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**Article**

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South African Journal of Business Management

**Provided in Cooperation with:**

University of Stellenbosch Business School (USB), Bellville, South Africa

*Suggested Citation:* Human, P. (1984) : Bureaucracy and the need for entrepreneurship in South Africa, South African Journal of Business Management, ISSN 2078-5976, African Online Scientific Information Systems (AOSIS), Cape Town, Vol. 15, Iss. 4, pp. 212-219, <https://doi.org/10.4102/sajbm.v15i4.1130>

This Version is available at:

<https://hdl.handle.net/10419/217875>

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# Bureaucracy and the need for entrepreneurship in South Africa

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The growth of bureaucratic organization is seen as a characteristic inherent in capitalism. The concentration of economic power in South Africa is used as a measure of the extent of bureaucratization in this country. It is argued that this development is increasing and that such a development is structurally determining bureaucratic ways of thinking. Such an ethos is dysfunctional to the vitality of economic development; this problem thus warrants our attention. It is suggested that the entrepreneurial spirit is the prime mover in economic development; this way of thinking is, moreover, described and explained. It is further suggested that this way of thinking could be promoted and certain methods are proposed. It is, however, argued that much of the attention given to the entrepreneur has been misdirected to sectors of the economy which are in fact peripheral to economic development. The development of the small business sector is certainly of some importance; this sector cannot, however, solve our major problem, and that is the lack of real vitality of big business which grows by take-overs and mergers rather than by producing and distributing more wealth. This shortcoming, it is argued, is a function of the reproduction of the bureaucratic way of thinking.

*S. Afr. J. Bus. Mgmt.* 1984, 15: 212-219

Die groei van die burokratiese organisasie word gesien as inherent tot die kapitalisme. Die konsentrasie van ekonomiese mag in Suid-Afrika word as 'n indikator van die mate van burokratisering in hierdie land gebruik. Daar word geargumenteer dat hierdie verskynsel aan die toeneem in Suid-Afrika en dat hierdie verwickeling die burokratiese denkwysse struktureel bepaal. Hierdie denkwysse is disfunksioneel tot ekonomiese groei en hierdie probleem behoort ondersoek te word. Die entrepreneur word gesien as die primêre stimulus tot ekonomiese ontwikkeling en hierdie verskynsel word beskryf en verklaar. Daar word gesuggereer dat die denkwysse van die entrepreneur in die ekonomie bevorder kan word en sekere voorstelle ten opsigte van metodes om dit te doen word voorgestel. Daar word egter ook gestel dat die aandag wat op die entrepreneur gevestig is misplaas is deurdat aandag net geskenk word aan die entrepreneur in sektore van die ekonomie wat periferies is tot die sentrale ekonomie. Die ontwikkeling van die kleinsake-onderneming is sekerlik belangrik maar dit sal nie ons primêre probleem oplos nie; naamlik die onvermoë van die groot besigheidsorganisasie om by te dra tot ekonomiese groei. Dié besigheids groei deur oornames eerder as die skepping en verspreiding van welvaart en dit is 'n funksie van die reproduksie van die burokratiese denkwysse binne ons groot instellings.

*S.Afr. Tydskr. Bedryfsl.* 1984, 15: 212-219

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Accepted June 1984

## Introduction

We sometimes find in the affairs of people that exactly the opposite of what they believe in, happens. This uneasiness between ideas and reality is perhaps most prevalent in the world of business. Take, for example, the stark contrast between the idealism expressed in glossy management magazines and the grey reality of the shopfloor; or the moralistic sentiments expressed by the chairman in his annual report and the number of unfair labour practice cases his company loses in the industrial court; or, for that matter, the warmth of theory simplifying our business world in the books on our library shelves and the confusion which reigns 'back at the ranch'. This gap between ideas and reality is, one must admit, a real problem for most people. We know what is right; what we should do; but, like habitual animals, are compelled in a near-automatic fashion to do the opposite.

One example of such a contradiction is that between 'big is bad' and 'small is beautiful'; we are all to some degree wary of the dangers inherent in the large-scale bureaucracy with its stifling effect on social life and individual freedom. We are at the same time ardent disciples of ideas of human creativity, independence and freedom. It is, however, as we will see later in this article, the bureaucratization of life rather than the retention of individuality which characterizes modern life. I would like to argue that 'big' is not necessarily 'bad' but an inevitable prerequisite for the reproduction of human life, and that it is not so much the idea of bureaucracy but its application which requires revision. 'Small is beautiful', I would also argue, is, if the idea is interpreted wrongly, reactionary. The small production unit, the 'society of shopowners', and the backyard business are history; there is very little sense in trying to reverse history, for the demise of small-scale competitive capitalism happened as a result of specific historical forces. There was thus good reason for its diminishing importance; this phase should be seen as a phase in the development of capitalism rather than as its ideal form. The small business has its place in modern capitalism, but then not in the centre but on the periphery of economic life.

