

ROLE OF UNIVERSITY ENTREPRENEURSHIP CENTRE IN DEVELOPING SMALL AND FAMILY BUSINESS

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Abstract

The paper examines University Entrepreneurship Centre's role in developing small and family business. Global economic recession effect led majorly to unemployment and poverty. To revamp the economy, recovery programs were embarked upon to empower the citizenry. University Entrepreneurship Centre collaborated to empower "aspirants," "established" and "stucked" entrepreneurs gain skill and best business practice strategy revealing university entrepreneurship Centre's role. The methodology is qualitative and exploratory, textual in design and divided into sections. The paper identified university entrepreneurship Centre's roles as advisory, innovation, training and synergizing campus entrepreneurship activities and concluded that the economy will geometrically grow when knowledge trapped in the university are shared with business entrepreneurs. By implication, university would have effectively carried out community engagements as core mandate to mankind's benefits.

Keywords: Entrepreneurship, Small and Family Business, University Entrepreneurship Centre

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1 Introduction

The global economic recession has affected even the greatest economy. The fall out of this development has been high level of unemployment and inequality. In South Africa, for example, the unemployment rate is very high, at more than 25% and the poor have limited access to economic opportunities and basic services. Poverty also remains a major problem.

To address most of this social ills, recovery program is embarked upon by the concerned government to create employment and empowerment for the citizenry and even create enabling environment for the individuals to start a business. One of such measures is the university taking the giant strides to contribute to the development of its economy by supporting entrepreneurship drive in the nation. The drive was supported by the regulatory body demanding that the university should contribute to the environment in which they operate through community engagement which is equally a way of linking the ivory tower to the society. This has been accomplished by some of the universities by operating an entrepreneurship centre or the small business centre to train and empower individuals on the different vocations with the view to generate employment and equally reduce the social ills. This is with the ultimate aim of contributing to the growth of

the economy, gross domestic product and human capital development.

The arguments for family businesses have increasingly been attracting more attention in public and policy discussions. The drivers for this enhanced attention are a greater awareness of the contributions family businesses make to economic and social development, increased attention to the issue of business transfer as well as a higher degree of academic interest in the issue. The opinion of Richard Branson underscores the relevance of family businesses in prompting the economy. According to him, the South African economy is dependent on entrepreneurial activity for creating future economic growth and jobs, but the economic contribution to South Africa's entrepreneurial sector is below the developing country norm. I believe that increasing entrepreneurship in this country is the golden highway to economic democracy.

Despite the mandatory requirements of the university to be involved in community engagements that will have lasting impacts on their community as well as increasing attention of small and family business in public and policy discussions, some of the universities from observations are yet to be associated with lasting intervention in the affairs of the small and family business. This paper focuses on the role expected of the university entrepreneurship centre in developing small and family businesses and equally

determines the need for Entrepreneurship centre. For example, University of South Africa, a foremost open and distance learning institution (ODL). It is apposite at this juncture to examine some concepts relevant to this study: entrepreneurship, small and family business, university centre for small and family business.

2 Literature review

2.1 The concept of entrepreneurship

A small and family business derives from the spirit of entrepreneurship. What is entrepreneurship? Wits centre for entrepreneurship (2007) defines entrepreneurship as a series of creative activities that give expression to a vision through the development of a venture.

Entrepreneurship is attributed with qualities such as creativity, flexibility, ability to find novel solutions, opportunity recognition, proactiveness, value creation and risk taking in literature (Morris et al., 2004; Knight, 1997). Entrepreneurship refers to the pursuit of creative or novel solutions to challenges confronting the firm, including the development or enhancement of products and services, as well as new administrative techniques and technologies for performing organizational functions (Knight, 1997). Stevenson et al (1989) defined entrepreneurship as “*the process of creating value by bringing together a unique package of resources to exploit an opportunity*”. The process includes the set of activities necessary to identify an opportunity, define a business concept, assess needed resources, acquire those resources, and manages and harvests the venture (Morris et al., 2004).

The consensus in the strategic management and entrepreneurship literature offers three

underlying dimensions of the organizational predisposition to entrepreneurial management processes: innovativeness (that is introducing novel goods, services, or technology, and to develop new markets), risk taking (that is making reasonable decisions when faced with environmental uncertainties, systematically mitigating risk factors) and proactiveness (that is seeking novel ways both to bring an entrepreneurial concept to fruition) (Covin and Slevin, 1991; Miles and Arnold, 1991; Morris et al., 1993; Barringer and Bluedorn, 1999).

