Entrepreneurial Action as an Antecedent to New Venture Creation Among Business Students in South Africa

O Dzomonda and O Fatoki
University of Limpopo, South Africa

Abstract: The objectives of this study were (1) to assess the level of entrepreneurial action (EA) among business students, (2) to determine the obstacles towards entrepreneurial action among the business students (3) to investigate the relationship between entrepreneurial action and new venture creation. The study utilized a quantitative research design. A self-administered questionnaire was used to collect data in a survey. Ninety university business students were conveniently sought to participate in the study. The Cronbach’s Alpha was used to measure reliability. Data analysis included descriptive statistics and regression analysis. The results showed that the level of new venture creation among the participants was unsatisfactorily low which explains that their entrepreneurial action is also low. Factors such as lack of capital, lack of mentorship and incubation facilities from the university, fear of failure, lack of experience and lack of self-confidence were identified as key obstacles hindering the entrepreneurial action of the students. The regression analysis established a significant and positive relationship between entrepreneurial action and new venture creation. Recommendations were made for the students to take bold steps and launch their businesses and attain their entrepreneurial aspirations. The ministry of small business development was recommended to offer entrepreneurship bursaries to young entrepreneurs who have brilliant business ideas that can easily be commercialised.

Keywords: Business students, Entrepreneurial action, New venture, Youth

1. Introduction

Unemployment remains one of the worst challenges South Africa is facing (BusinessTech, 2015). Unemployment in South Africa is currently at 27.3% as reported by Statistics South Africa (2016). Employing both narrow and broad definitions, South African's unemployment rate among youths rose significantly over the past six years and was regarded as one of the worst in the world at 57.4% (Statistics South Africa, 2018). On that note, Lings (2015) is of the view that youth unemployment in South Africa requires immediate attention lest it becomes an uncontrollable crisis. The high unemployment weakens youth's potential to contribute effectively to national development (Statistics South Africa, 2015). The inability of the labour market to absorb the soaring youth unemployment in South Africa causes unrest among individuals, communities and societies (Statistics South Africa, 2015). Consequently, youths have lost their dignity since most of them are marginalised and poverty stricken (Mahadea et al., 2011). Finding a panacea to this phenomenon has been a primary objective in post-apartheid South Africa.

Entrepreneurship can be a sustainable panacea to youth unemployment in South Africa. Entrepreneurship has been identified as an engine for economic growth and development (Meyer & De Jongh, 2018). In most countries, policy makers have already begun incorporating entrepreneurship in their policies. Entrepreneurship is credited for its employment generation capacity globally (Koveos, 2016). A study by Fritsch and Wyrwich (2017) concur and remark that entrepreneurship results in employment growth. This basis is supported by Okumu, Bbaale, Guloba (2019) who argue that innovation is associated with employment creation. According to Fatoki (2014), the creation and sustainability of new businesses are vital to the economic prosperity of South Africa. Fatoki (2014) further remarks that the creation of new businesses creates vast long-term benefits to the communities concerned.

Despite the momentous benefits that can be brought by entrepreneurship, South Africa lags in new venture development compared to other developing countries (Manyaka, 2015). Turton and Herrington (2013) concur by ranking South Africa as one of the lowest in the world when considering Total Early-Stage Entrepreneurial Activity (TEA). A significant number of youths in South Africa have brilliant ideas that have potential to become profitable and sustainable businesses. However, entrepreneurial inertia seems to be the notorious factor holding the youth back. Jones (2016) argues that entrepreneurial
intention alone is not enough for one to create their own business. Hence, the authors of this article believe that, to achieve the desired level of new businesses in South Africa, youths need to move from just entrepreneurial intention (desire to become an entrepreneur) to real entrepreneurial action (EA) where one takes bold steps to create their own new businesses. Despite the conundrum identified above, there is a paucity of studies about entrepreneurship action in South Africa. A plethora of studies have investigated entrepreneurial intentions among university students instead (Gird & Bagraim, 2008; Fatoki, 2014; Malebana, 2014). According to Corbett and Katz (2012), this hinders progress in terms of theory development in the entrepreneurship field. If new ventures are to be created, there is need for studies that depart from investigating entrepreneurial intentions towards focusing more on entrepreneurial action. This line of thought is supported by McMullen (2015) who asserts that without taking bold entrepreneurial action, one cannot be an entrepreneur. There is need for more studies on entrepreneurial action in developing countries so as to increase Total Entrepreneurship Activity (TEA) (Frese, 2009). It is against this backdrop that this study is conducted. This study aimed to investigate the relationship between entrepreneurial action and new venture creation. Additionally, it endeavored to assess the level of entrepreneurial action as well as obstacles faced by business students. This study’s findings will contribute immensely to the existing debate about finding sustainable strategies to boost entrepreneurship and cut unemployment in South Africa. The study is organized in the following manner: the first section will outline the objectives and hypothesized relationships, literature review, methodology then presentation and discussion of results, conclusion and recommendations.