I thus argue that capitalism is rapidly moving into a phase characterized by the development of the large bureaucracy, the concentration of power, the massification of consumerism and production. There are certainly enormous dangers inherent in this form of economic organization, but it would be wrong to assume that this process is reversible. We should, for history gives us no other alternative, except that which verges on the changing of events by catastrophe, accept the

development of bureaucracy as human destiny, and rather ask ourselves: How can we retain some remnants of humanity in the light of our destiny?

The answer to this question, according to this article, lies partly in the phenomenon of the entrepreneurial spirit. It is argued that the entrepreneurial spirit is not necessarily related to the size and form of organizations, and that it is a way of thinking necessary for the vitality of economic organization. This is true in all forms of economic organization today, socialistic or capitalistic. This idea can even be extended to the vitality of labour unions, religious organizations, and all other forms of social organization.

In the first section of this paper, I discuss the nature and development of capitalism and bureaucracy as a form of organization common to capitalistic development. In the second part of the paper I look at the extent of bureaucratization in South Africa. In the last part of the paper I examine the nature of the entrepreneurial spirit.

### **The nature of capitalism and the growth of bureaucracy**

One of the outstanding characteristics of capitalism is that it takes on a great variety of forms in different epochs and situations. This characteristic usually leads to some degree of confusion as to the nature of capitalism and makes the concept of capitalism quite difficult to define. It is for this reason, as well as others, that capitalism is called anything but capitalism. 'The Free-Market System', 'The Private Enterprise System', 'Free Enterprise System', or 'The Market Economy' are popular ways of describing capitalism. Writers thus define a whole system in terms of only one of its characteristics. The reason for this is not always clear but such definition surely impedes our understanding of capitalism.

Capitalism is a form of organization for the provision of needs. This form of organization is in no way a 'natural' one; it is a product of history and history, as we all know, results from people's ideas and actions. Economic organizations are primarily concerned with the transformation of material reality in order to satisfy human needs. There are various types of organizations with which such transformation has been attempted in history; for example, the primitive hunting and later food-gathering groups, the agrarian-subsistence societies, the feudal societies, the city-state trading societies of Antiquity and, today, capitalism and socialism. Modern capitalism is a fairly young form of organization for the provision of needs. Indeed, capitalism only expressed itself as a new form of organization during the middle of the 19th century. The essential features of capitalism (Weber, 1961:208) in an ideal typical sense, can be said to be:

- (i) The private (as opposed to public or collective) ownership of the means of production;
- (ii) a free market, free from irrational or traditional constraints;
- (iii) a rational technology to ensure the most effective production and distribution of goods and services;
- (iv) a calculable law (that is to say a rational and predictable legal system 'above' irrational and traditional sentiments);
- (v) free labour (a class of workers free to sell their labour on the market; that is, freed from all other binding forces such as land and only having their labour to sell).

This form of organization for the provision of human needs by private enterprise implies the exchange of goods and services carried out for profit, rather than forced contribution,

plundering, or traditionally fixed gifts. The profit motive subsequently became an extremely important motive in business and is still, however much some writers try to diminish its importance today, the primary motivating force in capitalism.

But profit-making is a highly risky business and the best way of realizing profit is to have a highly stable and/or predictable environment. The calculability of all productive forces thus became very important in capitalism. The need for a calculable law, a calculable supply of labour, a rational market, rational consumers and rational technology are all essential characteristics of capitalism. Capitalism can therefore be said to be a highly rational form of organization and it is also perhaps for this reason that the productive capacities of capitalism outstrip those of any other known form of need-satisfaction organization. Capitalism is, however, fairly weak in distributive capacities. But leaving these problems aside for the moment, it is clear that the rationalistic ethic became a very important feature of modern society.

The key then to an understanding of capitalism — this world in which we all live and function — is rationality. But what do we mean by rationality?

Superficially, we can say that rational action is action which is *methodical* and *efficient*. This means that a person will apply the most efficient means in his pursuit of a goal. This is the standard explanation for rational action. But we know that the shortest distance between two points is not necessarily the straight line between these two points, and we also know that there are very efficient ways of attaining our goals (such as profit) by methods quite irrational and sometimes apparently inefficient. It is also true that one can pursue a goal in a methodical way whilst being rather irrational at the same time. A case in hand is perhaps the methodical staring into a crystal ball whilst playing the stock market.

*Rationality is rather the degree of control of life by conscious ideas.* This excludes the emotions, the magical, the transcendental, the instinctive; those ideas which one does not fully understand and which one cannot define in clear terms, and those ideas which one is not always completely aware of or conscious of, as ideas giving rise to *rational* action. It is thus the deliberate, defined and conscious ideas that we have, as far as our goals and our means for attaining those goals are concerned, which lead to rational action. Our actions then, in a rational world, are controlled by conscious ideas. Rational action is, as we have seen earlier, of crucial importance for the attainment of profit and thus the maintenance and growth of the business enterprise. This also means the historical evolution of a way of thinking which gives ideas continuity, stability, and autonomy. It is by the process of *rationalization* that our images of the world become rational frameworks of understanding in terms of which we can act in a systematic and predictable way. Ideas, then, achieve some form of autonomy or independence; they become the guiding principles by which we act, and, at the same time receive some degree of credibility (by being autonomous) to ensure continuity and stability in social life.