2.2 The nature and concept of small & family business

Family businesses are a traditional way of conducting business within the private sector. A wide range of different definitions have been applied in socio-economic research and also partly in legal regulations. Across Europe, a total of 90 different definitions were identified, which mainly require major family influence on ownership and management control.

Other features used to differentiate family business from non-family businesses are the active involvement of family members in the enterprise’s everyday activities. (i.e., the formal or informal employment of family members in non-managerial positions), the enterprise’s contribution to the family’s income generation, and intergenerational considerations (i.e., the intention to ensure the enterprise’s sustainability beyond the entrepreneur’s (professional) lifetime).

Small businesses are defined differently based on where they are and the requirements of that country. For example, the definition of a small business in the United States is not necessarily the same as in South Africa, especially in terms of size. This study will follow the definition of small business as defined by the National Small Business Act of 1996 of South Africa. This is as follows:...a separate and distinct business entity, including cooperative enterprises and nongovernmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a very small, a small, a micro or a medium enterprise (SMME)...The White Paper (1995:10) sub-divides small business as follows:

- **Survivalist enterprises** - These are defined as enterprises that engage in activities carried out by people who are unable to find a paid job or get into an economic sector of their choice. These activities generate income that falls far short of even minimum standards. Little capital is invested and there is virtually no skills training available in the particular field. Only limited opportunities are available for growth into a viable business;

- **Micro-enterprises** - These refer to a very small business, often involving only the owner, some family member(s) and at the most one or two paid employees. These enterprises usually lack “formality” in terms of business licences, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of these enterprises have a limited capital base. The operators of micro-enterprises only have rudimentary technical or business skills. However, many micro-enterprise advance into a viable small business;

- **Small enterprises** – These are regarded as the bulk of the established businesses, with employment ranging between five and 50. The enterprises are usually owned by a manager or are directly controlled by the owner-community. These enterprises are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements;

- **Medium enterprises** – These are still viewed as basically owner/manager controlled, though the shareholding or community control base could be made more complex. They employ a maximum of 200

employees and have about R5 million worth of capital assets (excluding property).

The common feature of these companies is that of the family dimension, where business and ownership is intertwined. Family businesses can be small, medium sized or large, listed or unlisted. Family businesses in Europe have been widely equated to Small and Medium- Sized Enterprises (SMEs) in public and policy discussions. A firm, of any size, is a family business, if:

- The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.

- The majority of decision-making rights are indirect or direct.

- At least one representative of the family or kin is formally involved in the governance of the firm.

- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the decisionmaking rights mandated by their share capital.

In the advanced countries of the world, small and family businesses are attributed with the same features. In Germany, the small and medium-sized family businesses, are often in the hands of the same family for three generations or more, are renowned for a faithful devotion to the long-term growth of the companies they own, much more so than shareholders in America.

In German speaking countries, small and family businesses are called *Mittelstand*. The nature of the operation of the small and family businesses in Germany is categorized into two:

Family controlled companies: In this definition all companies which are controlled by a limited number of natural individuals are subsumed. Ownership and management does not necessarily need to match. This definition is the most common in public as well as in scientific literature.

Owner-managed companies: According to this definition, such companies are family businesses controlled by a small number of individuals, in which at least one of the owners also handles the management of the company.

In Belgium, Family businesses are a traditional way of conducting business within the private sector. In the past, however, family businesses were often perceived as the weakest link in business life

2.3 Importance and characteristics of small and family businesses

Across Europe, about 70 % - 80 % of enterprises are family businesses and they account for about 40 % - 50 % of employment. On the one hand, a large share of European SMEs is family businesses, and some of

the largest European companies are also family businesses. On the other hand, similar to the European economy in general, the family business sector is dominated by SMEs, and particularly by micro enterprises with less than 10 employees. Family businesses are active in all sectors of the economy. In some countries, data are available highlighting that family firms are more prevalent in traditional and labour intensive sectors. However, a shift towards more modern industries is taking place. Within family businesses, there is a strong interrelationship between the family and the business. The family is (formally, but also informally) at the centre of the company. This results in two structures encountering each other, namely the family and the business, increasing the potential for conflict which affects both the family and the business sphere.

Family businesses tend to focus on the firm's long-term sustainability rather than realizing short-term profits and on realizing generational changes in ownership and Management. In line with this, family businesses are on average older than non-family Businesses. When a firm is transferred to the next generation, it is not only financial assets which are passed on, but also social and cultural capital. The latter refers, for example, to the value system, i.e., the importance of honesty, credibility, modesty, respect etc. On the one hand, this has led to particular emphasis being placed on the personal commitment and engagement of family members within the enterprise and, on the other hand, on the firm's engagement in Corporate Social Responsibility activities.

