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**Poverty alleviation and gender empowerment through
entrepreneurship in South Africa:
Opportunities and Challenges**

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Abstract:

Some injustices, prejudices and other developments in the history of a group may disrupt their social cohesion leading to a vicious circle poverty trap. In South Africa, during many decades, black people experienced a segregationist politics of a white minority. In 1994, a first black president from the African National Congress (ANC) is elected with the aim to create a better South Africa for all. Various ANC governments since then have adopted many economic programmes with the aim to halve by 2014 poverty and unemployment especially among the Historically Disadvantaged Individuals (PDI) .

In 1994 the ANC adopted the Reconstruction and Development Programme (RDP) as a policy framework to guide in transforming South Africa from a divided society to one that provides equal opportunities for all its citizens. The main principles of the RDP were among others meeting the people's basic needs, developing the country's human resources; building the economy; and democratising state institutions and society. In 1996, many RDP's targets were unmet.

Two year latter, in 1996, the ANC adopted the Growth, Employment and Redistribution (GEAR) macroeconomic, a strategy for rebuilding and restructuring the economy in line with the main principles of the RDP. Where the RDP had promised basic services for all, GEAR promised “public-private sector partnerships” based on “cost recovery”. Where the RDP set targets for reducing unemployment, GEAR called for “greater labour market flexibility”. And where the RDP made a great show of highlighting the systematically enforced racial divisions in the economy, and the system's structural inequalities, GEAR talked about “economic stability”, “sound fiscal policy”, “foreign direct investment” and “strong export performance. South Africa's unemployment rate is now conservatively estimated at 25 percent - and may be as high as 40 percent according to the origin of the sources.

During the same period, the Black Economic Empowerment (BEE) and thereafter the Broad Based Black Economic Empowerment (BBBEE) to correct the imbalances of the past were launched.

In February 6 2006, during a media briefing, the Deputy President Phumzile Mlambo-Ngcuka (2006) developed a background document catalyst for Accelerated and Shared Growth Initiative-South Africa (ASGISA), with the objective to support previous programmes in halving poverty and unemployment by 2014. Quoting the Deputy President (2006) when she said: “the social grant programme developed in South Africa, has given some impetus to poverty reduction and income redistribution, there remain about a third of South African

households not yet able to benefiting directly from our relative economic success”, was a recognition of the unmet objectives of the government social policy.

From the above, the problem of income inequality remains an inhibitor to various initiatives developed since 1994 by ANC governments. In fact they lack pro poor macro and micro economic policies and strategies focusing on wealth distribution and poverty alleviation from a gender perspective. How these initiatives must take place?

This paper seeks to contribute on current debates on polices and strategies aiming at reducing the gap between poor and rich through an effective model on wealth distribution based on training, coaching and mentoring potential women entrepreneurs in South Africa.

The first part of this research addresses various economic policies developed since 1994, with the focus on their limitations to address the plight of the poor. The second part develops a strategic framework for a wealth distribution model, which will tackle issues such as severe poverty and unemployment. This model ultimately intends to correct the imbalances of the past.

JUSTIFICATION FOR THE PAPER

Why it is important to focus on poverty alleviation within the South Africa graduates unemployment from a gender perspective? A key rationale for supporting the development of young entrepreneur's is its potential to generate output, employment and income (MacIsaac, 1996). Many view entrepreneurship as central to innovation, economic growth and job creation. (Botha, Nieman and Van Vuuren, 2006) Therefore, if the creation of Small and Medium Enterprises (SMEs) contribute substantially to job creation and income generation, and more and more women marginalised, it makes sense from an efficiency perspective to explore the introduction of entrepreneurship as policies aimed at empowering South African women.

A second rationale for targeting women entrepreneurs in South Africa is welfare improvement. Poverty alleviation policies targeting youth education on entrepreneurship is important and worthy; as with entrepreneurship, youth can earn their livelihood, support themselves and their families through the income they receive from their entrepreneurial activities.

A third rationale for intervening to support women entrepreneurship is to contribute to their social and economic empowerment. Various research (Kantor, 2001) support this rationale with the belief that self-employment and entrepreneurship increase women' self esteem and confidence, leading to greater control over their lives in social and economic spheres. South Africa facing a high rate of unemployment, it is important to focus on alternatives of job creation. What is really entrepreneurship? The next section addresses this point.