This way of thinking is historically expressed on a more concrete level, and that level is the level of organization. The bureaucratic form of organization is, as far as we can tell from history, the most rational and efficient form of organization yet, in the sense that it is the most effective way of exercising control over human action. Its capabilities of coordinating the voluntary actions of vast numbers of people towards a goal are immense. Such coordinated mass-action has only been possible in earlier history by force. The

bureaucratic form of organization is a precise, stable, disciplined and reliable form of organization and, as such, well-suited to the capitalist enterprise. It really goes without saying that the production and distribution of goods and services cannot be affected effectively without a sound organizational structure.

The superiority of bureaucratic organization lies, firstly, in the *highly specialized range of technical functions* it can accommodate. Bureaucratic organization can, secondly, execute *huge tasks* by 'breaking the task up' into a great number of very specialized tasks. Following on from this, in the third instance, is the ability of bureaucratic organization to *act much faster and more coherently* than any other form of organization. Its pyramidal structure is conducive to the flow of information, its hierarchy of authority ensures discipline and control, and its size makes it difficult to compete with (Weber, 1978:225).

Clearly the development and growth of capitalism are closely related to bureaucratic organization; they share the same way of thinking, namely, rationalism; this moreover is the fundamental principle underlying both phenomena.

Bureaucratic domination has, in general, a number of consequences for social life:

- (i) The smooth functioning of the bureaucratic organization presupposes a spirit of formalistic impersonality — a spirit '... without hatred or passion, and hence without affection or enthusiasm' (Weber, 1978:225).
- (ii) It creates specialists without a clear conception of the totality of their tasks — or, for that matter, a conception of life as a whole. The individual is drawn into the details of a small, and seemingly, unimportant task. This produces people 'narrow' in their views and sectional in their interests.
- (iii) The greater demand for more specialized technical knowledge produces a class of people in society who we may call 'technocrats'.<sup>1</sup> Their function is only to apply their knowledge, not to question or to think. Our institutions of higher learning have responded to this demand by teaching only techniques, thereby neglecting their most important function and that is teaching people to think, to innovate, and to create.
- (iv) Bureaucratic organizations are, by their very nature, extremely efficient and consequently difficult to compete with. It is for this reason that they tend to grow by a process of eliminating the smaller, less effective organization. The reason for the power of the bureaucratic organization is its continuity and stability. Such organizations acquire a vast amount of special knowledge and facts peculiar to their function and also have the ability to store this information. This information, much of it 'official secrets', not only increases the organization's ability to predict business patterns and 'to know one's business' but also stimulates the continuity of the value system and culture of the organization.
- (v) A last, but not necessarily the least, consequence the bureaucratic organization may have for social life is the security of employment it offers the employee. The large firm is less affected by economic fluctuations and can 'ride out the storms' by the mere fact of the greater resources it controls and can mobilize.

Let us now look at the South African capitalist system in terms of our theoretical discussion. South Africa is basically capitalistic because of the predominance of the essential features of capitalism present in our society. The idea that South

Africa has a 'dual economy' is rapidly losing all validity by virtue of the mass of evidence refuting this view. The majority of the population participate (as workers and consumers) in the central economy. Moreover, the existence of the so-called rural-subsistence economy is questionable in terms of the standard of living in the 'homelands' and the rate of migration to the urban areas.<sup>2</sup> The free-market principle, private ownership, rational technology, a calculable law and free labour are all features firmly entrenched in South African society. South Africa is in no way unique, except if one absolutizes some of its idiosyncratic features at the expense of the whole; economic development thus follows trends similar to those experienced in other more advanced capitalistic countries.

In this section it has been argued that the rationalistic ethos underlying capitalism determines the nature of capitalistic growth. One of the trends in this growth is the growth of large-scale bureaucratic organization. In the next section, this development in South Africa is discussed.

### Bureaucratization in South Africa

There has been a considerable increase in the concentration of business power in South Africa over the last few years. John Scott (1979:16) wrote that 'the major trend in advanced industrial capitalism has been towards the concentration of more and more areas of economic activity in the hands of the largest companies'. This trend has been shown to exist in South Africa by various writers using different indicators of economic concentration. The (Mouton) Commission of Inquiry into the Regulation of Monopolistic Conditions Act of 1955 used the turnover controlled by the largest firms in selected industries as a measure of economic concentration and found, for example, that a mere 10% of all firms in manufacturing control 75,7% of the turnover in this sector (Savage, 1984:3). Lombard (1983:3) has shown that 12 groups of companies (Anglo-American, SANLAM, Barlow Rand, SA Mutual, Volkskas, Barclays, Stannic, Rembrandt, United Building Society, Liberty Life, S.A. Breweries and Anglo-Vaal) control 80% of gross assets of companies listed on the stock exchange in 1982. If one looks at the concentration of employment in manufacturing it would appear that merely 3,54% of manufacturers employ 50,5% of employees (Du Plessis, 1978:14). Du Plessis (1978:14) argues that 'In the light of the size distribution based on (these) three variables, turnover, employment and fixed assets, one must come to the conclusion that the South African manufacturing scene is characterized by an overwhelmingly large proportion of small firms whilst a relatively small number of very large firms dominate the industry as a whole'. These features are also valid for the other sectors of the economy.<sup>3</sup>

If one looks at the distribution of fixed assets in the South African economy we find an interesting pattern which further substantiates our argument (Table 1).

