A Framework for Building a Taxonomy of Entrepreneurial Ventures in the Limpopo Province of South Africa

1Wellington Chakuzira, 2Armstrong Kadyamatimba and 1Richard Shambare
1Department of Business Management, 2Department of Business Information Systems, School of Management Sciences, University of Venda, P. Bag X5050, 0950 Thohoyandou, South Africa

Abstract: Over the years, a multiplicity of definitions of entrepreneurship has been proffered. However, most of these definitions are found to be either Eurocentric or Western-oriented and largely devoid of (South) African socio-economic imperatives. Naturally, the manner in which entrepreneurship in South Africa is conceptualised derives from the former definitions. Furthermore, the classification of entrepreneurship ventures in the country is also problematic. This study is therefore, a result of the lack of localised research aimed at understanding entrepreneurship classification dynamics in South Africa. Acknowledging lack of clear entrepreneurial classification in South Africa this study seeks to propose a framework which can be used to develop a taxonomy of entrepreneurial ventures in the Limpopo Province of South Africa. The value of this work is that it is among the first study that seeks to propose a framework (i.e., taxonomy) for classifying entrepreneurship ventures within the South African context. The implication of the study is that it potentially will provide policymakers with valuable tools to understand South African entrepreneur and the channels of intervention for small business ventures. More so, the framework provides a starting point for researchers and policy makers to further scrutinise entrepreneurship policies and practices. The framework also clarifies the determining attributes of entrepreneurship, government policy and economic development dimensions and their proposed relationships.

Key words: Entrepreneurship, entrepreneurial typologies, entrepreneurial activities, framework, economic, relationships

INTRODUCTION

Rationale of the study: Entrepreneurship development is a topical issue in the wider entrepreneurship discipline. The main question being, can countries achieve economic growth by programmes which encourage entrepreneurship? Despite, this question and all the irregularities, many countries seem to have adopted varied approaches that provide for entrepreneurial culture (Chivasa, 2014). However, as noted by Nusair (2014), programmes towards entrepreneurship development follow slight differences but are common in all these nations. Similar issues have been trending among countries which includes: encompassing entrepreneurship in the national action plan, creation of business councils and departments, launching of entrepreneur’s annual awards, addressing issues of registration and launching of businesses, financing of businesses, labour laws and tax exemptions, entrepreneurship education, networking and effective policies (Rogerson, 2016). Since, 1994, the economic development narrative in South Africa seems to have revolved around small business and entrepreneurship development (Preisendorfer et al., 2014). From this, two issues take centre stage as dominant themes, both in policy circles and with in the academic literature. First, the question of which strategies best support entrepreneurs (Acs and Szerb, 2007; Adeoye, 2015; Rogerson, 2016). Second, the creation of an environment that promotes and encourages entrepreneurship activities is also a topical issue. Considering the above questions, the South African government, through the National Development Plan (NDP), committed to supporting entrepreneurship. Given this national strategic priority, it is, therefore, reasonable to expect an explosive growth of not only both entrepreneurs but also entrepreneurial activities within the country. Unfortunately, this is not the case.

Paradoxically, the latest statistics reveal that South Africa has one of the lowest levels of Total Entrepreneurial Activity (TEA) in the world. South Africa

Corresponding Author: Armstrong Kadyamatimba, Department of Business Information Systems, School of Management Sciences, University of Venda, P. Bag X5050, 0950 Thohoyandou, South Africa
features a TEA rate of 7% and an established business ownership rate of about 3%. Comparably, other African countries’s averages are 26 and 13% for TEA and established business ownership, respectively (Singer et al., 2015). Closer inspection of the causes and nature of this problem revealed that there is a general neglect by African policymakers to carefully study entrepreneurship dynamics within their economies. To illustrate Singer et al. (2015), observed that numerous developing nations including South Africa ignore entrepreneurial development basic principles such as collecting data on entrepreneurship trends within their economies.

**Background of the study:** Despite, South Africa’s investment in entrepreneurial support infrastructure, the country is characterised by low TEA levels and high unemployment and growing poverty levels (Gwija et al., 2014). Such a scenario begs the question: “How is it that entrepreneurship transformed South East Asia and European countries into an economic powerhouse but seemingly is less effective in Africa?” to attempt to answer this question this study turned to the entrepreneurship literature. In particular to notable contributors to discipline ranging from Audretsch and Thurik (2001), Acs and Szerb (2007) and Shane (2009). These latter researcher revealed that entrepreneurship policies are a key to the creation of not only a thriving entrepreneurial sector but also to economic growth.

