THE RISK OF EMPHASIS ON ENTREPRENEUR SKILLS AS A DRIVER FOR SUCCESSFUL BUSINESS PERFORMANCE IN BOTSWANA: A CASE STUDY.

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Abstract

Studies show that many parastatals and governments departments worldwide Botswana included are over-supporting and value the acquisition of entrepreneurial skills as a key driver for business performance through various intervention programs. The support is reflected in the effort and amount of scarce resources that are committed to pre-tertiary, tertiary and post-tertiary levels of training to impart entrepreneurial skills. Entrepreneurial skills of creativity and innovation (unique business idea), among others is perceived by private and public resources supporters of business promoters as a basic requirement for viability. This effort directed towards reducing the risk of business failure, has so far not yielded anticipated level of results. Many business projects fail within the first few years of establishment despite of the resources support provided to the promoters. This article seeks to explore the reasons attributable to the failure of such well-planned and initially well-executed business ventures. Twenty business investments covering different industry sectors at varying investment levels in Gaborone were purposefully sampled, observed and interviewed, in addition to archival literal studies. The studies and entrepreneurial interviews, when qualitatively analyzed reveals that successful performance of a business venture continuously requires surmountable business management skills with varying levels of unique combinations of entrepreneurial skills along the business investment life cycle. These findings are presented in a practical E-M business model that is a suggested remedy to the failures.

Introduction:
Entrepreneurship has been viewed by many researchers and authors as the messianic key driver for business success and consequently national economic growth (Shemi and Procter, 2013, Hurley 1999). Studies show that Entrepreneurship is thought of as a risky rigorous process of conceptualizing, organizing, creating a new economic entity centered on a novel product or service with unique differences from other market offerings (Deakins and Freel, 2012, Hisrich and Peters, 1998, Dollinger, 1995, Theresa et al 2012). This understanding has made most national economies and institutions to craft various supportive intervention programs towards this course. For example, in Botswana, some of the national programs that have been designed to heavily support entrepreneurship are taught programs in pre-tertiary, tertiary and post-tertiary knowledge stages, intended to impart an entrepreneurial
mind in learners. This is intended to support the economic diversification, which is a major policy for the
government of Botswana (NDP9 2003-2009, NDP 10 2010-2006). For example, all tertiary institutions in Botswana
offer entrepreneurial studies or related disciplines as part of the curriculum. This course is supported by an
understanding that this entrepreneurial mindset will then either at individual level or at corporate level influence the
way a business venture operates (Pinchot, 1985 and Thornberry 2001) because corporate entrepreneurship is
demonstrated through the behaviour and practices of individuals working within the business (Geisler, 1993,
Kuratko et al, 2005, Zampetakis and Moustakis, 2007). Every year, 66,500 students from 1,600 universities around
the world gather to demonstrate their entrepreneurial capabilities through the Enactus programme (Kristia van
Heerden, 2014).