THE CONCEPT OF POVERTY

According to Vandenberg (2006), the concept of poverty includes material deprivation (i.e. food, shelter) and access to basic services (i.e. health, education, water and sanitation). It now also tends to encompass a range of nonmaterial conditions, such as a lack of rights, insecurity, powerlessness and indignity. In *Working out of Poverty*, the ILO notes that poverty is a "vicious circle of poor health, reduced working capacity, low productivity and shortened life expectancy" (ILO in Vandenberg, 2006). The OECD's Development Assistance Committee has defined poverty as comprising multiple "dimensions of deprivation that relate to human capabilities, including consumption and food security, health, education, rights, voice, security, dignity and decent work" (OECD in Vandenberg, 2006). It notes that poverty reduction should, in addition, be conducted in the context of environmental sustainability and

gender equity. In *Attacking Poverty*, the World Bank accepted the view that poverty encompassed ‘not only material deprivation (measured by an appropriate concept of income or deprivation) but also low achievements in education and health’ (World Bank, 2001). It broadened further the notion of poverty, however, to include ‘vulnerability and exposure to risk, and voicelessness and powerlessness’.

ENTREPRENEURSHIP DEFINED

The word entrepreneurship is derived from the French *entreprendre*, meaning to undertake, to pursue opportunities, to fulfil needs and wants through innovation; this may include starting businesses inside or outside an established organization. The dictionary definition of entrepreneur is one who undertakes to organize, manage, and assume the risks of a business enterprise. Thus, the entrepreneur is someone who undertakes to accomplish, to make things happen, and does so. As a consequence, the entrepreneur disturbs the *status quo* and may thus be regarded as a change agent. In such a capacity, he or she does not just work for him or herself in a small firm but may be employed in a large organisation (Kirby 2004).

In simple terms, Antonites (2003, summary) defines an entrepreneur as an individual with the potential to create a vision from virtually nothing. Timmons (1994, 7) regards the process of entrepreneurship as follows:

Entrepreneurship is creating and building something of value from practically nothing; a human creative act. It involves finding personal energy by initiating and building an enterprise or organisation, rather than by just watching, analyzing, or describing one. It requires vision and passion, commitment, and motivation to transmit this vision to other stakeholders.

In the view of other scholars in the field, entrepreneurship can be defined as follows:

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

At any time, the entrepreneur needs certain resources to start a business venture, or to realize a business opportunity, either outside or inside the business, which are financial, and human resources. From the definitions outlined above it is clear that entrepreneurship holds the promise of future growth, expansion and long-term financial gain; that is why sometimes a small business that focuses merely on the survival of its owner cannot be seen as an entrepreneurial venture. (Van Aardt *et al.* 2002,) For the purposes of this paper, however, even small business owners are considered to be entrepreneurs.

Timmons (1994: 7) regards the process of entrepreneurship as follows: entrepreneurship is creating and building something of value from practically nothing; a human creative act. It involves finding personal energy by initiating and building an enterprise or organisation, rather than by just watching, analysing, or describing one. It requires vision and passion, commitment, and motivation to transmit this vision to other stakeholders. According to Drucker (1985: 143), ‘most of what you hear about entrepreneurship is all-wrong. It is magic; it is not mysterious; and has nothing to do with genes. It is a discipline and, like any discipline, it can be learned.’

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

Basu (2004) suggests that entrepreneurs often had aspirations different to those of common people. Other personal characteristics that supposedly differentiate entrepreneurship from business owner manager include initiative, a willingness to take risks, self-confidence, perseverance, resourcefulness, independence, persuasiveness, tolerance for uncertainty and ambiguity (i.e. seeing ambiguous situations as challenges rather than as problems), imagination, high need for achievement, and a strong belief in being in control of one’s own destiny (Ibrahim and Soufani, 2002; Llewellyn and Wilson, 2003; Deamer and Earle, 2004)

From all the definitions outlined earlier, entrepreneurship holds the promise of future growth, expansion and long-term financial gain; that is why sometime a small business that is only aimed at the survival of its owner cannot be seen as an entrepreneurial venture. (Van Aardt, Van Aardt, and Bezuidenhout (2002) For the purpose of this paper, even small business are considered to be small business.

JOB CREATION THROUGH ENTREPRENEURSHIP IN USA

The history of the United States is an example that needs a careful examination. More than twenty years ago MIT researcher David Birch began to report his landmark findings in his seminal book "The Job Creation Process" (1979). In his findings, Birch surprised all politicians, researchers and business world that the new and growing smaller firms created 81, 5 percent of the net new jobs in America from 1969 till 1976. During 1993-1996, eight million jobs were created in US; with 77% of these by small enterprises (Timmons, 1999). When one considers the history of Microsoft, a start-up in the late 1970s, Birch' job creation findings are not surprising. In 1980, Microsoft has only 38 employees with revenue of US\$8 millions. By the end of 1997, its sales were US\$6.5 billion with 21 000 employees. This is only for Microsoft. The overall contribution of small and medium size companies is shown in the change of American patterns of employment. During the late years 1960s, one for four persons went to work for a Fortune 500 company. In 1980s, the Fortune 500 employed one for five workforces. By the late 1990s, that number was just one for fourteen. (Timmons, 1999, 2007) This history of explosion of job creation by small and medium enterprises is directly linked to the one of centres of technology and entrepreneurship in US. Therefore, in US, creating jobs and fighting unemployment was directly linked to the promotion of centres and institutions in entrepreneurship, and ultimately the training of entrepreneurs. (Ndedi, 2004) These entrepreneurs were trained to take risks by launching their own business. Are South African Universities addressing this issue?