More worrisome is the fact that within African countries, there are no proper standards to define, explain and measure entrepreneurial activity. Hence, such a paucity, means that many African countries end up adopting international entrepreneurship policies and standards to regulate entrepreneurship. A vast majority of these policies are not entirely applicable to the African context. In other words, these policies fail to account for and address lived-experiences and actual problems faced by African entrepreneurs. For this reason, it was opportune for this study to concern itself with the determination of appropriate definitions and classification of entrepreneurial activities in South Africa (Singer et al., 2015).

At the same time, various researchers cautioned that while the introduction of entrepreneurship policies is an imperative for economic growth, not just any policy will result in improved economic outcomes (Karodia et al., 2014). Entrepreneurship policy consistency is needed. To this regard, policy consistency simply refers to policy formulation as well as policy implementation that are in line and informed by an economy’s socio-economic factors (Rogerson, 2016). At a practical level, entrepreneurship policy consistency is a function of three basic elements:

**Entrepreneurship policies should be relevant:** Policies should strive to address the specific needs of both the entrepreneurs and the economy.

**Entrepreneurship policies need to be realistic:** To be effective, policies need to accurately diagnose the current entrepreneurial situation as well as to provide appropriate and adequate resources to achieve desired goals.

**Commitment and fairness:** Since, entrepreneurship policies often make provisions for financial and non-financial support mechanisms. These support structures must be fairly distributed to deserving recipients and not used for political purposes. In addition, governments should be committed to see through the policy imperatives.

From the foregoing, researchers such as Rogerson (2016) seem to argue that entrepreneurship policies ought to be home-grown and context specific. Thus, transplanting ‘a perfect policy’ from one country will not necessarily guarantee success in another country. The practice of transplanting policies seems to have been the cause of policy inconsistencies in many African countries. Policies, for example, the current Public Finance Management Act (PFMA) in South Africa is not properly crafted to facilitate entrepreneurship and innovation, since, number government departments are limiting the potential pool of support for enterprises (Karodia et al., 2014). The policy is simply an improvement or an adjustment of the one (PFMA) implemented previously during the apartheid era resembling the need for policies to focus on local solutions to local challenges.

Furthermore, it would also appear that a vast majority of African policymakers (including those in South Africa) lack the general understanding of the local entrepreneurial environment (Turton and Herrington, 2013). For instance, governments, on the one hand claim to be in support of entrepreneurial activities (notable examples are the Black Economic Empowerment Act, No 53 of 2003 (BEE) in South Africa and the Indigenisation and Economic Empowerment Act, No 17 of 2007 (IEE) in Zimbabwe) however, the governments engage in exercises to arrest traders and vendors. Such is an example of policy inconsistency widespread in many African countries, which have seen the government of Zimbabwe battling to get a footing for its economic blueprint Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) (Bonga, 2014).
Table 1: A comparative analysis of entrepreneurial typologies

<table>
<thead>
<tr>
<th>Researchers</th>
<th>Classification dimensions</th>
<th>Types of entrepreneurs</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith (1967)</td>
<td>Background</td>
<td>Craftsmen</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>Opportunists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Work experience</td>
<td>Organization types</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social/ business behaviour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filley and Aldag (1978)</td>
<td>Business strategies</td>
<td>Craft</td>
<td>Canada</td>
</tr>
<tr>
<td></td>
<td>Management styles</td>
<td>Promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Administrative</td>
<td></td>
</tr>
<tr>
<td>Smith and Miner (1983)</td>
<td>Education and training</td>
<td>Craftsmen</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>Further establish</td>
<td>Opportunists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the craftsmen-opportunistic</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>dimension in research</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social involvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Management styles</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communication ability</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sources of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minner (2000)</td>
<td>Various psychological</td>
<td>Personal achiever</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>personality factors</td>
<td>Real manager</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expert idea generator</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Empathic sales person</td>
<td></td>
</tr>
<tr>
<td>Erikson (2001)</td>
<td>Desirability</td>
<td>Theredy entrepreneur</td>
<td>Switzerland</td>
</tr>
<tr>
<td></td>
<td>Feasibility</td>
<td>The ready reluctant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proactity</td>
<td>The ready feasible</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The ready unconvinced</td>
<td></td>
</tr>
<tr>
<td>Gaglio and Katz (2001)</td>
<td>Different locations</td>
<td>Assessing</td>
<td>Switzerland</td>
</tr>
<tr>
<td></td>
<td>on the continuum</td>
<td>Discounting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of entrepreneurial</td>
<td>Dismissing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>alertness</td>
<td>Uninterested</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ucbasaran</td>
<td>Process knowledge</td>
<td>Naive novice</td>
<td>Great Britain</td>
</tr>
<tr>
<td></td>
<td>Domain knowledge</td>
<td>Transient over-achiever novice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information search/motivation</td>
<td>Long-term novice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transient novice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Biased habitual</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Routine habitual</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expert habitual</td>
<td></td>
</tr>
</tbody>
</table>

