Causes of failure of Entrepreneurship in Zambia

(Conference ID: CFP/157/2017)

Author: Eng. Elliot Mumba

elliotmumba@ymail.com

Dean Research and Graduate studies

Livingstone International University of Tourism Excellence and Business Management
Table of content

2.0 Entrepreneurship concepts ............................................................................................................. 3
2.3 causes of failure of entrepreneurship in Zambia ............................................................................. 5
2.3 Mitigation Strategies to address the causes of entrepreneurship in Zambia ............................... 8
2.4 Contribution of entrepreneurship to sustainable development ..................................................... 10
3.0 Research design and methodology .................................................................................................. 17
4.0 Findings ........................................................................................................................................... 18
5.0 DISCUSSION AND RECOMMENDATIONS ..................................................................................... 20
6.0 CONCLUSION .................................................................................................................................... 21
1.0 Introduction and Background to the paper

Entrepreneurship skills are one of the possible bases of successful industrialization. Since the period of early 1990s, there has been a growing awareness of the important social and economic roles of the small business sector and of the importance of entrepreneurship to the growth of the economy. This has been true in both developed and developing economies of the world. In Zambia the concept of life time employment is slowly disappearing and people have turned to self-employment and enterprise creation. Various authors have endeavoured to highlight the importance of entrepreneurship in the economic development of a country (Chisala, 2012; Chibwe, 2008, Windu, 2001). Studies have established that most emerging entrepreneurs in Zambia start up very well and their businesses appear to be headed for growth and bright future. However, it is apparent that the majority of these business enterprises do not make it over the “entrepreneurial start up hump”. This paper seeks to review critically the factors that contribute to entrepreneurship failure in Zambia and how such hindrances could be mitigated.

2.0 Entrepreneurship concepts

Entrepreneurship is creating and building something of value from practically nothing by turning odds in your favour. Entrepreneurship is the process of creating and seizing opportunities and pursuing them regardless of the resources one is currently in control (Sinyangwe, 2013). Fundamentally, entrepreneurship is a human creative act. It involves finding personal energy by inviting and building an enterprise organization, rather than just watching and analysing, or describing one (Malunde, 2012). Entrepreneurship usually requires a vision, and the passion, commitments and motivation to transmit this vision to other stakeholders such as partners, customers, suppliers, employees, and financial backers (Malunde, 2012). It also requires a willingness to take calculated risks—both personal and financial. Entrepreneurship involves building a team of people with complementary skills and talents: of sensing an opportunity where others see chaos, contradiction and confusion and finding, marshalling and controlling resources to pursue the opportunities (Silungwe, 2013). French and Saward (1983:155) defines an entrepreneur as a person who is skilled at identifying new products or sometimes new methods of production, setting up operations to provide new products, marketing the products and arranging the financing of operation. Lamming and Berrant (1988:75) defines an entrepreneur as an individual who recognizes opportunities for new products or services and raises the money and organizes the wherewithal to produce and deliver them. The money may come from himself or from other sources. Entrepreneurs are essentially risk-takers who are generally associated with economic growth. Both of these definitions imply innovation (other words, that something new is created) because new products, services and methods are elements of the definition. In contrast, there is no reference to innovation in the following definition. These definitions regard establishing a new enterprise as sufficient to classify a person as an entrepreneur: “people with the ability to create a working business where none existed before. The entrepreneur produces the combination of ideas, skills, money, equipment and material which form a successful business” (Blake and Lawrence, 1989:48). The more comprehensive
definition of an entrepreneur given by Timmons et al (1990) also does not refer to innovation or to new enterprise as such, but to an entrepreneur’s creativity and aptitude for identifying and implementing opportunities. In this definition, entrepreneurship is referred to as creating and building something of value from practically nothing by turning odds in your favour. It involves the definition, creation and distribution of value and benefits to individuals, groups, organizations and society. Entrepreneurship is very rarely a get-rich-quick proposition, rather it is one of building long term value and durable cash flows stream. There is evidently considerable agreement between the various definitions of an entrepreneur, though some definitions are more comprehensive or specific. Although definitions of the term “entrepreneur” have been extensively discussed by many authors, this is not the place to review these definitions, for the purpose of this assignment, the broadest possible one has been adopted, thus, in the present context, an entrepreneur is not merely the founder of his or her firm but also the fountainhead of policy and growth. In other words, he or she is the king-pin on which the business for its survival. In a dynamic situation of rapid technological change and increasing competition, it is not enough to merely launch an enterprise. The momentum must be sustained by an inexhaustible flow of fresh ideas, and a constant readiness to adapt to new and unforeseen contingencies. Any enterprises worthy of the name is much more than a simple promoter. His or her function is rather that of stoker, whose business is to help the firm burning. His utmost concern must be the survival and well-being of his firm, and he must have the breadth of vision to base all his policy decisions on considerations of long term benefit. If these functions are carried out by a manager, then he too must be considered an entrepreneur and he is seen to possess as much entrepreneurial quality as the founder. Flavia Derossi (1971), says that entrepreneurship is required at two different stages of company history:

- the creative decision based on the imaginative assessment of potential
- the creative manipulation of the factors influencing survival and expansion.