There is no doubt whatsoever that entrepreneurial qualities of innovativeness, risk taking, networking, integration,
opportunism, non-system-bound orientation, change orientation, flexibility, informality and results orientation
(Theresa et al, 2012) are critical elements which should drive a business towards realizing its set objectives. Parastatals and government departments in Botswana provide resources to support businesses based on a well-
crafted business proposal whose underlying characteristics are based on a viable entrepreneurial idea. Institutions like;
Botswana Development Corporation (BDC) established in 1970, Botswana Export Development and
Investment Authority (BEDIA) established in 1997, Local Enterprise Authority (LEA) established in 2004, Citizen
Empowerment Development Authority (CEDA) established in 2001, International financial services Centre (IFSC)
established in 2003, The Ministry of Youth, Sports and Culture Youth Fund, just to list a few, carry out evaluation of
business investment proposals on the basis of a viable entrepreneurial idea. Most of these institutions provide
direct interventions in the form of capital financing to support the government’s policy on employment creation,
economic diversification and growth. The need for economic diversification is because Botswana is over-dependent
on the mining sector, with exportation of cosmetic diamonds that contribute 35% of Gross Domestic Product
(Central Statics Office 2005) in addition to beef exports to the European Economic Community. However, this
diversification policy is not being realized as most of these supported ventures fail a short period after establishment
(BICA 2013, Sserwanga and Rooks, 2013, Sekwati, 2010) or do not achieve the set objectives. For example, since it
was established in 2007, LEA has assisted 14,400 clients of whom only 1500 are active businesses, (President
Khama, 2011) and CEDA notes that the impairment charge on its portfolio continues to increase at an increasing
rate (CEDA 2011/12 financial report). Questions as to why these interventions are not yielding fruit are abound
in many minds. This is not a problem experienced in Botswana alone. Studies carried out by Dan & Bradstreet Inc. in
the United States of America indicate that this is a continuous problem as more than 140 businesses closed doors
during the month of June 2013. The Euler Hermes economic research studies echo along the same scenario by
emphasizing on a likely ongoing global economic fragility and vulnerability in many investment sectors (Economic
Outlook June-July 2014).

This paper aims to address and consequently establish the inherent causes of failure in businesses after establishment
despite the much drummed up and available support that is extended to individual and organizational business
promoters by government, parastatals and non-government institutions in the world including Botswana. The paper
proposes a remedy for the failure in the form of an E-M business Model.

Review of related Literature:-

Business Failures and the Business Environment:-
The twenty first century era is characterized by increasing need for resources investment in various businesses as a
means of providing self-employment for socioeconomic independence or as an alternative to a shrinking job market
as demonstrated by most world economies (Anyona, 2013), Botswana included. Resources are inevitably scarce and
when investors spot a viable opportunity, a good return for investment is anticipated from the investment. However,
this has not always turned out to be the case in many parts of the world including Botswana and consequently
created suffering and misery to the investors and stakeholders. For example, Air America, an American radio
network, specializing in progressive talk programming, with four million unique listeners every week went off the
air in January 2010 after operating only for six years. This investment failed in an economy ‘perceived’ to be
relatively strong as shown in Figure 1.

Though the large number of business failures in Figure 1 occurred in 2008 and 2009 can be attributed to broader
unfavourable economic conditions, Dun and Bradstreet Corporation in their world business failure report (2011) put
the number of failed investments at 83,384 (cited by Anyona, 2013). This scenario is not unique to USA. Studies
carried out by Sserwanga and Rooks (2013), observed that 30% of all businesses established in Uganda during
2003-2004 actually failed to meet objectives and consequently closed down. Botswana continues to experience failures across investment levels a situation detestable particularly at a time that economic diversification is being embraced.

**Figure 1:** Documented Business failures in the USA (2000 – August 2011)

This article explores the much documented and over-emphasized entrepreneurial skills (Shemi and Procter 2013) that are perceived as a prerequisite for successful investments. This school of thought has now been negated by many investments made by well-grounded entrepreneurs that have failed to realize the set objectives. Amit, Glosten and Muller (1993) have categorically expressed fears on the alarming failure rate of new ventures demonstrated by low returns on seed financing. This scenario is equally of concern in Botswana as many Botswana government and institutional investments in such programs have not met the set objectives as alluded earlier.

However, the author of this article views management as a continuous activity of organizing and coordinating the activities of an investment in accordance with prior determined policies and in achievement of defined objectives (Anyona, 2013). This latter school of thought is particularly critical during the 21st century and beyond due to the continuously dynamic and increasing hypercompetitive investment environment emanating from a/an;

- Highly informed workforce;
- Fairly educated consumers;
- Broadened access to information for businesses;
- Increase in virtual organizations;
- Increase in nontraditional staffing;
- Declining motor and brick outlets;
- Upsurge in the utilization of market space;
- Demand for flexible (multi-skilled/cross-trained) workforce by employers;
- Increase in outsourcing of activities by businesses;
- An upsurge of computer links among businesses, suppliers and customers;
- Increase in new learning technologies resulting in increased staff training and development;
- Continued globalization an important feature creating more competition among businesses
- Businesses continuously attracting more females both at employers and employee levels; and
- Increasing emphasis on a triple bottom line (financial, social and environmental performance) for businesses.
The interrelationships of the foregoing characteristics, presents market place and space conditions that are highly complex and cannot be successfully manipulated by an emphasis on traditional entrepreneurial skills.