This means, given the highly bureaucratic nature of the public sector and thus the relatively high concentration of power in this sector, that 63,1% of the assets of this country are in the hands of the state and the 12 largest corporations.

It is also argued that the concentration of economic power is increasing over the years. Lombard (1984:4) notes that the gross assets of the five largest companies listed increased from 22% in 1973 to 35% in 1982. This increase has resulted from internal growth as well as from take-overs and mergers. A general trend towards bigger firms and a decrease in the spread of economic power is thus visible in our data.

**Table 1** The distribution of fixed assets in South Africa (1982)<sup>a</sup>

	%	Cumulative %
<b>Public Sector</b>		
Public Sector	31,3	31,3
Public Corporations	15,7	47,0
Big Twelve	16,1	63,1
<b>Private Sector</b>		
Listed		
Other listed	4,4	67,5
Not listed	32,5	100,0

<sup>a</sup>Source: Adapted from Lombard (1984).

The percentage change in the major occupational categories in South Africa is shown in Table 2.

The greatest increases have occurred in those categories which can be said to be related to intellectual or mental energy (specialized knowledge) rather than physical labour. The relatively lower increases in the lesser skilled job categories mean that the economy is, in the first instance, becoming increasingly capital intensive,<sup>5</sup> and, in the second instance, that organizations in industry are demanding a greater number of specialized skills. The structural changes in employment indicate the relative concentration of economic activity in large organizations and thus the greater bureaucratization of economic activity in South Africa.

From these data, we can deduce that the South African economy is rapidly moving from small scale competitive capitalism to monopoly capitalism. The concentration of economic power, the increasing bureaucratization of organizations and the concomitant demand for specialized knowledge, the evolution of a bias towards capital intensity as well as the increasing effectiveness in control and standardization of action are all implied by our empirical information. This state of affairs substantiates our theoretical discussion of the nature and growth of capitalism.

There is, however, one particular issue arising from this state of affairs which warrants some discussion; this issue revolves around whether the increase in the concentration of economic activity does in fact imply the bureaucratization of economic life as well as the concentration of economic power in fewer hands. The growth of bureaucratization is obviously easier to determine empirically than the concentration of power. But then again one can argue that power can best be defined by its means and that the bureaucracy is the means

of power. It is thus assumed that the amount of power is a direct function of the size of the means of power (the bureaucratic organization). This type of power<sup>6</sup> is exercised legitimately by virtue of holding an 'office'. The source of legitimacy does not lie with the person himself but in the legality of the system of rules which defines his 'office'. This system of rules is a result of the rationalization of actions in an organization and receives legality by its own constitution which is sanctioned, in our case, by Company Law. Power, that is the ability 'to get things done' in the bureaucratic organization, is hierarchically arranged so that we can say that the person on the top of the organization has power 'over' those below him. In this sense, the large organization constitutes both the basis of power and the means of executing that power.

It is on this basis that we can argue that the concentration of economic activity also implies an increase in the size of the organization and thus the concentration of power in fewer hands. The structure of business power in South Africa is becoming more complex (as a result of mergers and take-overs) but such increasing complexity surely does not detract from the fact that '... never before has the limits (of power) been so broad, for never before have the means of power been so enormous' (Mills, 1956:25).

Let us look at some of the advantages and disadvantages of the growth of the large-scale bureaucracy in South Africa. This exercise is important in view of the fact that I do not want to take a stance on either the 'big is bad' or the 'small is beautiful' side but rather accept the growth of the large organization as an inevitability and try to show how we can 'live with it'.

### Advantages

- (i) The economies of scale are, in one sense, relevant in that this kind of system can, theoretically, produce more at a cheaper rate.
- (ii) Improved capability for international competition.
- (iii) Increased ability to stimulate and maintain research and development functions.
- (iv) Ability to secure investment capital and foreign loans.
- (v) Greater power to influence the socio-political and economic environments. (Social Responsibility of Business.)
- (vi) Greater ability of the business sector to act coherently as a unit in its dealings with labour and the state. McGregor<sup>7</sup> stated last year that: 'The Prime Minister had to hire the Carlton Centre in 1979 for his conference with our leaders of industry. Three months ago he could have conducted it around his dining room