Having created the productive unit, the entrepreneur or his substitute must work to keep it alive. In essence, then the entrepreneur is the man or woman whose function is to coordinate at every stage-inception, maintenance, expansion, all those elements which make up the complex of industrialization of production, namely natural resources, labour(including management), technology and capital. More specifically, the entrepreneur must be capable of bringing together and exploiting a wide variety of diverse elements. He must know what financial resources are available, and must be aware of the latest technologies or innovations in the investment field. All in all, an entrepreneur can be described as some one:

- Who starts his or her own enterprise
- Who manages his or her own enterprise
- Who identifies new products or opportunities
- Who is creative and/or innovative
- Who organizes and controls resources(capital, material, labour) to ensure profit is made’
- who has financial means or who can obtain financing so as to realise the enterprise
2.3 causes of failure of entrepreneurship in Zambia

Small businesses fail within a few years, sometimes within a few months or during development. According to Pickle and Abraham (1997), the first five years are the utmost importance in a business lifecycle, since more than half of the business fail during the period of operation. Several businesses could have survived had the small business entrepreneur identified the first signs of serious problems and eliminated them. These called start up humps. Hodgetts and Kuratho (1998) indicate that there are certain underlying causes for failure, as well as reasons for success. West (1988) found that several problems are experienced during the development and expansion of the small business, such as establishment problems during the first year or two, problems to consolidate during the next stage, for example, delegation of authority and responsibility, and problems in the expansion stage, such as competition with larger businesses. Various reasons called hindrances are offered as to why small enterprises fail. Hodgetts and Kuratho (1992), quoting Dun and Bradstreet, find that most important underlying causes of small business failures are managerial incompetence, unbalanced experience and training, lack of experience in the line of the business undertaken, lack of managerial experience, unknown reasons, neglect, fraud and disasters. Scarborough and Zimmerer (1993) mention lack of experience and managerial incompetence together with insufficient financial control as the most important causes for small business failures. Megginson et al (1991) indicate that lack of capital, insufficient business knowledge and inadequate planning contribute to business failure. Hallora (1991) says poor record keeping practices and how to use, analyse and interpret the information does not only lead to cash flow crisis, but also to financial risks within the business. According to Welsh and White (1982), the most common reason for small business failure is that the owner does not understand cash flow management. Profit is often mistaken for cash flow. Small firm performance has been studied from a variety of approaches to better understand why some firms fail and other succeed (Sinyangwe, 2012, Malunde, 2013). Weitz and Johnson (1989), discusses business failure as being the last stage of an organization’s life cycle. Organization decline, leading to failure, is characterized by managers who have become reactionary. The result is inadequate or non-existent planning and inefficient decision making. One of the earliest empirical studies (Larson and Chute, 1979) examined the role of various owners and firm characteristics to explain business failure. The numerous characteristics shared by failed firms are directly related to personal decision-based characteristics of the owners (lack of insight, inflexibility, emphasis on technical skills etc), managerial deficiency (lack of managerial skills and appropriate managed training etc.) and financial short comings (no accounting background, cash-flow analysis, financial records etc.). O’Neil and Duker (1986) cited government and government related policies as being an important factor affecting business failures. Edmund (1979), found that failure rates were increased due to the heavy burden of taxation and regulation while cute and Garman (1980), identified the growth in money supply (higher growth decreased the failure rate) and volume of bank lending (higher volume of bank lending reduced the rate of business failure) as
significant factors. Dinnwinddy (1979), says that the most obvious internal constraint to the development of Zambia private enterprise lies in the local traditions of many Zambian people. Most notably in the independent countries of East and Southern Africa—where, compared to West Africa, contact with Western societies has been fairly recent—there are still relatively few indigenous “entrepreneurs”, at least in the sense in which European use the term. Even in tribes (such as Kikuyu in Kenya) which have some entrepreneurial tradition, this developed over a period, and usually covered a rather limited field (trading, fishing or cattle farming, for example). Such entrepreneurship as does exist in Zambia has thus been largely imitative rather than innovative, and although some exceptional entrepreneurs have been very successful, many of these have gone into business only because of their lack of formal education and their consequent effective exclusion from more secure and prestigious forms of employments. Dinnwiddy continues by saying that the practising African entrepreneur is usually inhibited by a passive hostile social environment. In this regard, it is interesting that many of the more successful African businessmen have broadened their horizons by foreign travel, or at least by working fairly closely (within an expatriate company or a government agency) with Europeans. In West Africa, where businessmen are generally better educated and longer establish than their counterparts elsewhere, many have been to European while the larger businessmen in Malawi and Swaziland have usually spent some time in Zimbabwe or South Africa. Experience abroad (which itself witnesses entrepreneurial initiative in the person who seeks it) does serve to show how other societies are organised, and to reveal possible business opportunities which might be exploited at home. But, after return from abroad, he finds it virtually impossible to avoid increasing family responsibilities and commitments as he expands. The Zambian extended family (the basis of an extensive social security system) is, of course, a drain on the successful businessman, but whereas any paid employee has a relatively fixed salary, which he cannot consistently over spend, the independent businessman continually faces the danger (exacerbated by the fact that his accounting system, such as it is may not disclose what is happening) that he may draw not only his profits (this limits his capacity to re-invest) but also in accumulated capital assets. According to Dinnwiddy, Africa businessmen are directly constrained by their own managerial inadequacies, but quite apart from these, it may be entirely rational, given their difficulty in retaining profits for expansion (and also, in some countries, the recurring vicissitudes of the business climate), s more secure to investment such as land and housing. The conventional analysis of the other problems facing indigenous entrepreneurs in different African countries are strikingly similar. Basically, these are seen to be the difficulty of raising sufficient capital and obtaining credit, the lack of appropriate knowledge, experience and skills and the presence (at least until recently) of non-African competition. The first two of these, the financial and the intrinsically personal problems characteristic of African businessmen, interact. Thus, at all levels, and in all countries, the lack of commercial and technical expertise, together with the collective reputation of African for being slow to service and repay their debts, makes it difficult for the African businessmen to obtain either loans or credit through the usual banking or trade channels. The internal management problems of African businessmen vary, of course, according to the nature of the business concerned and technical in capabilities obviously loom relatively large in small industries and in provision of specialized services (ranging from shoe repair to panel-beating and electrical contracting).
All African businessmen, however, as their business grow to any size, tend to meet a ceiling where their desire to maintain direct supervision over every aspect of their businesses, their failure to delegate any significant responsibilities to subordinates and their reluctance to form partnerships or cooperative with fellow African, effectively limit their further expansion. They also come under increasing personal stress, and if as often happens, they diversify into other business activities(partly in order to spread their risks but also because they instinctively feel that it will be easier to keep strict personal control over two to three small businesses rather than one larger one), this only worsens their predicament. Financial assistance cannot itself provide a solution to Africa business problems, an essential feature of any business promotion programmes must be a conscious attempt to identify and counteract the inherent, personal constraints to African entrepreneurial development. Dinnwiddy (1990) makes it very clear that apart from their managerial inexperience, Africans have to establish their own external business relationship with their suppliers, customers, commercial banks, and even with one another. The extent to which this may be a problem varies, again in proportion to the scale and nature of the business concerned, and according to the location of its market. But every African businessman has to establish a working relationship with his government (or perhaps with several different government agencies), and it is ironic that this often a particularly difficult task. In some African countries, the greatest single constraint on indigenous entrepreneurship is uncertainty with regard to promoting African entrepreneurial development probably need to pay closer attention to improving the general business environment, in particular by removing unnecessary restrictions to business activity, rather than to selecting individual entrepreneurs for special assistance. Dinnwddy(1990), goes on to say that at present, there is wide spread antipathy between bureaucratic and businessmen, with civil servants taking an attitude which is often disparaging and which tends even at its best to be rather patronising, while businessmen, for their part, regard the civil service with distrust and probably, in most cases, not a little jealous. This makes for climate which is conducive neither to spontaneous entrepreneurial development nor to design and implement of successful business promotion programmes. A summary of much of the research on small business failure is reported by Haswell and Holmes (1989). They report managerial inadequacy, incompetence, inefficiency, inexperience etc. to be a consistent theme explaining small business failures. Many aspects of poor management are reported to be connected to several related issues such as poor financial conditions, inadequate accounting information records, limited access to necessary information and lack of good managerial advice. Poor managerial skills have commonly been associated with firm. Weitzel and Johnson (1991), describes crises management and lack of planning as one of the last stages prior to failure. Haswel and Holmes (1989), report poor management as a common theme in the small firm failure literature. Several studies have suggested the firm’s inability to compete in the market results in failure. Star and Maskel (1981) and O’Neil and Duker (1986) associate internal factors, such as small size, prior location, and cheap merchandise as being related to failure. Easier studies (Cute and Garman, 1980; Edmund, 1979) cited government policies as having an important impact on a firm’s ability to operate in the market place. Gahan (1999) in his presentation on the “mobilization of financial resources for private sector development in Africa,” stressed that the most crucial problem for small and medium industries were the lack of institutions tailored to their needs, with specific understanding of their problems and
able to provide finance at reasonable rates. The perceived risky nature of small and medium industries (SMIS) led to their paying higher interest rates than larger firms. Again, the lack of financial management skills in small and medium industries exacerbated their problems and increased the risk of failure.

