head any of its non-HBCU four-year institutions - but what else is new?

When Ruth Simmons left prestigious and elite Smith College in Massachusetts last year to go on to more prestigious and elite Brown University in Rhode Island, a major door for blacks in higher education was finally kicked in. Simmons broke a glass ceiling that frankly, I thought would never be broken. The sound of shattering glass could be heard from Florida to Maine, and from New York to California, as she became the first African-American, and only the second woman, to become president of an ivy-league school.

I just returned from San Francisco where Ruth Simmons gave the keynote address at the American Council on Education's Annual Meeting (to an emotional standing ovation, I might add), and, according to her, there is no mystery to her ascendancy. Although she grew up dirt poor in Texas, in a family of 12 children, she was turned on by learning at an early age, went to college at Dillard University, and then on to Harvard. She then got the opportunity to prove herself and pursue the American dream opportunities that don't often come our way if you are black or female, regardless of your credentials. And that was all that she ever wanted or asked for- an opportunity.

Ruth, as do I, believes very strongly in the American dream, the kind of dream that Professor Walter R. Allen of UCLA remarked: "lies at the very heart of the American cultural ethos." At the center of the American dream is the emphatic conviction that in this society

education opens the door to success. Because talent is significantly equated with high educational performance and attainment, the cherished belief that even the poorest American can, with hard work and determination, achieve greatness, is a linchpin of the belief that education is the foundation of democracy. African-Americans, despite the stereotypes of us as lazy, ignorant, and sometimes even mentally inferior, have embraced these beliefs to the extreme.

An opportunity to prove oneself is what we all want. We do not want society to pre-judge us or pre-determine our professional fate by excluding us from being considered for top positions in education, in the federal government, or in corporate America, simply because of the color of our skin. And I am pleased to see that there is an awakening, in the country, albeit slow, to the realization that “talent is talent,” and it is not manifested exclusively in one race, or in one gender. While America is still a long way from being a “color-blind” society, I am pleased to see that America’s institutions are finally recognizing the strength in diversity and are beginning to reward individuals who have prepared themselves well with key leadership positions in this country.

Of course, here at Auburn University, home to the African-American Entrepreneurship Summit, we have tremendous opportunities ahead of us to move beyond tokenism and truly diversify our institution. Over the next two years, over a dozen senior positions will be filled, including the presidential and provostial positions, and scores of deanships. I hope when we conduct the searches to fill these positions, we will have the temerity to appoint people who will continue to shatter the glass ceiling at Auburn University. The question is not “Can we find people who are qualified?” because there are scores of individuals out there whose qualifications are just as impressive as mine, or just as impressive as those of my colleagues here at Auburn. The real question is: will we offer them an opportunity to come in here and prove themselves, much in the same way as Brown offered Ruth Simmons that opportunity, or AOL Time-Warner offered that opportunity to Richard Parsons. For the sake of a healthy Alabama and a healthier Auburn, I sincerely hope we will do this.

Despite the progress we have made at the political and educational levels, much, much more is needed. For example, of our 100 US senators, and 50 governors, none of them is an African-American. According to a recent report in USA Today, “it’s a fact so obvious and so widely accepted that it’s not even a political issue. But if the US Senate and The National Governors’ Association were private clubs, their membership rosters would be a scandal. They’re virtually lily white. Not a single black or Hispanic to be found among the nation’s sitting governors.” The article goes on to say that “of the 1,864 people who have served in the Senate since 1789, only 15 have been minorities, four blacks (only two elected); three Hispanics, four Asian-Americans, three Native Americans and one native Hawaiian. More than 2,200 people have served as governors of this nation. Only nine have been minorities: four Hispanics, three Asian-Americans, one black, and one native Hawaiian.”

When Douglas Wilder was elected governor of Virginia, the country saw its first African-American governor since reconstruction. As I watched those developments unfold, I was naturally excited, and I had hoped that what I saw then was the beginning of the beginning for American states, but unfortunately, it appears to have been the end of the beginning. So, who knows, maybe Charles Barkley’s stock is rising every day.

The bottom line is that we have come a long way in the political arena, but we still have a lot of work to do at the elite political level if we want to change the look of that public country club. What about African-American owned businesses in the United States? In the area of African-American entrepreneurship, John Sibley Butler points out quite impressively in his book, Entrepreneurship and Self-Help Among Black Americans (1991), that black-owned businesses have an illustrious history of over 250 years in the United States, beginning in the 1700’s with the entrepreneurial creativeness of Benjamin Banaker.

For those of you unfamiliar with Benjamin Banaker, he is most recognized for inventing the clock and using his inventions to combat stereotypes of blacks. At one point, former president Thomas Jefferson asserted that blacks

were inferior to whites; that they couldn't do intellectual things in the same way as whites. When Benjamin Banaker read this, he immediately wrote to Jefferson and explained so eloquently the contributions of blacks to the development of American society, and he did this so well, that Jefferson quickly retracted his statement that the so-called incapability's of blacks resulted from their intellectual inferiority. And so, Banaker would have been quite appropriate to give this talk today, for even in the 1700's, he was a "free-thinking person," and was not afraid to speak out. Over the next 200 years, black-owned businesses thrived in a number of states.