Tang et al. (2008)

**Purpose and contribution of the study:** This study proposes a framework which will be used to develop a new taxonomy of entrepreneurial ventures in the Limpopo Province of South Africa that is reflective of the local socio-economic imperatives. Although, South African policymakers are aware that there is no universally accepted definition of entrepreneurship such an important gap is not given the key policy interest in entrepreneurial phenomena (Rogerson, 2016; Singer et al., 2015). This study, therefore, considers the existence of policy inconsistency to be a situation requiring further inquiry. For instance, incidents of policy inconsistencies cited above hamper the entrepreneurship development agenda.

Policy inconsistency this study argues is evidence of a much deeper underlying problem. This study argues that the lack of a clear conceptualisation of entrepreneurship is in fact the real problem that needs further inquiry. As such, it is opportune for this study to attempt to provide a thorough description of the entrepreneurial landscape from a South African perspective. More specifically, the study seeks to re-look at contemporary South African entrepreneurship dynamics with a view to re-define, re-conceptualise entrepreneurship in such a manner as to propose a framework for classifying entrepreneurial ventures in Limpopo Province (South Africa).

**Literature review:** Acknowledging the need for study on the evaluation and identification of different types of entrepreneurs (entrepreneurial typologies). It is important to understand that typologies simply refer to different classifications of entrepreneurs (Zahra et al., 2009). More importantly to this study, classifications allow for better predictions, based on membership in a specific typology, about the likely behaviour, responses and success of the entrepreneur. Understanding different entrepreneurial typologies allows building of a taxonomy which offers a powerful conceptual tool for the evaluation of entrepreneurs during the start-up or early stages of a venture (Woo et al., 1991).

Early studies of entrepreneurial typologies established a distinction between the craftsman entrepreneur and the opportunist or business entrepreneur (Miller et al., 2012). A developed classification by Erikson (2001), Table 1 used desirability, feasibility and proactivity as key classification dimension (Tang et al., 2008). He came up with a wide range of
entrepreneurial typologies but he established classes of entrepreneurial typologies that are based on specific entrepreneur. This, however, brings a case where very few entrepreneurs represent entrepreneurial typologies in their pure state (Filion, 2004).

Therefore, researchers and policymakers may place some entrepreneurs in wrong categories which do not define their real entrepreneurial activities. This is not in line with studies by Kunkel (2001) who argues that each entrepreneur establishes his or her own entrepreneurial classification. Therefore, a variety of entrepreneurs in every business and organizational category usually facilitates the development either of complex entrepreneurial typologies with a broad range of classes, or of multi-stage entrepreneurial typologies.

Even if studies of Uebasaram, Table 1 established entrepreneurial typologies from a wide range of classification dimension namely, process knowledge, domain knowledge and information search motivation. He made no attempt to explain the fact that entrepreneurial intentions are dissimilar in kind (Tang et al., 2008). Hence, the need to identify different kinds of entrepreneurial intentions and come up with a comprehensive classification and definition of entrepreneurship.

Exploring traditional research on entrepreneurial typologies shows that researchers have employed a wide range of aspects to classify entrepreneurs and therefore, researchers have developed a variety of entrepreneurial typologies. As displayed in Table 1, nevertheless, most researchers focused on either demographic or knowledge rather than characteristics which may help policymakers to understand the real entrepreneur. However, several studies attempted to bring rigor to entrepreneurial typologies but researchers and policy still find it difficult to situate entrepreneurs and define entrepreneurship more accurately.