The next section discusses strategies that can address the problems of entrepreneurship failure in Zambia.

2.3 Mitigation Strategies to address the causes of entrepreneurship In Zambia

Scholars and researchers have advocated that training in financial management beginning with the preparation of business plans, is essential to mitigate entrepreneurship hindrances. The use of resources is discussed and the need to increase local content of projects from foreign resources is stressed. Financial resources are one of the pillars of enterprise and Zambia Chamber of Small and medium Association (ZCSMBA) notes that access to capital is the greatest single obstacle to entering business sector. Ronan (1998) says that there are a number of requirements for success in pursuit of entrepreneurship and the business management. He mentions the four important ones as follows:

Government incentives

Ronan clearly says that new business is not in position to be viable new from the first day of operation. A new business needs nurturing in order to enable it to develop its markets and gain sufficient sales to be viable. He further says that the need for some government incentives to encourage and sustain new business in its early stage is obvious. Government incentives can include tax breaks, grants for plant and machinery, subsidized rental on premises and grants for training personnel. There may also be technical assistance for market research and development activities, especially if it entails export marketing. Government incentives can also take a form of incubation facilities, multi-facility zones and government sheds.

Education and training

Ronan (1998) says that successful entrepreneurs have a firm and comprehensive knowledge of the business sector in which they operate, managerial competence, and product knowledge. This means that they should know the market thoroughly and appreciate why consumers try the products or services. They need to be continuous learners who are always updating themselves about the external environment in which they operate. While they may not possess all the knowledge and skills themselves to operate the business, they should understand and appreciate their limitations. Having recognized their limitations, they should then seek the required level of expertise from those who they believe can assist from bank managers and advisors to the small sectors. Ronan notes that successful entrepreneurs have a passion for business and commit themselves fully to the enterprise. This passion is fuelled through reading and discussing all the aspects of the business and exploring through research activities, new avenues of opportunity. Lack of adequate education limits the
entrepreneur’s capacity to innovate and take advantage of existing opportunities, adapt to changing environments, improve the quality of marketing channels, segment the proper market to target and expand the business.

Access to cheap finance
Ronan (1995) emphasizes that finance is the life blood of every business and that without it, a business is dead. He further says that more business fails due to lack of finance than any other case and that lack of finance can seriously hamper the operations of a small business and considerably increase the operational costs.

Access to markets
Ronan (2000), finally alludes to the importance of a market and say that there must a sufficient market size available before one can contemplate establishing a business venture. Market research is needed to quantify the market variables, and establish the critical success factors. He cites the golden rule of entrepreneurship which says that, “if you can’t sell it, don’t make it” correctly establishing the market opportunities for one’s product is critical activities to be completed before a decision is made to commerce business.

Other scholars have identified strategies that are used to mitigate causes of failure of entrepreneurship. Mumba (2012) notes the following:

Proper location strategy
This means finding the best route to the market is very important. May businesses have a quality product at a price customers want, but then there is one major problem. The problem is that they are selling it through the wrong intermediaries or by wrong method indeed the wrong place. One’s customers will not beat a path to one’s door simply because one has the right product at the right price. One’s customer’s decision to buy is influenced by just as much by such factors as convenience, accessibility and firm image of the place from which the product is sold.