**Table 2** Changes in the occupational structure of the South African economy (1960–1980)<sup>4</sup>

Occupational category	1960		1970		1980		% Change in total occupational structure 1960–1980
	(000)	%	(000)	%	(000)	%	
Professional and technical workers	205	(3,6)	360	(4,4)	622	(7,2)	+ 3,6
Administrative and managerial workers	68	(1,1)	86	(1,1)	137	(1,6)	+ 0,5
Clerical workers	312	(5,4)	559	(6,9)	828	(9,5)	+ 4,1
Sales workers	159	(2,8)	268	(3,3)	437	(5,0)	+ 2,2
Service workers	902	(15,8)	1261	(15,5)	1428	(16,4)	+ 0,6
Farming, forestry and fisheries workers	1731	(30,3)	2525	(31,1)	1363	(15,8)	- 14,5
Mining, production and transport workers	1948	(34,2)	2535	(31,3)	3068	(35,4)	+ 1,2
Non-classifiable	390	(6,8)	491	(6,0)	779	(9,0)	
Economically active population	5719	(100,0)	8109	(100,0)	8665	(100,0)	

table. He could now do it round a card table. And if the take-overs continue at their present rate he will soon be able to do it in a love-seat'.

- (vii) The greater concentration of workers on the shopfloor creates a basis for the unity and organization of the workers on a large scale (Innes, 1983:181). This would obviously strengthen the position of workers in industry. The number of registered trade unions in South Africa has remained fairly constant over the last 10 years but the average membership increased from 3 581 in 1972 to 6 163 in 1982 (Lombard, 1984:5). It is a general social law that the structure of labour organizations will to a large extent follow the contours of the structure of capitalism. From this it follows that labour organizations in small-scale competitive capitalism will be highly fragmented and disorganized.
- (viii) A second advantage for labour is the increase in semi-skilled and skilled job categories under monopoly capitalism. This means that labour is becoming increasingly expensive (in terms of investments in training and wages) and this would consequently strengthen the bargaining position of labour. Innes (1983:182) argues that 'This transition in turn opens up the need for a massive layer of semi-skilled workers (machinists, assembly line workers, etc.) who intervene between the skilled and the unskilled and who develop into the largest group within the labour process'.

### Disadvantages

- (i) The concentration of power would imply greater inequality in the distribution of power in society. This is dysfunctional, as we all know, for stability in society and creates conditions conducive to uprising and revolt. Collective bargaining, for example, can only be successful if some degree of equity of power exists between the two negotiating parties. This is obviously a serious problem endemic to capitalism.
- (ii) The possession of undue power could lend itself to abuse. The most dangerous type of abuse is when power becomes an end in itself. This happens when the organization, as the basis of power, is growing, not to produce more goods at cheaper costs, or to satisfy the primary needs of society more effectively, but only to maintain itself for its own sake. Such an organization would then be detrimental to the rest of society and such power would be abusive by nature.
- (iii) The rise in unemployment as a result of the movement towards capital intensity<sup>8</sup> and increases in the demand for more highly skilled workers are, as we have seen above, consequences of monopoly capitalism. Charles Simkins (1982) states that the unemployment figure for Africans rose from 11,8% in 1970 to 21,1% in 1981. The rise in unemployment has been unaffected by the 1978–1981 upswing in the economy (Keenan, 1983:189) which means that the unemployment rate in South Africa is not so much related to general movements in the economy as to changes in the structure of the economy. It has also been said that almost a third of the African population is engaged in the so-called informal economic sector and that this may increase to 55% by the year 2000. This trend is a response of the African population to their economic and social plight. The consequence of such a development is the shrinking of the supply of labour on the labour market and thus

the greater independence of the African population from the formal sector.

- (iv) There is some evidence in the literature (Keenan, 1983:188) that the greater concentration of economic power may contribute to a higher inflation rate. This happens in two ways, namely, the importation of machines to increase productivity and the phenomenon of price-fixing agreements among the larger companies.
- (v) Monopoly capitalism may also create barriers to new entrants to the economy (Du Plessis, 1978:13).
- (vi) Lastly, the most important consequence for us in this article, is the suppression of entrepreneurial ways of thinking by the huge demand for and, consequently, increase in technocratic ways of thinking.

The rationalistic ethos produces a way of thinking which is closed, fragmented and unable to transcend phenomenal forms. We have argued earlier that rationality is action-controlled and shaped by conscious ideas. This ethos has been accepted as the only valid way of thinking, probably both because 'it works' and because it has assumed some degree of autonomy in its development. This ethos, and the knowledge created by it, became the dominant paradigm in modern capitalistic society. This paradigm has worked well and is, for this reason, as well as its autonomy or 'objective' existence, defended ardently by its supporters. Any non-rational ideas were ejected from science and thought; this resulted, in turn, in the closedness of this way of thinking. New ideas could not be developed because new ideas would constitute non-rational ideas. The little development that did take place in the history of ideas in the last few decades was always against the onslaught of the defenders of the 'old' system. Consequently, many so-called 'new' ideas are mere refinements of old ideas.