**Statement of research problem:** From the above-mentioned gaps identified above, the research problem was thus formulated to read: despite, much government effort towards the development of entrepreneurship in South Africa, there still is a gap between policy formulation and policy implementation. More often than not this problem emanates from misconception of entrepreneurship and entrepreneurial activities in South African context.

**MATERIALS AND METHODS**

**Proposed conceptual framework:** The framework clearly illustrates the problem which this research is going to cover. As shown in Fig. 1 nations with consistent government policies such as China, Malaysia, Singapore and South Korea use entrepreneurship as a tool for strong economic growth. However, in Fig. 1, we can clearly observe that where there are inconsistent government policies, poor entrepreneurship development is likely to be experienced. Such symptoms of poor entrepreneurship development are experienced in many developing nations in Africa. There are several problems such as misallocation of funds for entrepreneurial development, empowering wrong entrepreneurs, failure to understand problems faced by entrepreneurs, supporting schemes that are not suitable to entrepreneurs at different stages of entrepreneurial cycle, failure to identify real entrepreneurs and failure to classify

![Figure 1: Framework to redefine and reclassify entrepreneurship](image)
Fig. 2: Summary of the methodology

entrepreneurs. Although, it seems that there are several support programs to stimulate entrepreneurial development in developing nations. Despite, all the support schemes developing nations are not yielding the desired results. This makes it difficult to determine whether entrepreneurship development can be a tool for economic growth. Therefore, as shown in Fig. 2, possible gaps will be addressed by either redefining or reclassifying entrepreneurship, understanding the dynamics of entrepreneurship locally or understanding entrepreneurial cycles which relate to specific nations. All these possible solutions to the gaps will be addressed in this research.

Given the “what?” and “how?” research questions this study will employ the grounded theory research design (Wiid and Diggines, 2010). Grounded theory facilitates theory-building from data (Neergaard and Ulhoi, 2007) which in this case will permit the re-conceptualisation and re-classification of entrepreneurship in South Africa. The research design as shown in Fig. 1 will be guided by the following steps: a desktop study, typology construction, primary data collection and theory building.

Population: The population for this study will include entrepreneurship academics, policymakers and entrepreneurs in Limpopo Province.

Sampling: Purposive sampling techniques will be used for the study. The participants should meet the following criteria.

Criteria for defining and classifying entrepreneurship

Qualitative criteria: Relates to ownership structure of the business which must:
- Be a separate and distinct business entity
- Cannot be part of a group of companies
- Include subsidiary and branches
- Be managed by its owners (natural person or a legal person)

Quantitative criteria: Classifies business into micro, very small, small and medium using the following criteria:
- Total full time paid employees
- Total annual turnover
- Gross asset value (excluding fixed property)
  (compiled for the study)

Data gathering: An interview guide will be designed which will be used in the focus groups as discussed in the research design. In total, the interview guide will, comprise of three sections guided from the three research questions of the study defining entrepreneurship, classification of entrepreneurship and government support

Data analysis: The qualitative data software, ATLAS.ti, will be used to analyse data (Archer, 2008). Data from the participants will be analysed using framework analysis which consist of three main steps namely: constant comparison and open coding, building categories and construction of taxonomies.

RESULTS AND DISCUSSION

Construction of taxonomies for entrepreneurial ventures: Entrepreneurial ventures are extraordinarily heterogeneous and their limitations can vary significantly according to the perception of entrepreneurs as well as the environment in which they work (Turton and Harrington, 2013). Therefore, entrepreneurship may not be viewed as a single and homogenous phenomenon. In the light of the above this study will use the scattered empirical evidence accumulated from past study and integrate them with the grounded data to create a common typology which should be relevant for both policymakers and academics.

Acknowledging that entrepreneurship is a multiheaded concept, creation of a typology provides criteria for classifying and understanding the different aspects of entrepreneurship (Erikson, 2001). Elucidating entrepreneurship’s variety through a typology is therefore important in building a taxonomy of entrepreneurial ventures. Nonetheless, studies dated from early 1960’s which were done in different environments by different researchers will give a basic understanding towards creation of entrepreneurial typologies (Erikson, 2001; Filley and Aldag, 1978; Miner, 2000; Smith, 1967; Smith and Miner, 1983).