Access to Business development services
Mumba (2012) further highlights the importance of small enterprises to access the business development services. Business planning is and should be an important part of business operations. Without planning, the entrepreneur is likely to pay an enormous price. Consultation on feasibility and viability of the business, general management, training, record keeping, business linkages, collaboration with suppliers, clients and objectives and increased across to credit facilities.
2.4 Contribution of entrepreneurship to sustainable development

Entrepreneurs contribute to economic growth in a significant way (Schumpeter, 1985). Economic growth refers to rate of growth of the economy. It is the rate at which Gross Domestic Product (GDP) is increasing (positive growth) or decreasing (negative growth). If GDP grows at a higher rate than the population, then the living standards are said to be rising. If the population is growing at rate higher than GDP, living standards are said to be falling. Growth can be measured in normal or real terms (in which the effects of inflation are stripped out). If normal GDP has increased by 5 percent and inflation has increased by 4 percent over the same period, the increase in real GDP for that period is only 1 percent. By contributing to the GDP the entrepreneurs contribute the sustainable development in a nation.

In judging how well an economy is performing, it is normal to compare a country’s growth rate with, say, the average for a group to which it belongs. e.g growth in Australia or New Zealand might be compared with the average for 25 members of the organization for Economic Cooperation and Development(OECD), where for United Kingdom, people are often more interested in how the national growth rate compares with the average for the 15 members of the European Union. Development refers to positive change in the welfare of people in a country. These changes include an increase as well as improvement in services such as education, medical, transport and communication, energy and power, water and sanitation, infrastructure such as roads, bridges etc. It is a complex concept encompassing all aspects of economic and social amelioration of the conditions of people. It is generally accepted around the world that business entrepreneurship and activities in private sector is more cost-effective and efficient in performing certain basic economic functions than the public sector. Most of the national wealth is created by business activities. Therefore development is enhanced through trade, production and finance. Trade is measured by countries’ balance of payment i.e. the countries exports and imports of goods and services. The growth of world output and incomes has been accomplished by the growth of international trade which leads to widely held view that international trade is an engine of economic growth either causing it or facilitating it. In Zambia, there are various and critical roles that small enterprises play in contributing towards economic growth and sustainable development of the country (Matoka, 2000).

Products and services

The fundamental economic functions of small business are to make and distribute the products and services that people want. Entrepreneurs fulfil both roles to discover consumer demands and to do whatever is required to satisfy them. The general population in a country depends on enterprises for provision of various goods and services that man needs for his livelihood.

Employment creation

Business venture are the major providers of real jobs. i.e. employment for the people who need and want work. The level of gainful employment is crucial to a nation’s wellbeing. The
private sector in Zambia is said to have created an estimated 80% of all jobs in the country. It is therefore clear that the enterprises operating in the private sector have contributed a great deal of employment in the country. Even micro-enterprises with only 2 or 3 jobs play a very big role in contributing towards economic growth and development because one thousand micro enterprises with three jobs each, will aggregate create a total of three thousand jobs.

**Income and livelihood**

Through its employment creation, small business provides an income basis to its stakeholders in terms of salaries, wages and profits is of crucial importance in order to pay taxes and provide disposable income to finance spending and savings (investment capital).

**Government revenue**

Contributing to national treasury through various taxes, levies, rates and licensing fees. Without taxes on the incomes of individuals and businesses, social institutions and services cannot be afforded.

**Disposable income**

It refers to income after taxes available for spending on consumer goods and savings. Consumer spending is not only required for basic need satisfaction, but also to create demand for production of goods and services. Personal savings represent income not allocated to immediate consumption expenditure.

**Foreign exchange earnings**

Small enterprises that export their products and services contribute to economic growth and development through foreign exchange that they earn for the country.

**Skills and Technology transfer**

It is through the innovative and operations of small enterprises that technology and skills are transferred from one place to another, in any nation. In Zambia, we have witnessed the transfer of various technologies from one place to another due to the enterprising activities of business community e.g. even the remotest parts of Zambia have some form of technology through machinery and equipment like hammer mills, carpentry tools, sewing machines etc.

**Supplementing government effort**

A lot of small enterprises contribute to economic growth and development by supplementing government’s effort through the provision of facilities such as medical, education, private schools, waste management, etc.

**Inculcating a culture of entrepreneurship.**
It is through existing enterprises that potential and future entrepreneurs sometimes get their inspiration and role models. This tendency tends to spread the culture of entrepreneurship thereby resulting in increased economic growth and development.

**Utilization of local raw materials**

Most enterprises also contribute to economic growth and development by adding to the abundant locally available raw materials and this may have a positive import substitute effect on the country.

**Investment in productive assets**

Business investment funding is generated either through provisions, retained profits, and borrowing or through sale of equity. For non-profitable business, such sources of funding will become limited. A business needs capital investment to create productive capacity: innovative technology, modernization and expansion of its productive assets.

**National well-being**

Most of the capital goods, commercial and social as well as technological know-how required to satisfy our needs come from small business activities i.e. through economic development of private owned resources.

**Dispersal of economic power**

Unless industrial and business activities are planned, economic power is likely to be concentrated only in a few hands. This situation results in many adverse socio-political consequences for developing nations. One way to prevent such consequences may be dispersed industrial and business activities among large number of young people through a massive movement of development entrepreneurship and self-employment among youth of developing nations.

**Weakening monopoly**

Monopoly in trade, industry and business holding is commonest evil in most of the developing countries. In addition to political backing, it largely thrives because of lack of a sufficient number of entrepreneurs. Planned efforts to encourage and support self-employment among the youth goes a long way in weakening the tendency of monopoly holding and as many self-employed people start to manufacture goods and services which otherwise remain the prerogative of a selected few.

**Reinvestment in profitable assets**

For reinvesting the profit for the welfare of area of profit generation when an outsider establishes certain enterprises, most of the time one does not reinvest the major share of the profit in the area in which the business is located. Largely, the profit is invested at the original place may be different from the location of the unit. This is the “leech effect”. The impact is the backward areas of developing countries. This is a regular drain-off the wealth generated of the local resources to the area comparatively already developed. In order to counter the “leech effect” it is desirable to prepare and support a large of local young to go for self-
employment and set up their enterprises at their native places. The profit earned from such unit will then be reinvested for welfare of the area of the profit generation.