STRATEGIC FRAMEWORK FOR JOB CREATION THROUGH ENTREPRENEURSHIP EDUCATION IN SOUTH AFRICA

To successfully address unemployment across women, certain things need to be developed regarding the training of potential women entrepreneurs. The strategies for a strategic framework for women empowerment are summarised below:

1. Sector-specific training

The provision of training in the skills particular to a sector is a central strategy to help women entrepreneurs move into higher value sectors, and gain first mover advantage. It gives them the skills to produce higher quality goods, which bring higher prices in the market. Training

women in the skills needed to start businesses at different stages of production, distribution and supply within one industry. This can ease women's entry into new or male dominated sectors since the women will have the added security of an established network within which to work. (Kantor, 2001) Service providers will need market analysis skills to aid them in selecting the target sectors for such training programmes.

2. Incubators

A Business Incubator is a facility designed to assist businesses to become established and sustainable during their start up phase. Typically, they do this by providing: shared premises, business advice and business services, access to potential clients database, mentoring and other services intended to establish the new venture. Incubators can help women who want to expand home-based businesses. They can offer them low cost and low risk access to the productive capacity necessary for expansion. They also can help move women into new sectors by decreasing the risk involved in start-up by offering access to capital and to one-on-one technical and managerial assistance.

Incubators can have a sector focus, helping to create networking and mentoring opportunities between business owners and allow them to form group purchase and retailing systems to achieve economies of scale. Sector-specific incubators may have greater potential in helping move women into new sectors due to the targeted auxiliary support services available.

The roles of these incubators are to assist potential entrepreneurs to transform their ideas from fiction into reality. Therefore the first point is a business plan or a road map. Where the venture want to be in the future, what are its milestones, the means and mechanisms that will be used to go through the difficulties that the business may encountered and ways and tactics on how to overcome them. In summary, a business plan is a document that summarises the operational and financial objectives of a business/venture and contains the detailed plans and budgets showing how the objectives are to be reached

In short, a business incubator is a facility designed to assist businesses to become established and sustainable during their start up phase. Typically, they do this by providing: premises, business advice and business services, access to potential clients/suppliers database, mentoring and other services intended to establish the new venture. Critical to the incubator is the provision of management guidance, technical assistance and consulting tailored to young growing companies. These incubators must also provide to potential women entrepreneurs information on appropriate space and flexible leases existing in the market, shared basic business services and equipment, technology support services and assistance in obtaining the

financing necessary for company sustainable growth. The roles of these incubators are to assist potential entrepreneurs to transform their ideas from fiction into reality. Therefore the first point is a business plan or a road map; the point the venture want to be in the future, its milestones, the means and mechanisms that will be used to go through the difficulties that the business may encountered and ways and tactics on how to overcome them.

3. Reaching girls

Strategies supporting women's entrepreneurship may be short sighted if they do not recognize the present society influences girls' perceptions of what they are capable of doing. Awareness campaigns and educational programmes introducing girls to entrepreneurship are important in expanding their dreams and increasing their confidence. This may then have long-term positive effects on women's entrepreneurship as girls finish school and enter the workforce.

4. Mentoring

Women have shown a keen desire for follow-up training, accessed after trying out ideas learned in more formal training sessions. A holistic mentor will use the following roles of befriending, counseling, coaching, and tutoring.

5. Access to information, Information and communications technology (ICT)

Information is an important asset for business owners. The Internet and electronic commerce are key means to improve access to markets for inputs and for sales of finished goods. These tools can help those producing in areas where access to markets is limited or those whose lack of mobility limits market access.

6. General business training

A constraint women face in starting SMEs is a lack of relevant education and experience. General business training will be vital in filling this gap with the objective to meet women's needs. Business training should also be given to service providers supporting women's entry in business.

CONCLUSION

Society is the social and physical context in which people establish or acquire businesses. Entrepreneurship is important for any society to generate economic growth for social-economic welfare of the population in general and women in particular. In this regard, Porter notes that entrepreneurship is at the heart of economic advantage. In a South African divide society, where increasing women are unemployed, entrepreneurship is for a great importance. Associated to these theoretical programmes, there is a need to have business incubators within enabling women to experiment their projects and embarking on new ventures creation. All these recommendations are not the panacea to the ills that women are facing; they must be seen as contribution to various initiatives on halving unemployment in South Africa.

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