As a consequence, a general framework specifying the type of entrepreneurial ventures in the Limpopo Province will come out from this study to provide useful knowledge in this field of research. Lack of such a framework had over the past decades led to crude generalizations of research results whose domains of
Table 2: Sampling summary

<table>
<thead>
<tr>
<th>Sampling cohort</th>
<th>Reason for inclusion in the samples</th>
<th>Criteria for inclusion</th>
<th>Minimum number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policymakers</td>
<td>Understand government definition of entrepreneurship, understand the implications of such definition to entrepreneurship development</td>
<td>Top managers who have working experience of at least 10 years and above</td>
<td>Focus group discussion together with entrepreneurship researchers</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>Data openly identifies what constitute entrepreneurship and different entrepreneurial typologies will be extracted from the entrepreneurs</td>
<td>Time and cost associated with collecting the information from large, small, medium and micro entrepreneurs</td>
<td>Focus group discussion for all groups of SMMEs</td>
</tr>
</tbody>
</table>

validity have not been explicitly specified (Kunkel, 2001). Hence, the tendency of African nations to transplant entrepreneurship policies from their mother colonies which do not fit their entrepreneurial environment.

Entrepreneurship classification in South Africa: Although, there is no universal definition or classification of entrepreneurs, features used to define and classify entrepreneurs in South Africa are adopted from the National Small Business Act (Act No. 102 of 1996). Criteria such as number of employees, sales volume and value of assets form the basis of classifying entrepreneurship in the latter Act. In doing, so, the Act further postulates two broad criteria (i.e., the qualitative and quantitative perspectives) for establishing entrepreneurship categories. However, is of the opinion that the National Small Business Act (Act No. 102 of 1996) does not provide a definition of entrepreneurs per se but only provides a measure for classifying businesses.

Apart from the criteria in Table 2, other characteristics of entrepreneurial ventures may also be used to understand entrepreneurship in South Africa (Morris et al., 2006). Characteristics of ventures such as formality of a business, business orientation, resource needs, growth aspirations, risk preference among others may prove essential in building an entrepreneurial taxonomy (Morris et al., 2006). This reflects existing gaps in the entrepreneurship field which emanates from misconceptionalisation of the definitions as well as classification of entrepreneurship.

CONCLUSION

Theoretically, this study offers an alternative lens to view entrepreneurial classifications by proposing a framework which can be used in developing a new taxonomy. Most studies in Africa (Adeoye, 2015; Alagbaso et al., 2014; Al-Mubarak and Busler, 2013; Chivas, 2014; Gwija et al., 2014; Nusair, 2014) overlooked taxonomical issues in understanding the nature of entrepreneurship locally. However, studies such as the one postulated by Kunkel (2001), focused mainly on the classification of entrepreneurship based on Western definitions and entrepreneurial activities. The study also responded to calls from previous studies on entrepreneurship to propose a framework for classifying entrepreneurial ventures and the identification of actionable strategies that stimulate entrepreneurship development for African nations. Therefore, by proposing a framework to be used in building a taxonomy for entrepreneurial activities, the study is expected to break new ground about the circumstances under which entrepreneurial ventures will be classified in the local context.

It is apparent from this conceptual study that, the need for building a taxonomy for entrepreneurial ventures in South African context is lagging behind. More important to mention that South Africa have a unique socio-economic history as well as an above average indigenous unemployment rates. Against this backdrop, there is an overall need for further research in order to develop an empirical model explaining taxonomical issues in the country to help policy makers using entrepreneurship in combating problems such as ever rising unemployment rates. It is also anticipated that the report findings of this study will enable future academic and practical understanding of the taxonomies, particularly in contributing new theory and practice for South African entrepreneurship.

SUGGESTIONS

In past research, many researchers who define entrepreneurship seem to ignore the fact that defining entrepreneurship and providing a schema for its classification is one and the same thing. In a growing body of literature championed by Kunkel appears to have bridged this divide. Kunkel defined entrepreneurship from a classification perspective and suggests a matrix of 10 variations of entrepreneurial actions.

Although, Kunkel analysis developed ten new entrepreneurial activities gestals based on corporate and independent entrepreneurial actions, it still remains insufficient for the South African context. Therefore, there is a need for research to re-look at the contemporary South African entrepreneurship landscape with a view to propose a framework which will be used to build a taxonomy that is relevant and applicable to the country.
REFERENCES