Balancing Area development
Matoka, W (2000) pointed that along with the industrial and business activities goes a large number of public benefits such as roads, transport, communication, education, entertainment etc since these industrial and business activities are concentrated in and around selected cities of the country, the development is also limited to these few selected cities. As a result, the country very soon faces the problem what might be called unbalanced area development. Countless examples can be cited. A planned effort to develop self-employment among the local population will ensure the supply of self-employment youth from different parts of the country. Since most of the people, particularly the small entrepreneurs prefer setting up their units in and around their own native places, more self-employed youth from different parts of the country will ensure that dispersal of industry and business activity throughout the country.

Harnessing Youth Vigour
Mumba, E (2012) argues that the educated youth are full of vigour with a sharp ability for circulation of economic resources. The recent phenomenon of increasing unemployment is largely due to their excessive dependence on wage or salary employment, resulting in decline and wastage of youth vigour. They find themselves without work when they are at the prime of their youth in the absence of opportunities to meaningful engage themselves; the youth often divert their vigour to violet and anti-social activities. Many times they engage in self-destruction. The nation, in short, loses its most valuable resources—the youth vigour. Self-employment offers excellent opportunities to harness such youth vigour. The task is indeed challenging and creative and it requires extra vigour, which is readily available with the youth. In the long run, this also helps in developing self-confidence among the youth, which is lacking in developing countries.

Entrepreneurship is not a static phenomenon but rather a process. Entrepreneurship is more than just a mechanical economic factor (Pirich, 2001:14-15). There are almost as many definitions of entrepreneurship as there are scholar books on the subjects. Existing definitions of entrepreneurship often relate to the functional role of entrepreneurs and include coordination, innovation, uncertainty bearing, capital supply, decision making, ownership and resource allocation (Frijs et al., 2002:1–2; Jääskeläinen, 2000:5). Community entrepreneurs need developing skills that may contribute to entrepreneurial behaviour, examine opportunities to fulfill needs or wants, and to solve problems, generating ideas to, satisfy the opportunities, then assess the opportunities and ideas, use all available sources and resources to evaluate opportunities and ideas, plan and prepare the venture thoroughly to create a venture

Entrepreneurship is often depicted as important for economic development; seen to create jobs, ease fiscal burden, and provides competition. This in turn would create jobs and add economic value to a region and community and at the same time keep scarce resources
within the community. New firms appear to provide 2% to 15% of the current jobs in the GEM countries (Reynolds et al., 2004). This job creation is highly correlated with the level of entrepreneurial activity. Fölster and Henrekson (1999) also confirm that increased self-employment has a positive effect on overall employment. To accelerate economic development in impoverished communities through entrepreneurship, it is necessary to increase the supply of entrepreneurs, thus building up the critical mass of first generation entrepreneurs, who will take risks and engage in the uncertainties of a new venture creation, create something from practically nothing and create values by pulling together a unique package of resources to exploit an opportunity (Peredo & Chrisman, 2004). In developing countries such as South Africa, community-based enterprises are often referred to as pro-poor (impoverished community) Local Economic Development interventions which are linked to entrepreneurship. Peredo and Chrisman (2004:9) defined impoverished community as “materially disadvantaged societies characterized by hierarchical social systems based on ethnicity, gender, religion, economic and social status and other factors; by limited or non-existent welfare systems; by subsidies eliminated as part of debt reduction programs; and by high rates of unemployment”. Institutions and individuals promoting impoverished communities development now see entrepreneurship as a strategic development intervention that could accelerate the impoverished communities' development process (Bos, 2002). The traditional definitions of entrepreneurship have weakness (Tyson, Petrin, & Rogers, 1994:4). Schumpeter (1989) defined the entrepreneur as “an innovator who develops untried technologies”. This definition leaves little room for innovations that are not on the technological or organizational cutting edge, such as, adaptation of older technologies to a developing-country context, or entering into export markets already tapped by other firms. Defining entrepreneurship as risk-taking (Yang & Wall, 2008), neglects other major elements of what we usually think of as entrepreneurship, such as a well-developed ability to recognize unexploited market opportunities. Entrepreneurship as a stabilizing force limits entrepreneurship to reading markets disequilibria, while entrepreneurship defined as owning and operating a business, denies the possibility of entrepreneurial behaviour by non-owners, employees and managers who have no equity stake in the business. Therefore, the most appropriate definition of entrepreneurship that would fit into the impoverished communities development context, argued here, is the broader one, the one which defines entrepreneurship as: "a force that mobilizes other resources to meet unmet market demand", "the ability to create and build something from practically nothing", “the process of creating value by pulling together a unique package of resources to exploit an opportunity” (Timmons, 1989; Stevenson, 1985). According to Petrin (1994), this is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. In this context, the entrepreneur is hence viewed as a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand, or as one who owns and operates a business (Tyson, Petrin & Rogers, 1994:2). Baumol (1990) defines entrepreneurs as persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige. The Brundtland Commission (1987) has described the idea of sustainable development as "development
which meets the needs of the present without compromising the ability of the future
generations to meet their own needs”. The central theme in such definition is the
interdependence between economic growth and environmental quality, and the need to
ensure that both issues are protected. It is integration of social, economic and environmental
factors into planning, implementation and decision-making so to ensure that development
serves present and future generations (Phogole, 2007). A social enterprise is a business with
primarily social objectives whose surpluses are principally re-invested for that purpose in the
business or in the community, rather than being driven by the need to maximize profit for
shareholders and owners rich (Pilrich, 2001). Their key distinguishing characteristics are the
social and societal purpose combined with an entrepreneurial spirit of the private sector.
Social enterprises devote their activities and reinvest their surpluses to achieving a wider
social or community objective either in their members’ or a wider interest (European
Commission, Enterprise and Industry – B) (Berkes, 2007). The differences could be clearly
spotted on the way that a social enterprise functions. Social enterprises have a non-profit
character; however, they are competitive and they participate in the open market. The
literature on community development spans the literatures of regional development,
community work, social enterprise and locality. Korsching and Allen (2004) argue that local
entrepreneurial initiatives have tremendous potential as economic development tools for rural
communities with stagnating, or declining economies. Moreover, Lichtenstein et al. (2004)
question the effectiveness of traditional developer-led models of community development and
regeneration. They make a call for a systemic and transformational approach to enterprise
development that can yield community-wide economic development. Local entrepreneurship
includes the use of cooperatives as a development tools, community partnerships and
collective enterprises. According to Granovettor (2000) the literature of economic
development assumes that locality, and in particular rurality, is a problem to be overcome in
term of economies of scale because the view of traditional development theory is that the
embededness of economic action in non-economic obligations inhibits economic expansion.
In regional and community development top-down approaches are common. A classic
example of this approach is the EU “Leader” Rural Development Programme. Indeed, Peredo
and Chrisman (2004) argue that a major problem with development strategies is that they are
invariably conceived and managed by development agencies as opposed to being “birthed”
and owned by their communities.