2. Literature Review

2.1 Theoretical Framework

This paper is grounded on the theory of economic growth and development propounded by Schumpeter (1934). Schumpeter (1934) advocates the need for new venture creation through the genesis of new entrepreneurially driven firms. According to Schumpeter (1934), the innovative ability of entrepreneurially driven firms creates a catalytic mechanism which breaks the equilibrium principle in the labour market, hence, creating more employment. Schumpeter believes that entrepreneurs are engines for innovation and drivers of economic growth and development. Schumpeter (1934) links entrepreneurial activities to economic growth. However, Schumpeter (1934) argues that entrepreneurs must overcome risks associated with technological and economic failure to realise profits in their entrepreneurial endeavours. On Schumpeter’s (1934) view, entrepreneurs are responsible for creating new combinations in the production process, come up with new products and actively strive to source new markets for their products. As a result, entrepreneurs are rewarded with profits which results in the improvement on their social class. However, Schumpeter (1934), remark that the entrepreneurship career requires one to take bold actions, be courageous, determined, risk taking and goal oriented. Entrepreneurs need to be opportunity oriented to take advantage of windows of opportunities in the business environment (Oyelola, Ajiboshin, Raimi, Raheem & Igwe, 2013). However more importantly is a positive entrepreneurial mindset and taking action (Jones, 2016; Emami, 2018). The theory of economic growth and development discussed above sets a platform to understand the gains brought about by pursuing an entrepreneurship career to youth and the economy at large. On that note the authors of this paper believe that an entrepreneurship career improves both the economic and social inclusion of South African youth through self-employment.

2.2 Entrepreneurial Action

Frese (2009) defines action as achievement oriented behaviour. Entrepreneurial action is defined as a process of engaging into activities that leads one to create their own business (Piispansen & Paloniemi, 2015). Another study by McMullen (2015) defines entrepreneurial action as a series of events such as starting your own business, investing in high risk/high investment and involved in marketing products among other things. Without entrepreneurial action, the desire to have new businesses is quashed (Jones, 2016). A study by Frese and Fay (2001) define an action oriented person as someone who is, self-starting, proactive and resilient. Frese (2011) explains that new venture creation is an epitome of entrepreneurial action. Other studies such as Frese and Fay (2001) argue that new venture creation is driven by self-initiatives by entrepreneurs, which is one of the characteristic which sets them apart from the rest of the people. "Action can determine the essential attributes of
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Entrepreneurial action also suffices to mean that an entrepreneur has to take a series of steps before launching a venture to critically evaluate the opportunity and the probability of making profits if one is to establish the new business. Frese (2009) used Action Theory to explain that entrepreneurial action is a sequence of steps one takes to finally launch their business. The sequence of steps includes: opportunity identification, goal setting, implementation, new venture and feedback. Each is discussed in detail below.

2.2.1 Sequence of Entrepreneurial Action

Figure 1 above shows the sequence of actions taken by an entrepreneur to finally launch a new business. As alluded to by Frese (2009), action is the key factor in new venture creation. The sequence of actions starts the very first time when an entrepreneur develops an idea. When convinced by the idea, the entrepreneur takes some actions to convert the idea into an opportunity which they can tape and be profitable. Emami (2018) buttresses this point and remarks that the major crucial part of being a successful entrepreneur is being able to identify opportunities and then take a series of actions to exploit that opportunity before a window of opportunity closes. On that account, an entrepreneur should embrace that an opportunity is personal, hence, if they perceive that the idea can be converted into a sustainable business, then it is worth pursuing (Emami, 2018). The same study recommends entrepreneurs to use tools such as the Business Model Canvas (BMC) to help them present their idea and command a unique value proposition in the market. However, an opportunity need to be critically evaluated putting into consideration the resources available to exploit it.

When the opportunity evaluation is complete, the entrepreneur then sets some goals for their intended business. Frese (2009) argues that for effective action to take place, an entrepreneur should have a specific goal they aim to achieve at the end. This should be self-made and allows the entrepreneur to start something of their own. Accordingly, self-starting behaviour enables an entrepreneur to enjoy first mover advantage before competitors flood the market (Frese & Fay, 2001).

