

## INNOVATION

# SA lacks the policy and structure mix to optimise entrepreneurship

Emphasis is on start-ups and smaller enterprises but little is done about entrepreneurial dynamism in corporates

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It is rare to find an article nowadays without mention of the term “fourth industrial revolution”. This is not necessarily a bad thing, since as a phenomenon it is likely to affect everybody, and consequently everyone has an opinion. However, what seems to be missing in all this discourse is a real understanding of the role of innovation and entrepreneurship in the current revolution.

During the first industrial revolution, entrepreneurs played pivotal roles as owner-managers who pooled the factors of production (land, labour and capital) into thriving businesses. Industrial history confirms that the birth of new industries has always depended on the revolutionary skills of entrepreneurs. Indeed, what seems obvious now was once revolutionary, and technological innovation driven by entrepreneurs is recognised as a driving force in the economic growth process.

In the current technological milieu, traditional ways of doing business are being rapidly transformed. In recent years the amalgamation of new digital technologies, together with innovation and entrepreneurship, has transformed the nature of business and forced managers to find new ways of dealing with such uncertainty.

With digitisation, entrepreneurial processes have become less certain and more unpredictable, which makes the beginning or end of any particular phase of innovation unclear. Such innovative and entrepreneurial activity requires continually adapting choices to current and new platforms under dynamic shifts of technical and business architectures. In other words, such changes require corporate entrepreneurship.

Leaders are recognising that entrepreneurship is not a one-dimensional phenomenon, but includes entrepreneurial behaviour at the corporate level. Corporate entrepreneurs are viewed as dynamic, flexible individuals who have a sense of urgency and are prepared to take advantage of new business opportunities.

Discovery and FNB are prime examples of corporates demonstrating entrepreneurial activity, where senior management understands that opportunities to create both radical and incremental innovations depend more on individual knowledge, risk-taking and proactiveness than merely focusing on organisational processes. These entrepreneurial leaders recognise that to be adaptive and



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innovative they must increase the number of entrepreneurship champions at all levels of the organisation and remove obstacles to pave the way for innovativeness.

Innovation is not the same thing as being innovative or innovativeness – innovation includes success and failure. There seems to be a misconception that innovation must be something completely new and radical in nature, and minor incremental innovation doesn't count. This is mistaken since the experimental nature of incremental innovation allows for small wins in pursuit of big wins. Not surprisingly, such a trial-and-error process has not been readily embraced by established organisations where maintenance of the status quo is often the imperative and failure is frowned on.

Nevertheless, for corporate leaders who understand the value of experimentation, a host of opportunities has emerged at the intersection of innovation and entrepreneurship.

Entrepreneurship and innovation are positively related to each other and interact to help an organisation flourish. What most individuals do not realise is that entrepreneurship and innovation are complementary, and a combination of the two is vital to organisational success and sustainability.

Even though innovation is viewed as risky and wanting in short-term returns, growth is not possible without some degree of risk. Corporate leaders understand how to obtain positive trade-offs in managing the relationship between risk and innovation. Most importantly, leaders help to increase the perception that employee

entrepreneurial activity is highly desirable. Entrepreneurship is the spark that ignites innovativeness; without entrepreneurial action, the innovative idea often remains inert.

Corporate entrepreneurship is more than just a fad; at the strategic level it refers to an organisation's commitment to pursuing new opportunities, creating new units or spin-offs, strategic self-renewal, and cultivating a high level of entrepreneurial orientation (EO).

Research is accumulating that higher levels of EO are positively related to a host of different firm performance measures, such as profitability. EO constitutes innovativeness, risk-taking and proactiveness; and while most organisations engage in innovativeness, this alone is far from ideal since efforts to increase innovation are often in vain if risk-taking and proactiveness are constrained. Instead, the EO elements must be nurtured and practised holistically if they are to have a multiplicative effect.

Several corporate building blocks are required for EO to flourish; these include an organic, lean structure, appropriate reward systems, top management support, organisational values conducive to entrepreneurship, entrepreneurial skills and competencies, and a risk-taking culture.

Most importantly, management needs to make it clear to employees that entrepreneurial behaviour and action are expected from each and every individual and their performance in this area will be measured as part of their workload.

The relevance of corporate entrepreneurship to local and global firms was highlighted in the

World Economic Forum research report “Leveraging Entrepreneurial Ambition and Innovation: A Global Perspective on Entrepreneurship, Competitiveness and Development”. A key finding was that more competitive economies have higher rates of corporate entrepreneurship or intrapreneurship, also known as entrepreneurial employee activity. This heightened competitiveness is the result of virtual cycles of reinforcement, where economic improvement encourages the growth and development of multi-employee corporations, and more opportunities surface for individuals to be entrepreneurial in their workplace.

There is a misconception that entrepreneurship is found only in small businesses. This is not the case, because corporates of all sizes and in all markets can engage in entrepreneurial activities. Peter Drucker was right when he noted that “not every new small business is entrepreneurial or represents entrepreneurship”.

In a similar vein, it is increasingly recognised that the entrepreneurial activities of different types of entrepreneurs have differential effects. Many SMMEs belong to what Schumpeter called the “cluster of followers”; they imitate others and cluster around local markets selling the same types of products to the same customers. SMMEs engaged in entrepreneurial activity of this nature are not innovative and will not deliver the high levels of job creation that result from new products and services.

Single policy interventions will not reach all dimensions of entrepreneurship. Considering the vast number of resources supporting SMMEs in SA, it is of major concern that the many initiatives and programmes sponsored by the national government are not yielding much benefit.

It seems that centralised planning and enterprise development programmes are not well suited to the inherent uncertainty and dynamism found at start-ups. Indeed, policymakers need to identify the most applicable policy interventions that provide the greatest return on different forms of entrepreneurial activity. This means the government should not only focus on start-ups and SMMEs, but also generate a favourable institutional environment and create policy enablers for corporate entrepreneurship to flourish so that SA's competitiveness is stopped from sliding into the abyss.

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