A third group of literature relating to small enterprise development in impoverished
communities concerns the role of informal enterprises and associated questions of poverty
alleviation. It is recognized that informal community enterprises in developing countries
occupy the bottom rung of the ladder of entrepreneurship. Several studies have disclosed the
need to develop entrepreneurs that will contribute to the local economic development of their
communities. The prospects for graduating to more establish small enterprises are extremely
limited (Oppermann, 1993; Timothy & Wall, 1997). Community based enterprise, however,
can assume a critical role in improving the livelihoods of poor communities and alleviating
poverty. In rural areas of the developing world, in particular, self-employment linked to formal
entrepreneurship activities that add value to the economy of the country may be extremely
important in terms of its impacts on livelihoods (Shah & Gupta, 2000; Ashley et al, 2001).
Although informal enterprises are often either neglected by governments planning, or viewed
as a ‘nuisance’ and subject to off. It is argued that the entrepreneurial activities ‘are where
opportunities for small-scale enterprise or labour by the poor are maximized’ (Ashley et al,
2000:3). Improving the access of local informal entrepreneurs to engage in activities that add
value to the markets is therefore an essential element of alleviating poverty (Goodwin, 1998; Ashley et al, 2000, 2001).

According to Peredo and Chrisman (2004:17), the community acts as an entrepreneur when its members, acting as owners, managers, and employees, collaboratively create or identify a market opportunity, and organize themselves in order to respond to it and they acts as an enterprise when its members work together to jointly produce and exchange goods and/or services using the existing social structure of the community as a means of organizing those activities. Further the noted that community-based enterprise represents both the entrepreneurial process of venture creation and the venture created through the process. As noted by Peredo and Chrisman (2004) community in this study is refer to an aggregation of people sharing shared geographical location generally accompanied by collective culture and/or ethnicity and potentially by other shared relational characteristic(s).

Berkes & Davidson-Hunt (2010) established that community-based enterprises are of interest to commons researchers because they offer a means to study how local institutions respond to opportunities, develop networks, new skills and knowledge, and evolve. Many of community-based enterprises seem to be able to take advantage of collapsing spatial scales that characterize globalization to engage with national and global markets, thus “opting in” to the global economy (Anderson, Dana & Dana, 2006). Impoverished, rural and indigenous groups use community-based enterprises as a means for improving their livelihoods by creating new sources of income. But many of them also use these enterprises to secure better access to their resources or consolidate their land claims. In many cases, empowerment is a major objective, and the enterprises are used in the political struggle for the control of contested land and resources. In many cases, enterprises also serve social and cultural objectives.

While community-based entrepreneurship shares many traits with traditional entrepreneurship, the processes differ in terms of the beneficiaries of these activities and in terms of the choice of locations (Johnstone & Lionais, 2004:225). Entrepreneurship traditionally founds profit-seeking business ventures; if successful, these initiatives will benefit the host community by providing stable jobs and increasing wealth but profits will go to the entrepreneur and shareholders. Community-based entrepreneurship evaluates wealth in terms of the benefits accruing to the broader community rather than as personal profit.

Both community entrepreneurs and community business entrepreneurs have wider social goals, such as the development of the entire community (Cramer et al. 2002). The concept of community as a localized network of social relations differentiated by shared symbols and culture, which also evokes positive evaluations of human life is central to our conception of community-based entrepreneurship (Johnstone & Lionais, 2004:226). Community is not only the location of the entrepreneurial process but also the tool of using social networks and the goal to improve the quality of life. Johnstone and Lionais (2004:227) community-based entrepreneurs’ use the assets of community to overcome the obstacles of impoverishment such as financial, professional and labour resources. The ability of community-based entrepreneurs to mobilize resources depended on the trust, which others placed in them. Thus the importance of sustainable entrepreneurship development in rural areas of South Africa needs not to be overlooked.
3.0 Research design and methodology
The theory of paradigm in social science was adopted to find the real answers to the research questions. Paradigm is the progress of scientific practice to explain how scientists work within accepted ways of defining, assigning categories, theorizing and procedures within disciplines (Hart, 2003). According to the concept, paradigm is based on scientists’ assumptions about the world. Different research paradigm implies different methodology and different research methods to collect data and finding solution to problems and of explaining events. This research adopted the interpretivist paradigm with a qualitative approach in the process of collecting and analyzing data. In the interpretivist world, the aim of social science is primarily towards the understanding of people, the understanding of people interpretation of the world and understanding of the society as per people description. Interpretivism holds that to explain human behaviour, social researchers need to understand the meanings and interpretations that people attach to phenomena in the social world. Observations and interviews in this study are constructed to richly describe, explain, or assess and evaluate a phenomenon (Gall, Borg, & Gall, 1996:549) such as community-based enterprises in improvised communities in South Africa. These interviews are not static objects but dynamic processes of continuity and change. Hence, to capture these processes the research took the form of a longitudinal retrospective study (Pettigrew, 1990; Van de Ven & Huber, 1990), which is studies that “take the present as a base and seek information about recent history” (Blakie, 2000:230). As a descriptive study, the research tried discover answers to the questions who, what, when, where, and how (Cooper & Schindler, 2001:10) of establishment of community-based enterprises in Zambia’s impoverished communities. Qualitative researchers study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them (Hart, 2003). As a form of qualitative research, observation by the researcher of the entrepreneurship activities together with the interviews with aspiring social entrepreneurs and community leaders of inquiry used. They draw attention to the question of what specifically can be learned from the community setting in terms of developing and sustaining entrepreneurship to impoverished community such as Kabanana, Kamanga, Mandevu, John Laing, Misisi George compound, chawama among others.