Implementation intention kicks in when the entrepreneur has a strong convention of what exactly they wish to achieve (Frese, 2009). It is within this context that the entrepreneur initiates a series of actions such as testing the prototype in the market to get customer's reactions about the product/service, pitching the idea to investors to attract funding, presenting the business plan to banks. The new venture stage is a point where the entrepreneur launches their idea. Until this point it shows that the entrepreneur is resilient enough to confront challenges and hold on to their idea. Frese (2009) asserts that at the point of launching one's venture, an entrepreneur has to continuously take actions such as dealing with customer demand, dealing with new challenges that arise and positioning the venture as the best in the market.
The above step leads feedback stage. At this point the entrepreneur ought to be an active listener. The entrepreneur should also brace for negative feedback. This is crucial as it helps the entrepreneur to continuously improve the product/service to enhance its acceptability and longevity in the market.

2.3 Relationship between Entrepreneurship Action and New Venture Creation

Entrepreneurship literature exhibits that new venture creation is a product of action. All established businesses are a practical example that action is required to have a complete entrepreneurial process. Countries such as America, China and blocks such as the European Union all have successful new businesses every year because entrepreneurial action is high. This is supported by existing empirical literature. Entrepreneurial action is directly linked to new venture creation (Piispanen & Paloniemi, 2015). Similarly, Emami (2018) argues that entrepreneurial action is better inclined towards new venture creation than just having an idle strong idea or opportunity per se. Frese (2009) is of the view that action is a key determinant for new venture creation. Entrepreneurial action directly affects new venture creation (Rasmussen, 2005). The authors of this paper are of the view that, without entrepreneurial action, the desire to have more jobs from new business becomes but wishful thinking. Based on the above discussion of empirical literature, the following hypothesis is stated.

\[ H_1: \text{There is a significant positive relationship between entrepreneurial action and new venture creation.} \]

3. Method and Materials

This study adopted a quantitative research design. The study area was University of Limpopo. The sample consisted of ninety business students in their 2nd and 3rd year of study. The convenience sampling technique was used to gather the respondents. The convenience sampling technique was used because the participants were readily available and willing to participate in the survey. A self-administered questionnaire was used to collect data. The questionnaire consisted of closed ended questions in form of a 5-point Likert scale. The Likert scale questions ranged from 1. Strongly disagree, 2. Disagree, 3. Neutral, 4. Agree and 5. Strongly agree. The questionnaire was divided into 3 sections. These included: section A which contained the biographical information of the respondents, section B which contained questions about entrepreneurial action, section C consisted of questions related to new venture creation and section D consisted of questions related to challenges faced by the university business students in converting their business ideas into new ventures. The Cronbach’s Alpha was used to measure reliability. Data analysis included descriptive statistics and regression analysis.

4. Results and Discussion

4.1 Demographic Information of Respondents

Gender and level of education were the only demographic characteristics considered in the study. Considering the gender of respondents, 51(57%) of the respondents were males while 39(43%) were females. In terms of level of education, 56(62%) were 3rd years while 34(38%) were 2nd years.

4.2 Reliability Analysis

Reliability analysis was crucial to determine the consistency of the data collection tool used in this study. Reliability was measured using Cronbach’s alpha. A Cronbach’s alpha of 0.7 and above is recommended in existing literature (Taber, 2018). A Cronbach’s alpha of 0.78 was established in this study showing that the data collection instrument was reliable.

4.3 Descriptive Statistics

4.3.1 Descriptive Statistics for Entrepreneurial Action and New Venture Creation

Table 1 on the next page shows the descriptive statistics for entrepreneurial action and new venture creation. Entrepreneurial action was measured using questions 1-9 while questions 10-15 measured new venture creation. Likert scale questions ranging from 1. Strongly disagree, 2. Disagree, 3. Neutral, 4. Agree and 5. Strongly agree were used. As indicated by the scores, there is low entrepreneurial action among university business students who participated in the study. The results show that the students’ responses revolved around disagree and neutral as indicated by means ranging between (mean, 2.34, SD, 0.74, 2. I have researched more about my idea to determine its feasibility) being the lowest to (mean, 3.26, SD, 0.98, 15. I have partnered with my friends to start a business) being the highest.
Our findings are consistent with similar findings which report that entrepreneurial activity is relatively slow in South Africa (Turton & Herrington, 2013; Manyaka, 2015). This has widened unemployment among the youth in South Africa (Lings, 2015). Even though entrepreneurial intention has recently improved in South Africa, entrepreneurial inertia seems to be the notorious factor holding the youth back. Alas, entrepreneurial intention alone is not enough for one to create their own business (Jones, 2016), but entrepreneurial action is (Frese, 2009; McMullen, 2015; Emami, 2018). Hence, the authors of this article believe that, to achieve the desired level of new businesses in South Africa, youths need to move from just entrepreneurial intention (desire to become an entrepreneur) to real entrepreneurial action (EA) where one takes bold steps to create their own new businesses.