Another characteristic of family businesses is the dominance of management from within the family. In this context, paternalism and nepotism are also often prevalent in family firms, as is the existence of emotional and informal decision making. The capitalisation of family firms stems from family funds and bank loans. Profits are often reinvested in the company and the owners are more willing to wait for a return on their investment (so called "patient capital").

Family businesses' growth trajectories are quite stable and continuous in comparison to non-family businesses, which take more dynamic and volatile routes

2.4 University entrepreneurship centre

The Centre usually is a part of the Business School and usually headed by a director and governed by an advisory board, with composition that facilitates active relationships with the host university, private and public sector. The director oversees entrepreneurship research function at the Centre.

The Centre is to develop an entrepreneurial mindset that encourages people to develop skills to see opportunities. The Centre inculcates culture of entrepreneurship in the citizens through different

trainings that are provided for enterprising action that develops emerging economies and help to supports democratic societies in transition. The Centre provides for various courses that provides entrepreneurial and enterprise skills development.

2.5 Institutional framework for small and family businesses

Owing to the increasing awareness of the importance of family businesses in any economy, in terms of their contribution to both employment and wealth generation, there is a large network of different private and public institutions dealing with the issue of family businesses either by conducting research, providing training or by acting as a lobbying organization for the interest of family businesses. This includes family business specific organization, employers organization, Government, Support service provider and the Universities. These ranges of institutional framework vary from countries to countries.

The universities have expanded the university mission from teaching and research to entrepreneurial activities. The emergence of the entrepreneurial academic model should not be simply understood as a pure higher education reform but rather a fundamental change in the relationships between the state, university and the industrial and business sector. Government all over the world has encouraged Small Business growth by establishment of the entrepreneurship center in the university to assist with training, create financial model for the university.

The government through the ministries responsible for economic and financial affairs and some agencies influence family businesses environment by setting activities to foster and facilitate entrepreneurship in general. The concerns of government have been noticeable in the following areas: Improving economic performance and competitiveness by way to look for ways to reduce tax burden, provide access to finance, business regulation practice, awareness raising

research, management and entrepreneurship education as well as business transfer and governance.

2.6 Some existing university entrepreneurship centres

2.6.1 Hamburg Institute of family owned business

Its structure emanates from the Hamburg School of Business Administration. The focus is to carry out research in the field of family owned business. They engaged excellent scientific education of the staff as well as integration in the network of academic community to deliver high output.

It collaborates with government and universities in the area of highest level of output to small family businesses.

2.6.2 Utrecht centre of entrepreneurship

It is an affiliate of Utrecht university of school of Economics. The focus is to stimulate and develop an entrepreneurial attitude, knowledge and skills .The research focus of the centre are on institutions and welfare, sustainability and globalization, business strategy and governance. The centre collaborates with the Ministry of Economic Affairs together with the ministry of education and science. The two ministries awarded grant to facilitate the centre

2.6.3 Wits Centre for Entrepreneurship

Wits Centre for Entrepreneurship was established in 2007 to facilitate research, learning and development, information and support, and advocacy through an application of shared-value creation and self-actualisation of entrepreneurs. The centre aimed also to tackle poverty alleviation, socio-economics rights and most importantly self-leadership of entrepreneurs. It also purpose to transform the economy from extractive to generative, by training and mentoring entrepreneurs through coursework, thought leadership, and creating opportunities to start and scale sustainable businesses. The mission of the centre is to provide the skills, tools, and coaching to facilitate drive within entrepreneurs who think differently. It is located at the Wits Business School's Parktown Campus. The centre is a bridge between academic knowledge on entrepreneurship and implementation of knowledge into practice by entrepreneurs. The centre identify interventions and focus on asset-building within the early days of business and focus attention on aspirant entrepreneur, established entrepreneur, and the 'stuck' entrepreneur. They offer interventions at every level through 'Generator: Incubator: Accelerator' approach to creating shared-value within entrepreneurship as a tool for transformation.

3 Methodology

This research undertook qualitative research method and exploratory research design since the notion of University small business Centre's role in developing small and family business are to be uncovered. The study was a preliminary study for the subsequent researches in this field. The study was essentially textual as numerous literatures were consulted.