This way of thinking is fragmented because of the demand for specialized knowledge. This constitutes a structural prerequisite of bureaucratic organization and leads to a framework devoid of a clear conception of reality as a whole. This fragmentation of reality is enhanced by the accentuation of phenomenal forms (empirical reality) as the only valid source of knowledge. This is, in turn, a product of the dominance of the market place in capitalism because life is reduced to marketable 'things' at the market place. It is the value in Rands of things, human and material, which is of importance in commercial life and not the things themselves. Our consciousness in capitalism is largely shaped by this absolutism of phenomenal forms rather than the forces and dynamics underlying these phenomena.

Such a way of thinking, which is structurally determined, turns people into the servants rather than the masters of structures. It is therefore argued that the greatest problem facing capitalism is how to become master of the world again. It is our inability to control our world; the dominance of structures (which have become ends in themselves) over people which constitutes our greatest problem. Our inability to create a world according to our beliefs (as stated in our introduction) and the unintended consequences of our ideas need a central place in our agenda for societal reform.

### The entrepreneur in capitalism

We have argued thus far that rationality is the underlying determinant of capitalism and that the principle of rationality expresses itself on both the structural level in the form of bureaucratic organization and on the ideas level in the form of technocratic ways of thinking. I have also illustrated that

the increasing concentration of economic power and the implied development of large corporate economic institutions as well as the increase in the bureaucratization of life (on both the structural and 'ideas' levels) may have dire consequences for the future of this country. The crux of the argument is that capitalism in its development creates the conditions for its own destruction. This prediction has been made frequently in the history of capitalism by some very reputable people. Capitalism has, however, survived all of the storms it has faced throughout its history and has shown an amazing capacity to adapt, and even flourish, in all sorts of theoretically hostile conditions. I do not want to deride the intellectual abilities of those predicting the collapse of capitalism, because such authors have contributed enormously to our understanding of capitalism. The really important question to ask, if we want to understand capitalism, is not why it will collapse or when it will collapse but why does it survive?

There are many answers to this question. This article concentrates on one, that is the role of the entrepreneur in capitalism. The entrepreneurial phenomenon has received considerable attention in the literature by many of our most important commentators on the development and nature of capitalism. Schumpeter and McClelland are perhaps the two 20th century writers who spring immediately to mind. I do not want to discuss the works of these writers in detail, but would rather discuss some general features of the entrepreneurial phenomenon in capitalist society.

One way of defining an entrepreneur would be to say that he is the converse of our implied definition of the bureaucrat. Bureaucratic organization, and the way of thinking peculiar to it, is rational, methodical, formalistic, technocratic, routinized, and systematic; it is circular<sup>9</sup> and caught in its own 'iron cage'.<sup>10</sup> Man becomes subjected to the irresistible forces of rationalization and the bureaucratic organization becomes an end in itself; whereas the organization once served man, man is now the servant of the bureaucracy. The entrepreneurial spirit can best be described by concepts such as innovation, individualism, independence, creativity, non-traditionalism, risk-taking and development. Entrepreneurs have been described as villains, heroes, men with vision, adventurers, hedonists, egotists, men of action, outsiders and so forth.

Although the entrepreneurial spirit is so vastly different from, and in a sense directly opposed to the bureaucratic spirit, it is the entrepreneurial spirit which reforms and revolutionizes capitalism, thus creating the conditions for its survival. The entrepreneur revolutionizes from within; from the level of ideas and human action; and from the individual, whereas the bureaucracy can only change by adapting structural arrangements slowly and sluggishly. The bureaucratic organization would, by its very nature, suppress and resist the entrepreneurial spirit; it would, as we well know, mould its servants in its own image. The reason for this is that the bureaucratic organization is good at maintaining itself; it is a master of the art of doing what it set out to do and it creates people who must conform to its own logic. It will thus, like an organism, reject any 'foreign matter', not because it does not want to adapt in times of environmental change, but purely because that matter is 'foreign'; it is not part of the logic of bureaucratic organization.

History has shown, as Schumpeter illustrates, that these 'foreign' ideas are the 'prime movers of progress' in capitalist societies. The vitality of a business enterprise and the economy is not related to the careful application of management

systems (they are important for maintenance, not vitality) but rather to the presence of the entrepreneurial spirit. Livesay (1977:420) reports from his research in the United States that a company's life cycle is more a function of the human life cycle than external economic or social conditions.

The entrepreneur and the bureaucratic organization are, to say the least, an odd couple, but they are destined to cohabitation for as long as they want to survive. They are each others' worst enemy; living in completely different and incompatible worlds.

To define the entrepreneurial spirit is a difficult task. It does make general sense to see the entrepreneurial spirit as the converse of the bureaucratic spirit, but there are some important problems with such a definition. Firstly, a definition of this type ignores the individualistic and unique nature of the entrepreneurial phenomenon. Bureaucracies are collective and relatively stable objective phenomena and thus fairly easy to define in contrast to the uniquely individualistic nature of the entrepreneur. Another problem is that all people have entrepreneurial tendencies; we all take risks, innovate, are adventurers, etc.; only some of us do it more often than others! It would therefore appear that entrepreneurship is partly a matter of degree; the problem is then where to draw the line; when does one become an entrepreneur?