### Table 1: Descriptive Statistics for Entrepreneurial Action and New Venture Creation

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.  I have taken a series of actions towards establishing my own business.</td>
<td>90</td>
<td>2.60</td>
<td>1.12</td>
</tr>
<tr>
<td>2.  I have researched more about my idea to determine its feasibility.</td>
<td>90</td>
<td>2.34</td>
<td>0.74</td>
</tr>
<tr>
<td>3.  I have conducted environmental scanning to determine possible opportunities and threats I might likely encounter in the business environment.</td>
<td>90</td>
<td>2.57</td>
<td>0.95</td>
</tr>
<tr>
<td>4.  I have taken bold steps to quantify the business opportunity that exist for my business to exploit at a profit.</td>
<td>90</td>
<td>2.57</td>
<td>0.79</td>
</tr>
<tr>
<td>5.  I have attended workshops to polish my idea.</td>
<td>90</td>
<td>2.56</td>
<td>1.02</td>
</tr>
<tr>
<td>6.  I have already designed a business plan for my business to guide me execute my idea.</td>
<td>90</td>
<td>2.39</td>
<td>1.00</td>
</tr>
<tr>
<td>7.  I have entered the business plan competition as an action to get funding and feedback for my business.</td>
<td>90</td>
<td>2.61</td>
<td>1.05</td>
</tr>
<tr>
<td>8.  I have presented my business offering to my potential clients to obtain feedback about my products/services.</td>
<td>90</td>
<td>2.57</td>
<td>0.95</td>
</tr>
<tr>
<td>9.  I have pitched my idea to investors to source out funding for my business.</td>
<td>90</td>
<td>2.62</td>
<td>1.10</td>
</tr>
<tr>
<td>10. I have registered my business with the Companies and Intellectual Property Commission (CIPC).</td>
<td>90</td>
<td>2.98</td>
<td>0.81</td>
</tr>
<tr>
<td>11. I have recently launched my own business.</td>
<td>90</td>
<td>2.70</td>
<td>1.02</td>
</tr>
<tr>
<td>12. I have recently invested my money in high risk/high return initiatives e.g forex trading.</td>
<td>90</td>
<td>3.02</td>
<td>0.87</td>
</tr>
<tr>
<td>13. I have recently joined network marketing as another creative way to raise money for my business.</td>
<td>90</td>
<td>2.83</td>
<td>0.92</td>
</tr>
<tr>
<td>14. My business is in its second year of operating.</td>
<td>90</td>
<td>2.94</td>
<td>0.90</td>
</tr>
<tr>
<td>15. I have partnered with my friends to start a business.</td>
<td>90</td>
<td>3.26</td>
<td>0.98</td>
</tr>
</tbody>
</table>

Source: Authors

**4.3.2 Descriptive Statistics for Challenges Faced by Young Entrepreneurs**

Table 2 on the following page presents descriptive statistics for challenges faced by young entrepreneurs on the surveyed sample at a South African university. In tracking the entrepreneurial action and new venture creation among university business students, it was crucial to investigate some of the factors which inhibit them from taking bold steps towards creating their own businesses. As indicated by the findings on Table 2, young entrepreneurs surveyed face challenges such as lack of confidence (mean, 3.53, SD, 1.10), lack of in depth knowledge (mean, 3.60, SD, 0.85), lack of practical entrepreneurial experience (mean, 4.11, SD, 0.92), fear of failure (mean, 3.73, SD, 1.07), perceived risk (mean, 4.05, SD, 1.10), lack of finance (mean, 4.52, SD, 0.88) and lack of mentorship (mean, 3.24, SD, 0.83). Lack of finance (mean, 4.52, SD, 0.88) was identified as the major challenge...
followed by lack of practical entrepreneurial experience (mean, 4.11, SD, 0.92). This is consistent with existing literature which identify lack of fiancé as the major barrier towards new venture creation in South Africa and Africa in general (Gwija, Chuks & Iwu, 2014; Katrodia & Sibanda, 2018; Startup Magazine, 2019).

4.4 Regression Analysis

4.4.1 Relationship between Entrepreneurship Action and New Venture Creation

Table 3 presents regression results on the relationship between entrepreneurship action and new venture creation. The results support the alternative hypothesis (H1) that there is a significant positive relationship between entrepreneurship action and new venture creation. In this case, the null hypothesis (H0) was rejected. The findings are supported by existing literature. For instance, Emami (2018) argues that entrepreneurial action is better inclined towards new venture creation than just having an idle strong idea or opportunity per se. Entrepreneurial action is a key determinant for new venture creation (Rasmussen, 2005; Frese, 2009).