The observations and interviews study approach is not limited in value; rather, it provides an in-depth analysis of a specific problem. An exploratory interview is aimed at defining the questions and hypotheses of a subsequent study (not necessarily an interview or observation study) or at determining the feasibility of the desired research procedures (Blakie, 2000). A descriptive interview study presents a complete description (‘tell it as it is’) of a phenomenon within its context. An explanatory interview study presents data bearing on cause effect relationships, explaining how events happened. While some researchers focus on one method for data collection either interview or observation because of its unique or exceptional qualities, this study utilized both observation and interviews since it would be used to make comparisons and propose generalizations. A purposeful sampling strategy was used, with interviews deliberately chosen for their ability to reveal important information about the sustainable entrepreneurship development in Lusaka peri-urban and its surrounding. Pettigrew (1990:275) suggested studies using data collection methods that focus on extreme exemplars that make the process “transparently observable.” With the aim of identifying critical processes responsible for the outcome of interest, interviews that will give the
researchers answer to why, what, when and how (Yin, 2003). On the basis of the researcher’s knowledge of the population, a judgment is made about which subjects: demographic associated with improvised communities, entrepreneurship, and community participation, source of funding and purpose of intervention (job creation & poverty alleviation).

4.0 Findings
Below are findings as obtained from interviews and observation made by the researcher at Soweto Market before it got burnt in Lusaka to get first information about causes of failure, contribution of entrepreneurship to sustainable development and the challenges they face. With a specific interest of sustainable entrepreneurship development, hence the interviewees and site visited were in one way or the other involved in entrepreneurship activities. Soweto is a largest metropolitan market housing a number of small enterprises in Lusaka. It incorporates a number different types of small businesses such as traders, welding, electrical, motor vehicle repairs, farm products, fishing trade, horticultural products, vegetables among others. The entrepreneurship development is one of their key concepts in their integrated development Plan (7NDP) 2016-2021 document of PF government. The sustainable pro-poor, community-based marketeers projects were established in the municipality using national marketers funds coordinated by Chanda Kabwe as a national patron. As such the study provides insight into successful government support, effective municipal facilitation of development and the establishment of viable, market-competitive enterprises in a poor community like Soweto. There is one significant support for entrepreneurship in the community. The big Soweto Market accommodating over 5 000 small businesses which was built in 2005 to formalize the entrepreneurship activities in the community. In addition, there are a range of less successful business and farming undertakings which have had some impact and to which the municipality has provided informal support. The municipality’s economy is heavily reliant on commercial tourism as well as industrial firms such as charcoal trading and few farming activities that are still apparent today. Despite the presence of very successful pro-poor initiatives, pro-poor LED is poorly defined and articulated locally. The Integrated Development Plan (IDP) is the key guide and focuses on issues of service provision and facilitating socioeconomic development, albeit that disadvantaged communities are the priority in this regard. The municipality has been in the news for all the wrong reasons, which makes it ungovernable and the reach to the ground level is taking its toll. The poor city roads also known as the killer roads changes the focus of policy makers to focus on how to prevent the accidents and forget about the sustainable development of entrepreneurship that will contribute to the LED. Community development centre’s that have been built are not functional which gives a doubt to the leaders of the community if there are social entrepreneurs that are effacingly ready to run meaningful businesses that the municipality can support. Support for projects varies from those directly supported by the municipality, where they applied for funds on behalf of the community. There are several successful LED Fund projects that do not address the entrepreneurship challenge in Lusaka markets and other entrepreneurship development centres. Findings suggest that innovative ideas and entrepreneurship are at the heart of economic growth in these centres. However, if not supported by institutional policies and practices that create and sustain growth, innovative ideas may not be enough to cause the economic spark that emerging economies are so
desperate to kindle in communities and countries at large especially on Zambian economy that requires massive investment in diversifying it from dependent on copper exports as the main economic stay. The policy implication for developed nations like Zambia is that they need to focus more on people, and entrepreneurship development in impoverished communities and squatter compounds like Misisi and Kukun. Developing and sustaining entrepreneurship in peri-urban communities is crucial for policy makers and community leaders; in other words, they need good governance (Greenspan, 2007). The mayor Mr. Kalumba (2017) indicated on the interview that his office has all the good documents and policy to develop and support entrepreneurs, but the entrepreneurs themselves are not knocking in his door. This was supported by the provincial minister of Lusaka “Mr Mwakalombe” (2017) who elaborated the funds and plans that are there waiting for entrepreneurs who needs support from the government to implement their businesses that will add value to the LED, he further assumed that maybe entrepreneurship education is needed to develop entrepreneurs that will be sustainable. According to Warchal (2017) the owner of a franchise Spar at Soweto, he further adds, that many entrepreneurs from the Soweto are in existence in order to support their families but not to operate meaningful businesses such as his. One of the street vendor Mutale (2017) confirmed what Warchal (2017) argued that they are not in business looking at the bigger picture of owning or franchise that are sustainable or contribute to the LED but for the survival of themselves and that of the family. The roots of creating a sustainable and developmental entrepreneurship processes in attempts of communities under stress to solve pressing economic and social problems, sometimes including the attempt to address the absence of political power or a voice in national life (Peredo & Chrisman, 2016). Peredo and Chrisman (2016) noted that this emerges as the result of the desire of communities to gain or regain control of their own local development. Local economy can only arise out of an environment of economic stress, understood as a multifaceted phenomenon, where considerable social capital exists as a result of community culture and a previous process of social collective learning. Successful creative economic development initiatives come from within or involve productive, respectful collaborations between local community members and outside organizers (Thomas, 2012). Soweto community leaders made it clear that planners must meet this condition. According to the councillor of Lusaka Municipality IDP Document (2011) “Community participation in all stages of planning,” said Municipality Mayor Mr. Kalumba “is critical, and any development efforts must focus on nurturing what is already present in these communities—sense of place, distinctive regional traditional culture, and local history.” Cultural stereotypes are barriers to cultural economic development. Sustainable development of entrepreneurship also requires that community members respect themselves, each other, and their communities. Fortunately, creative economic development builds community self-respect (Chwama councillor, 2011).
5.0 DISCUSSION AND RECOMMENDATIONS