It is, however, necessary to have some working definition of an entrepreneur so that we can proceed with our argument. The generally accepted definition of an entrepreneur is that *he is a person who initiates some new venture or who develops an existing one so that his personality is clearly expressed in that venture and he is at some personal risk in doing so*. This definition is a working definition if one only wants to identify entrepreneurs; it tells us very little, however, about the reasons why a person is or becomes an entrepreneur. The answer to this question lies in an analysis of the way of thinking of an entrepreneur or, in other words, an analysis of the entrepreneurial spirit.

### The entrepreneurial spirit

Keith Wickenden (1980:70), a British entrepreneur, said that to be an entrepreneur, '... one needs to be slightly *nutty*, because you have to look at things from a rather different angle from most people ... and not only do you need a great deal of luck, you need the type of *mentality that turns bad luck into success*'. Another British entrepreneur, Nigel Vinson (1980:63), sees the entrepreneur as someone who wants to *be free of other people's power*, has a lot of *self confidence* and a gift of *self-criticism*; 'to learn from your mistakes, to kick your own backside, because nobody else will'. Livesay (1977:442) concludes his study of Carnegie, Ford and Stoddard, three great American entrepreneurs, by saying that 'All of them *saw a market opportunity and moved to exploit it*. All of them retained a *controlling ownership* ... Each of them exercised a centralized direction of his firm's policies (and) *generated new ideas*'.

It would appear that the entrepreneurial spirit basically combines two very simple character traits; the first is creative thinking; the ability or intelligence to understand business well; in fact, so well that one is able to see any available opportunities, gaps, or challenges. It is at this point that the entrepreneur leaves his bureaucratic colleagues behind. They, the bureaucrats, spend their lives struggling to understand their own jobs and are continuously reminded not to even try to understand business as a whole. One only becomes the master of something once one understands it. Entrepre-

neurs are the masters of their world. It is for this reason that they can be creative; that they can 'bring into existence for the first time'. Creativity, I would argue, is seldom a magical gift from the gods; it is mostly a function of the individual's mastery over the tools of his trade and his understanding of his job in a holistic sense. The second important element in the entrepreneurial spirit is the propensity to act swiftly and with self-confidence as an individual. There are many creative people, many swift actors, but few entrepreneurs.

### Explaining the entrepreneurial spirit

Most writers on the entrepreneur are trained psychologists. The reason for this affinity between entrepreneur and psychology is the uniqueness and individualistic nature of the entrepreneur. I would, however, like to argue that a lot of the confusion reigning in the literature on entrepreneurs is due to this psychological bias in the literature.

To illustrate this point, let us turn to McClelland's Need Achievement explanation for the entrepreneur. This theory has been distorted beyond recognition by many psychologists. The problem in their approach is their fixation on the individual personality; they are proficient in their descriptions of the personality of the entrepreneur (mainly as scoring high on the *n Ach* test) but unable to explain why these personality traits exist in some social groups more than in others. They are thus weak on the relationship between social structure and personality. To tell us that persons with a high *n Ach* are likely candidates for entrepreneurship leads us nowhere. They thus cannot really explain the causes and consequences of entrepreneurship; that, moreover, is what really needs to be explained. If we can establish some links between social structure and entrepreneurship, then we can also do something about generating entrepreneurial talent. I know of no entrepreneur being created on the psychologist's couch; I do, however, know of many created by social conditions.

I will now, briefly, relate some socio-structural elements which explain the entrepreneurial spirit. This exposition involves the identification of certain social groups as producing more entrepreneurs than other groups and identifying certain social conditions in history as exceptionally conducive to the growth of an entrepreneurial spirit.

### Social groups

Certain minority groups in society tend to be marginal or to 'lack relative centrality' (Young and Kilby, 1971:142) with respect to the dominant societal structure. This marginality is usually a result of a negative attitude on the part of the dominant group towards the minority groups' culture, race or religion. Some of these groups tend to develop strong feelings of solidarity toward their own group and thus 'react' to their exclusion from the dominant society. This process of finding a new group identity implies the rejection of traditional or societally dominant ways of thinking and thus the development of 'new ways of thinking and looking at the world'. The exclusion of these groups from the central core of society may also inhibit their participation in the economic structures of society. They will therefore develop methods of overcoming these barriers and will become masters in playing the system; identifying loopholes and exploiting opportunities. This is, obviously, a fertile breeding ground for entrepreneurs.

The migration of groups of people to new environments is conducive to the development of entrepreneurs in two ways: The first is the possibility of the new groups being minority

groups and thus developing new ways of thinking. A second, and more important factor, is that the immigrant is faced with a new and foreign world. He will thus look at his new environment in a different way from the person who has grown up in that environment. He will also have the advantage of a broader experience; of his place of origin as well as his new habitat, and will thus attempt to synthesize his own views of reality with the foreign views. Such practice involves thinking and creativity — qualities usually absent in those 'narrowed' in their views by existing social arrangements.