5. Conclusion and Recommendations

Entrepreneurs are engines for innovation and drivers of economic growth and development. New ventures are a product of entrepreneurial action. This study was driven by three major objectives. Firstly, it was crucial to assess the level of entrepreneurial action and new venture creation among the university business students. Additionally, the study also aimed to establish the challenges faced by young entrepreneurs in establishing their own businesses. Lastly, this study aimed to investigate the relationship between entrepreneurial action and new venture creation among university business students. The results showed that the surveyed university students exhibit unsatisfactorily low levels of entrepreneurial action and they haven’t done much in creating their own businesses. We established factors such as lack of confidence, lack of in-depth knowledge, lack of practical entrepreneurial experience, fear of failure, perceived risk, lack of finance and lack of mentorship as the major challenges inhibiting young entrepreneurs to start their own businesses. Lack of finance was identified as the most outstanding challenge faced by young entrepreneurs in starting their own businesses. Considering the regression analysis, a positive relationship was established between entrepreneurial action and new venture creation. Thus, the alternative hypothesis (H1) which states that there is a significant positive relationship between entrepreneurship action and new venture creation was accepted. The study therefore recommend as follows:

| Table 2: Descriptive Statistics for Challenges Faced by Young Entrepreneurs |
|-----------------------------------------------|-------|----------|
| **Statement**                                  | **N** | **Mean** | **Standard deviation** |
| 1. I regard lack of confidence as a factor stopping me from launching my own business. | 90    | 3.53     | 1.10                  |
| 2. I lack in depth knowledge on how to launch a business. | 90    | 3.60     | 0.85                  |
| 3. I perceive lack of practical experience as another hindering factor towards starting my own business. | 90    | 4.11     | 0.92                  |
| 4. I am hesitant to start my own business because I fear failing. | 90    | 3.73     | 1.07                  |
| 5. I believe entrepreneurship is too risky for me. | 90    | 4.05     | 1.10                  |
| 6. Lack of finance is a serious challenge holding me back from finally starting my own business. | 90    | 4.52     | 0.88                  |
| 7. Lack of mentorship is another factor holding me back from launching my own venture. | 90    | 3.24     | 0.83                  |

Source: Authors

| Table 3: Regression Analysis |
|-------------------------------|-------|-------|
| **Independent variables**     | **Beta** | **T** | **Sig** |
| Entrepreneurial action        | 0.235 | 45.63 | 0.01    |

Source: Data Analysis. Dependent variable, new venture creation.

Entrepreneurs are engines for innovation and drivers of economic growth and development. New ventures are a product of entrepreneurial action. This study was driven by three major objectives. Firstly, it was crucial to assess the level of entrepreneurial action and new venture creation among the university business students. Additionally, the study also aimed to establish the challenges faced by young entrepreneurs in establishing their own businesses. Lastly, this study aimed to investigate the relationship between entrepreneurial action and new venture creation among university business students. The results showed that the surveyed university students exhibit unsatisfactorily low levels of entrepreneurial action and they haven’t done much in creating their own businesses. We established factors such as lack of confidence, lack of in-depth knowledge, lack of practical entrepreneurial experience, fear of failure, perceived risk, lack of finance and lack of mentorship as the major challenges inhibiting young entrepreneurs to start their own businesses. Lack of finance was identified as the most outstanding challenge faced by young entrepreneurs in starting their own businesses. Considering the regression analysis, a positive relationship was established between entrepreneurial action and new venture creation. Thus, the alternative hypothesis (H1) which states that there is a significant positive relationship between entrepreneurship action and new venture creation was accepted. The study therefore recommend as follows:
The students to take bold steps and launch their businesses and attain their entrepreneurial aspirations.

Universities are to play an active role towards grooming young entrepreneurs in South Africa. Some of the sustainable interventions include, partnering with companies to voluntarily train and mentor students with business aspirations and building an innovation hub where entrepreneurial ideas and prototypes are tested, developed and commercialized.

Furthermore, the university should expose the business students to real practical world of entrepreneurship where they encourage them to launch their businesses to test the market whilst still studying. These can be projects which can be considered as part of the qualifying criteria to right the final entrepreneurship exams.

The ministry of small business development is recommended to offer entrepreneurship bursaries to young entrepreneurs who have brilliant business ideas that can easily be commercialized. This can go a long way in removing access to finance as the major challenge blocking young entrepreneurs to launch their new businesses.

**References**