**Entrepreneurial Theories/Concepts:-**
The study of entrepreneurship is relatively young (Hurley 1999) and did not attract any scholarly studies until late 1980s, even then with minimal theoretical foundations (Bygrave and Hofer 1991). Definition of entrepreneurship is as varied as there are researchers. Entrepreneurship has been defined as; innovation (Schumpeter, 1958), initiating, maintaining, and developing a profit oriented business (Cole, 1965), making significant decisions about changes that affect resources of an organization (Sawyer, 1958), risk-bearing (Mill, 1848), ultimate formal authority within an organization (Weber, 1917) or making changes in strategy for an existing firm that alter the state or pattern of resources deployment (Ginsberg, 1988).

However within a short time, studies on the method of predicting the individual who can become an entrepreneur or which conditions lead to entrepreneurship have been done. Hurley (1999) proposes two streams of theory that lead to entrepreneurship; psychological and sociological. The psychological theory reflects on the psychological influences, personal characteristics and effects of past exposure on the person while sociological theory has a thrust on the influence of environment. For example, high economic and social growth in some societies tends to boost emergence of entrepreneurship especially when a new venture is being established (Aldrich, 19190). Other relevant societal aspects include; political, cultural, financial, location and geographical issues.

Examining the many definitions and concepts, the key words in approaching defining entrepreneurship and consequently identifying entrepreneurial individuals are; risk-taking, creativity and innovation (Amit, Glosten and Muller, 1993). It is risk-taking because it is impossible to predict the future events within an environment with certainty. Creativity emanates from a perceived opportunity within the operating environment which is pursued using an innovative (unique) product (organization) or service. The numerous definitions, precise as they may be lack cognitive ability of an organization (business) being ‘alive’; born, grow, mature and decline (Rwigema and Venter2007).This philosophy is supported by Hannan and Freeman(1977) who draw similarity of organizations to the process of population ecology in which there is birth, survival and death.

**Management thinking (theories/concepts):-**
Knowledge from extant literature on management is abounding. Studies by Taylor’s scientific management (1911) postulated the Classical School of Management that emphasized organizational structure. Weber (1864-1920) introduced the system of bureaucracy in organizations, distinguishing kinds of organizations based on the source of authority; Fayol (1916) who advocated the administrative management school who defined management as to forecast, plan, organize, command, coordinate and control; Elton Mayo and Hawthorne (1927-1932), viewed management from the Human Relations School that stressed the understanding of the human part of the organization in order to improve its performance; The systems theory (Lwidig 1951 andBoulding 1956) viewed organizations as a systems of levels and that they have a symbiotic relations with its environment; the contingency theory of Woodward (1958), Burns and Stalker(1961) postulated the mechanistic and organic systems based on the premise that there isn’t one single approach to successfully managing an organization except to consider entire variables within its environment.