Alongside the vast new opportunities that have been opened up by ongoing economic and political processes, there are also a number of corresponding challenges that need to be addressed by policy makers in developing communities aspiring to enter this highly lucrative segment of the competing with its neighbors. These challenges relate to the actual structure of the global markets and to the nature and characteristics of the creative industries sector itself and how communities see the need to implement the policies such as the micro policies for communities. All creative industry policy makers and entrepreneurs need accurate, up-to-date information – statistics, analysis and policies (UN Conference, 2014). The concept of self-reliance is located centrally within the discourse of community development and is connected to related concepts like self-help, mutual-help, indigenous participation and rural development (Fonchingong & Fonjong 2013:198). Self-reliance is one of the bases of effective community development in Zambia as it is in most of Sub-Saharan Africa Its widespread acceptance in the development planning of most African countries has the tendency to give greater stimulus and cohesiveness to community development in these countries (Anyanwu, 2012). Self-reliance advocates the need for people to improve their condition using local initiatives and resources in their own hands. The concept is fast being accepted as a new formula for community development. Anyanwu (2012) contends that in most African countries community development has depended significantly on voluntary cooperative efforts. This follows a traditional trait that clearly underscores the virtue of self-reliance. This explains the emerging trend in community development, which sees it as an important point of take-off for better living. The emphasis is to involve groups of people in planned programmes from which they may gain skills that will enable them to cope more successfully with the problems of their everyday life (Fonchingong & Fonjong 2013:200). Self-reliance is thus “development on the basis of a country’s (region’s) own resources, involving its populations based on the potentials of its cultural values and traditions” (Fonchingong & Fonjong 2013:200). Communities and individual people define their own development according to their own needs, values and aspirations. Zambian communities such as chawama, John Laing, Gorge, Chaisa, Kabanana among others are generally new in self-employment the game and need a lot of guidance and training. Despite the commitment of the provincial and national governments to fostering and supporting the entrepreneurship activities, Young Entrepreneurs in Zambia are at the moment not realizing their job-creation potential and so are not making inroads into unemployment and poverty. Lack of growth and high failure rates are common in small businesses sector because of what may be termed a dearth of entrepreneurial acumen (Nieman, 2006:23). As mentioned in Section III, the GEM study confirms this lack of entrepreneurial mind-set among impoverished communities’ operators in Zambia. Yet researchers are convinced that should Zambians develop the culture of entrepreneurship, the innovation and growth it brings to production will help in job creation and poverty alleviation (Van der Merwe, 2013:27); hence, the need for entrepreneurship training. The need for entrepreneurship training as a poverty alleviation strategy is a special need of the general observation that “lack of education is the greatest cause of poverty”, because lack of education limits one’s choices and ability to improve one’s life or one’s business (McHugh, 2005). The strong correlation between educational attainment and entrepreneurial activities of business operators reported in the GEM study
was cited in Section III. But quality education was denied many Zambians under the second republic and it is not readily available even now. There are still many dysfunctional schools with teachers who are not well trained in the subjects they present (products of the second republican education system), especially in the rural areas of the country such as villages and districts in Zambia. Thus, decades of poor education has inhibited the development of entrepreneurial and social skills and of social networks that are important in gaining confidence for entrepreneurship (Nieman, 2006:26).

So, the current situation in Zambia is that most youths prefer working for somebody to taking the risk to start their own business. The history of their societies has nurtured them to see themselves as employees and so they do not recognize their own latent entrepreneurial talent, and are not confident in their ability to start and run a business; nor do they recognize good start-up opportunities (Van der Merwe, 2013). Most businesses, especially those in the informal sector that do not grow, are not entrepreneurial ventures because the latter is characterized by innovation (the pursuit of a better way of doing things, a better product or service, or a better marketing style), a constant quest for growth (in the form of new products, new marketing strategies or even new markets), and by setting strategic objectives (market positioning, market development, market shares and growth targets) (Anyawu, 2012).

6.0 CONCLUSION
The paper has discussed the theory of entrepreneurship, importance of entrepreneurship development in Zambian communities and the impact that it may have on the Local Economic Development of Lusaka Municipality. Therefore, Zambia has a well-established policy and legislative framework that requires that sustainable entrepreneurship development activities and sustainability principles and approach be integrated into planning, development activities and decision-making. Phogole (2014) stated that in Zambia, sustainable development concerns have received significant attention in the new wave of policies and laws promulgated since 1991. The main reason that local communities and most Zambian communities has not developed into a creative economy is because there is no shared vision of how this should be achieved. The government needs to understand the importance of the creative class and implement policies to support its functions, by focusing on institutional arrangements and on people, ideas and technology and not weaken the vital factors (Goede, 2016). Community Leaders can’t make society work better unless if they know, understand how it work, thus in order to know how the society work they need to study themselves as beings, and then look at what needs to be done for the purpose of the betterment of the community. Local economy can be obtained or reached if only the members of the community see the opportunities in the disposal and utilize them, be it your heritage, culture, daily lives. Researcher need communities to become entrepreneurs and sustainable development of their resources should be maintained (Berkes, 2007).
REFERENCES