In the 1800s, Stephen Smith was a successful lumber merchant and amassed a net worth that exceeded \$500,000. Also during the 1800s, Robert Bogle started a catering service in Philadelphia. His success led to his being honored by the Philadelphia financial community for his entrepreneurial ideas. And of course, there was Sarah Walker, who sold hair care products and is considered to be the first American woman of any race to become a millionaire through her own efforts. So there is an impressive history of African-American entrepreneurship in America. According to the 2000 census, there are 20.8 million non-farm businesses in the United States. 823,500 of those are African-American owned businesses. This figure has grown by over 700,000 since 1969, and over 200,000 over the last 5 years. These businesses employ over 700,000 people and generated approximately \$72 billion in revenues in 1997.

What is also impressive is that 38% of the nation's African-American owned businesses are owned by women, a higher percentage of female owners than any other minority race or ethnic group. The average African-American owned firm averaged \$86,500 in annual receipts in 1997, - with a small subset of these firms (8,700 of them) with annual sales of \$1 million or more each. Taken on-their-own, these statistics appear to be quite impressive, but they must be looked at in the context of overall business development in the United States. For example, of the more than \$19 trillion in revenues from non-farm businesses in 1997, only 3.9 percent was generated by African-American

owned businesses. Clearly, we need to promote more policies that favor the creation of more black businesses in order to revitalize our urban and rural communities.

In this regard, I issue a challenge to all African-American leaders, in particular to our church leaders, business leaders, governmental leaders, civic leaders, and all others in leadership positions. First, we must become more knowledgeable about various processes in order to improve conditions in the black communities. For example, we must understand the importance and usefulness of subscribing to and encouraging an entrepreneurship philosophy as another means of ameliorating some of our economic conditions. Governmental programs, projects, and handouts alone will not improve black communities.

There must be a sustained effort in entrepreneurship. Many localities offer revolving loan funds to assist with business start-up and development. (Examples: Enterprise Corporation of the Delta, and the Black Belt Foundation - I am calling on the governor to implement this in his task force of economically depressed counties) African-American leaders must incorporate characteristics of an entrepreneurial leadership philosophy into their leadership style. Although throughout history there have been numerous examples of African-American leaders advocating self-help and entrepreneurship, over the last 30-40 years the predominant leadership style, however, has been characteristic of a more traditional political leadership philosophy.

A traditional political leadership philosophy is one that reflects an older attitude; it focuses on establishing social equity; it focuses on past injustices (e.g. racism and/or discriminatory acts); and it often blames the government for problems and wants government to solve all of those problems. The traditional leadership philosophy does not embrace change easily, and believes that good government and leadership is maintained through traditional patterns.

An entrepreneurial leadership philosophy is a little different. Here leaders promote opportunity through business ventures; leaders focus on self-

help; leaders try to promote policies and programs that build economic capital to sustain and grow our communities. Please know that I do not believe that emphasis on the entrepreneurial leadership philosophy suggests that the traditional political philosophy is dated or has no place. This is far from the truth! There will always be a need for African-American leaders to exert a traditional political leadership style however, a delicate balance needs to be achieved between the two if economic development is going to be achieved in black communities across the country.

African-Americans must understand the political climate at the federal, state and local levels, because public policy created from these climates will have a profound impact on entrepreneurial opportunities.

Because, like the National Urban League, I, too, believe that "African-American business formation is key to revitalizing our communities by creating jobs, we must, therefore, support policies at the local and national levels that remove barriers to developing and sustaining African-American business enterprises." In the words of John Sibley Butler, "in America today, we have a situation which is almost unprecedented." Our theoretical framework, which comes from the work of Max Weber, is that oppressed groups throughout history are driven into business activity in order to survive economically. African-Americans today seem to have lost the spirit of enterprise that was so prevalent during the early part of this century, perhaps because racial oppression is so much a part of their lives. But occasionally we see positive signs of this spirit re-emerging and when we do, particularly those of us at major research institutions like Auburn, we need to do everything we can to support it.

(A month ago, I visited Vonn Products in Selma and was encouraged. AU has pledged assistance to see if the sauce being produced by Yvonne and Willie Thomas can be distributed more widely - they have an excellent business plan.)

AU is also exploring the development of a minority vendor program as a means of supporting more minority-owned businesses in Alabama. The state of Alabama had 19,100 African-American owned businesses in 1997. Our goal at Auburn is to offer our collective expertise to these businesses to sustain them and promote their expansion in order to promote the economic development of our state. Once again, I am honored to have been asked to share some of my views with you today and will be happy to respond to any questions you might have. Thank You.

#### **David Wilson**

*Dr. David Wilson is the Associate Provost & Vice President for University Outreach at Auburn University - Auburn, Alabama. This speech was presented at the 8th Annual African-American Entrepreneurship Summit which took place February 12-15, 2002 on the campus of Auburn University. Theme: Entrepreneurship Education is the Practice of Freedom.*









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