**Contemporary theories:-**
Peters and Waterman (1983) formulated the Contemporary Theories that emphasize excellence in organizations as being dependent on value systems. Theory X and Y (McGregor 1960) argue that human beings do not like work naturally and require to be compelled by rewards in order to be more productive. These two theories developed simultaneously gave rise to democratic view of managing organizations. Ouchi’s Theory Z (1981) emphasizes organizational performance as being dependent on participation and the commitment of all the employees. It is noteworthy that the later contemporary theories are philosophically biased towards leadership in organizations and form the basis of the practice of management as we know it today. Though management has many definitions, it can be broadly viewed as an activity of organizing and coordinating the activities of a business in accordance with prior determined policies and in achievement of defined objectives (Anyona 2013 and Olum 2004). This definition is in tandem with the extant studies and the philosophy underlying the management theories that exist.
Definition of management notwithstanding, one would imagine that the most recognized management theories of Quantitative Approach, The Systems approach and The Contingency Approach, would have developed a view of the ‘living’ nature of organizations, the manner they are understood today (Rwigema and Venter 2007). The more recent Chaos Theory (Peters 1987, Weick 1936) explain the concept using biological systems with emphasis on increasing volatility resulting from increasing complexity and so letting organizations thrive by themselves. It is also silent on the ‘living’ nature of an organization.

The Research methodology/Approaches:
The aim was to find out an explanation for the perceived and observed different business performance levels in situ over time. Just like majority of management studies, this research was based on case study approach within the interpretive paradigm. This approach was found convenient because entrepreneurship is holistic in nature. A number of both internal and external interrelated factors will inform the behaviour or decisions made by the business management. These factors include: leader-management style, business structure, business policy and regulations, employee skills and motivation, political climate, general state of the economy, technology, sociocultural aspects, just to list a few. Consequently, entrepreneurship can only render itself to studies based on non-algorithmic analysis since it is essentially a conscious action (Penrose 1989) that deals with sudden changes and discontinuities within the environment. Regression analysis is inherently reductionist and consequently generates smoothly changing analytic functions which cannot be applied to entrepreneurial actions.

A purposeful method of sampling (Huberman and Miles 2002) was employed to select a representative of twenty (20) businesses within Gaborone that dealt in products and services. These businesses also operated at different levels in the market segments in terms of volume in daily transactions and had operated for at least more than three (3) years. The industry sectors that were involved in the study are; Departmentalized stores, supermarkets, wholesaler/distributor, motor vehicle showrooms, food stores, apparel and textiles, training providers, motor vehicle repairers, motor vehicle replacement parts dealers and tuck shops.

The businesses were then subjected to a six month long periodical critical physical observations of their in-store situation. The visits to the outlets and observations were made during the first week of the month (day 1-4) and the third week (day 15-18). The observations whenever possible during the same visit were combined with unstructured in-depth face-to-face interviews of the respondents for further explanations on the observable in-store state or the resultant features. The explanations provided referred to the volume or number of transactions. This informant interview (Ghauri and Gronhaug 2005; Healey and Rawlinson 1994; and Robson 2002) allowed the business owner/manager to guide the conduct of the interview. The narratives behind the observable changes or attributes of the business were then recorded.

Data collection, Analysis and Discussion:
Data in this study was recorded information in the form of a number of sentences/statements. The data was then analyzed using qualitative categorization approach. Though the underlying principle was to establish the reasons for poor or failed businesses, there weren’t predetermined categories into which to group the statements/statements. The categories that were used in the study are those that emerged (Saunders, Lewis and Thornhill, 2007) during the course of the face-to-face interviews. Four distinct categories emerged; no change with reducing transactions (NCRT), no change same transactions (NCST), no change increasing transactions (NCIT), change with increasing transactions (CIT).

The entire study involved 240 visits and observations, whose category statements were tabulated as shown in Table 1.