4 Role of university entrepreneurship centre

The primary role of any University small Business centre can be categorized into four broad areas as Advisory Services, Training Services, Innovation and Incubation Services as well as synergizing all entrepreneurship activities on campus. These broad functions are specifically implemented as below.

The small business centre in the university consolidate, co-ordinate and synergize entrepreneurship and innovation activities in the university. The different ventures of the university are coordinated by the centre to avoid duplication of infrastructure on the campus. It is what the centre has that will be used also to promote and facilitate training for the trainees.

The centre develops staff, students and external stakeholders' knowledge, exposure and interest in entrepreneurship. It is also expected to train staff, students and external stakeholders in acquiring necessary skill on different vocations. The centre raises fund as well as develop sustainable financial model for center and the university. It is expected of the centre through her operations to contribute to the financial position of the university. It helps to develop academic and vocational program in entrepreneurship that identifies with the needs of the nation. The centre is to empower and train majorly both the employed and the unemployed to acquire proficient skill to master any chosen vocations. In furtherance to its role, the centre is to equally develop a research program in entrepreneurship relevant to the needs of the nation and equally assist to drive relevant policy development. The centre is actually a mother of necessity to abate unemployment and foster gross domestic products. It is the centre responsibility to identify areas of the economy that people are lacking in skill and develop new vocations to engage the unemployed in order to assist with the economy. To further promote the achievement of this, the centre collaborate with national and international partners who are active in the area of entrepreneurship and its development

The centre is to provide the environment with a fellowship of support to new and existing entrepreneurs as well as providing a wide range of advisory services for individuals, business, not-for-profits and community organizations. It also provides training opportunities for business development professionals, for new and existing small business owners, for not for profit organizations, for job seekers and for individuals. University entrepreneurship Centre provides range of courses that equally provides entrepreneurial and enterprise skills development. Some of the courses includes: Opportunity search and evaluation for aspiring entrepreneur, Start your venture, Create your venture, Plan your venture and Grow your venture. The centre among other reasons for existence is to innovate and incubate services to facilitate industry engagement with the University, develop an entrepreneurial economy equipped with the necessary skills, enables job creation, wealth creation and facilitates socio-economic development; develop entrepreneurial mindset that encourages people to develop skills to identify opportunities. Not all the people will become successful entrepreneurs; however all can develop an entrepreneurial mindset that skills people to see

opportunities, solutions, creates, and innovate. People who recognize problems see opportunity for solutions and affect change no matter the context. In addition, the university small business centre assist to shape entrepreneurs who want to have positive impact on society with ideas that are scalable and meet a societal need, contribute to the advancement of knowledge and the practice of entrepreneurship. The centre equally promotes the image of the university by creating a momentum that will place the university among the handful business schools known for both research excellence and world class educational experience in entrepreneurship and innovation that combines experiential and research based learning.

5 Is there a need for university entrepreneurship centre?

With the overwhelming contributions of the entrepreneurship centre to the nation or society in which it operates, it will only amount to undermining the effective performance of the university community engagement if the university does not in any way provide for university entrepreneurship centre. For example, it may be highly expedient for UNISA as a frontline Open and distance learning institution to tremendously impact the economy by establishing a university entrepreneurship centre to cater for the aspirant entrepreneur, established entrepreneur and stucked entrepreneur. The centre is not an over statement considering the level of unemployment in South Africa. The jobless youths will be empowered. The University in collaboration with the government at the different tiers will organize the jobless youth for different vocational programs like Barbing, hospitality business, computer engineering and repairs, fabric making and host of other vocations. As the centre addresses the need of the aspirant entrepreneurs, the established entrepreneurs are trained to understand the modern ways of conducting business as well as competitive strategy that will enable them to excel in their chosen vocations or line of business. The category of stucked entrepreneurs are anxiously waiting to get consultation on how to revitalized the ailing business. The University to make impressive impacts in one area of her core mandate which is community engagement should broaden her horizon on setting up an entrepreneurship centre which as pointed out will equally enhance the internally generated revenue of the University while other benefits will accrue to the University.

6 Conclusions

The developed economy of the world are majorly attributed and dominated by small and family businesses that are opportune to benefits from the knowledge of the ivory tower through consultations, visitations and training that is made available to them.

For the third world economy to grow in leaps and bounds, the knowledge that is trapped in the University must be shared with business entrepreneurs whether aspirants, established and stucked entrepreneurs. University in this wise must be committed to entrepreneurship centre to develop skill and contribute to growing the economy through leadership entrepreneurship training and best business practice strategy.

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