Table 1: Distribution of Category statements

<table>
<thead>
<tr>
<th>Category</th>
<th>No change Reducing Transactions (NCRT)</th>
<th>No Change Same Transactions (NCST)</th>
<th>No Change Increasing Transactions (NCIT)</th>
<th>Change with Increasing Transactions (CIT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses/ Entrepreneurs</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>40</td>
<td>40</td>
<td>5</td>
<td>15</td>
</tr>
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</table>
CIT:-
The fifteen percent (15%) of outlets in which there was a continuous upsurge of transactions took place across all sectors disregarding the levels of transactions and target market. The entrepreneurs/business managers explained this by their ability to focus on monitoring the environment and responding with activities to increase the traffic flow into the store. “We fix our eyes on the break-even graph”, the entrepreneurs of these businesses claimed. An unfavourable shift of the profits would immediately be met with staff meeting to craft an appropriate activity to improve the shopping experience of the customers. Some of the activities sounded and looked very simple. A swift or change in the position of the same merchandise within the floor space was all that was required to increase customer traffic and transactions. More elaborate changes also included: introduction of new departments, new products or services to meet customer needs. This observation is supported by Deakins and Freel (2012), Theresa et. al.(2012), and Schumper (1958) who view entrepreneurship as a continuous process of creating and innovating products or services. These businesses exhibited a life cycle phase of either growth or sustained growth within strategic life cycles. This phenomenon was characteristic of departmental stores, super markets and apparel and textile sectors.

NCIT:-
Five percent (5%) of the businesses observed increased traffic flow and transactions. The business did not implement any changes within the six months. They have kept their products/services and business formats same during the periods when they did not have resources to effect any changes except for minor store repairs. These businesses claimed to be experiencing increased traffic flow since they have stuck to what they claimed to be knowledgeable. “Customers know us for who we are and what we do” the entrepreneurs/business managers claimed. This was particularly observed in motor vehicle repair services. The outcome demonstrated a business or product/service that is experiencing a growth phase (Rwigema and Venter 2007, Hannan and Freeman 1977), despite having selected participating businesses aged more than three years. This was evident mainly in the motor vehicle replacement parts dealers.

NCRT:-
Forty percent (40%) of the businesses experienced reduced traffic flow and transactions. The businesses have maintained the same or similar merchandise and business formats since establishment. The entrepreneurs attributed the observable business situation to inflation affecting their customers. “People have no money to spend”, the managers claimed. The only response management has made is to focus on controlling expenditure by reducing the payroll. This situation is characteristic of a product or service at the decline phase of a Product/Business Life Cycle (Rwigema and Venter 2007, Hannan and Freeman 1977) that is often associated with chaos within the labourforce. This phenomenon was observed within wholesaling/distribution, retailing, tuck-shops and motor vehicle repair services.

NCST:-
Forty percent (40%) of businesses claimed a no effect on volume of traffic and transactions. The face-to-face interviews did not reveal any ambition to change the merchandise or the business format. The business has maintained offering the same or similar products and services since inception. The most likely position in the life stage of these businesses is maturity phase (Rwigema and Venter 2007, Hannan and Freeman 1977) in which the entrepreneur could be focusing more on managing the business activities (Anyona, 2013 and Olum, 2004) with a lot of complacency for survival.

Conclusions:-
Business life cycle is a model whose premise is that requirements in terms of internal strengths to exploit external opportunities while reducing threats to the business will vary depending on the stage of development in which the business finds itself(Figure 1). Five growth phases are observable within business organizations; birth or start-up (A), growth (B), maturity (C), decline (D) and revival or bust (E).
For example the threats at the start-up phase are different from threats at the maturity phase. Businesses inevitably move from one phase to another in an attempt to create a ‘fit’ with its environment for survival. This ‘fit’ is attained by efficiency and effectiveness in meeting or exceeding the needs of customers. The implication of a business life cycle (BLC) therefore, is that different objectives, strategies, managerial processes (planning, organizing, directing and controlling), technology, culture, and decision-making should be crafted to ensure a business is aligned with the environment. Continuous change in the managerial processes using management skills must be in tandem with the volatile hypercompetitive and complex external environment. The managerial processes alone cannot adequately address changing customer needs but both the managerial skills and entrepreneurial skills are required in order to meet or exceed the dynamic customer needs. The extent of entrepreneurial skills and managerial skills required at each different BLC phase will vary from one type of business or product/service to another. Apparel and textile fashion houses have an extremely short BLC (Kotler and Armstrong 2008) in contrast to motor vehicle repair services. This article seeks to point out the need to blend the skills but not necessarily to provide absolute arithmetical values. The differential skills requirement at different phases can be explained in Table 2.

<table>
<thead>
<tr>
<th>BLC Phase</th>
<th>Entrepreneurial Skills</th>
<th>Managerial Skills</th>
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<tbody>
<tr>
<td>Birth (A)</td>
<td>Sporting and exploiting the opportunity by creating an innovative product or service requires a very high level of practical entrepreneurial skills.</td>
<td>Minimal managerial skills in planning to support the new innovation will be demanded.</td>
</tr>
<tr>
<td>Growth (B)</td>
<td>Entrepreneurial skills start reducing to monitoring the performance of the innovation and the activities within the task environment. Internal and external stakeholder’s interests are important.</td>
<td>More sophisticated and formalized managerial skills are demanded to achieve the growth objective. Organizing and directing authority is delegated to lower levels of management.</td>
</tr>
<tr>
<td>Maturity (C)</td>
<td>At the start of maturity phase, entrepreneurial skills are at a minimum. The skills start increasing in demand into the 2nd quarter of the phase, so that during the 4th quarter, an innovation should be evident to restart the life cycle.</td>
<td>This phase requires the highest demand of managerial skills. Processes for fast decision-making are hampered by inherent bureaucracy and a higher need for superior coordination and control becomes a priority.</td>
</tr>
<tr>
<td>Decline (D)</td>
<td>Maximum entrepreneurial skills are required to create another innovation to avoid the business proceeding into death or bust. The highest level of entrepreneurial skills will ensure the business is revamped into sustained growth.</td>
<td>Though the business will be starting all over again, the managerial skills demanded will be a lot higher than the initial creation of a unique product. The business will be having resources but require planning and organizing to reload resources onto the plans.</td>
</tr>
<tr>
<td>Revival, Bust (E)</td>
<td>The business demands a similar level of entrepreneurial skills like in the growth phase. If the business is void of such skills, it will bust and close doors.</td>
<td>The innovation must be managed just like in the initial growth phase. However, the skills required exist in the business and requires refocusing.</td>
</tr>
</tbody>
</table>
The implication of the BLC explained in Figure 2 is that an operating business set-up consists of a series of BLCs. The number and shape of BLCs and the period occupied by the various phases is determined by the type of product or service, the industry of establishment and the nature of the complexity created by environmental factors. A graph of business success plotted against period (years) is shown in Figure 3.

**Figure 3:** BLC Graph

In practice, the dynamic interplay of environmental factors creating a highly complex business environment leaves both entrepreneurs and business managers gasping for knowledge, and becoming casualties of indecisiveness. The different school of thought in this article, demonstrated by the E-M model, while supporting the former school of thought with a bowl of salt, views ‘blending’ the entrepreneurial and business skills along the business life cycle, in a ‘unique’ combination as the messianic dose for success in investments, not only in Botswana but entire economic world. While emphasis has been on the entrepreneurial skills when developing an investment idea, success of a business demands application of management skills at differing levels along the life of the investment.

**Challenges of The e-m model:**
The BLC concept is applicable to businesses and also to products (PLC) or services (SLC). The critical dimension to the simple E-M Model is the capability of the entrepreneur or business manager to practically determine the current phase of the business, product or service, in order to generate appropriate response. The expected appropriate response is the optimum levels of blended entrepreneurial and management skills. The optimum quantifiable skills levels provide a scope for future studies.

A befitting quote from Charles Darwin (1863) on the appropriate balance between theory and observation: “Let theory guide your observation, but till your reputation is well established, be sparing in publishing theory. It makes persons doubt your observations”.

**Delimitation:**
This article is not based on observation research conducted outside Botswana.

**Definition of terms:**
Entrepreneur in this article is interchangeably used with investor or business manager. The same applies to business and investment.
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