### Societal conditions

There are certain times in history when society experiences moments of change and rearrangement. One of the results of change is the questioning of traditional values and the relative 'normlessness' of society. This 'diffused restlessness' in society creates the conditions for creative thinking and entrepreneurial activity. The opposite — a fixed and stable society — would obviously suppress this kind of activity. An important lesson we can learn from history is that our societal structures as well as our ways of thinking should always be 'open' and 'flexible' to stimulate entrepreneurial ways of thinking.

### Conclusion

From the argument presented above, it can be deduced that the entrepreneurial spirit is of critical importance to the development of our society. The development of the entrepreneurial spirit can only be achieved, however, through the softening of the dominant paradigms characterizing our society. The dominant paradigm is, by its very nature, suppressing possible answers to problems of its own making. In addressing this problem, I would like to suggest that we need to look at two areas in which this paradigm is perpetuated. These areas consist of our institutions of higher learning and in our style of management.

Our institutions of higher learning are reasonably sensitive to the demands of business and the state (for it is by their grace that these institutions can survive financially) and have thus become mere producers of the knowledge demanded by business and the state. We know that the demands for knowledge from these bureaucratic institutions would be technocratic by nature. The bureaucratic ethos is thus developed and reproduced, to a great extent, by our institutions of higher learning. It is therefore small wonder that academic institutions are in practice poor reflections of the ideal academic institution; that is, an autonomous collectivity of creative and free-thinking persons. One can understand such dependence but cannot accept overt collaboration. The method of creativity is critique; it is only by applying the critical method that one can arrive at 'new' knowledge; the acceptance of everything can lead to nowhere. It is, however, basically the critical faculty which is suppressed in our academic institutions. It is thus argued that our academic institutions should promote a certain degree of 'diffuse restlessness' and view themselves as lacking in centrality *vis-à-vis* the dominant value system (or paradigm) of society. The direct consequences of this kind of action may be negative in the short run but society will, when it matures, recognize the value inherent in the critical method.

The style of management dominating South African business can be reduced to business administration; that is, maintaining the bureaucracy through the implementation of tech-



niques. This is a necessary function which should be executed by a large proportion of management. However, as we have argued above, the vitality of capitalism is primarily a function of the entrepreneurial spirit. It, therefore, follows that a certain proportion of managers should be entrepreneurial in their style of management. Peters and Waterman (1982:134) suggest that 'Attitudes, climate, and culture must treat *ad hoc* behavior as more normal than bureaucratic behavior' and elsewhere that 'chaotic action is preferable to orderly inaction'. Such a style of management can be said to be 'organic'; that is, flexible, open and *ad hoc*, sensitive to both the cultural and structural aspects of the organization and its environment. It is only in such an organization that potential entrepreneurial spirit will manifest itself.

Thus, a need exists for a certain degree of 'open-mindedness' and 'flexibility' in the way we think as well as in the structures we created. This is not promoting anarchy; the importance of sound performance is certainly acknowledged with respect to the fundamentals of the rational-bureaucratic management style. This model should however not be seen as a blueprint for the totality of life; it is not a final answer.

In conclusion, I wish to return to the point at which I commenced. The concept 'entrepreneur' is mostly employed in conjunction with the concept of small business. This is an unhappy conjunction inasmuch as we thereby exclude the most important sector of our economy, that is, big business from the entrepreneurial phenomenon. This results from blaming the victim. The small man suffers the most during times of economic recession when he is told to be entrepreneurial; the problem is then placed firmly in his lap. If we assume the validity of our analysis of the concentration of economic power in South Africa, then it would be true to say that the problem in fact lies 'within' big business.

If we look at manufacturing, for example, we find that the largest 5,3% of all companies employed 54,4% of the labour force and contributed 60,2% of the gross output in this sector in 1979, whereas the smallest 82,9% of all companies employed only 22,6% of the labour force and contributed 18,0% of the gross output in the same year (Central Statistical Services, 1982). The output per worker in the larger companies is thus much higher than in the small companies and the overall contribution of larger companies to the total economy is also much higher.

It would thus be a mistake to spend a disproportionate amount of energy and money on a sector of our economy which can only be said to be peripheral. Our real attention should be directed to the problem of bureaucracy, this is where the vitality is really needed.

### Notes

1. A technocrat is defined as a person managing or controlling his environment by only applying techniques rather than participating in the process of technique formulation. This then suggests a strong distinction between conceptualizer and applier. This distinction is expressed in the structure of tertiary educational institutions with the distinction between universities (places where people conceptualize and theorize) and technikons (where people apply these conceptualizations and theories).
2. If one is to speak of a dual economy in South Africa then it would be with reference to the formal-informal dichotomy rather than the modern-subsistence economy dichotomy. The informal sector is, however, firmly capitalistic in its orientation. It is claimed that almost 30% of the African population is involved in this sector.
3. For example:

**Table 3** Distribution of turnover in four major divisions in the South African economy, 1972

% of Firms	Manufacturing	Wholesale & retail	Construction	Transport
	Turnover %	Turnover %	Turnover %	Turnover %
5	63,1	68,5	63,2	72,6
10	75,7	77,0	74,6	81,5
15	82,7	81,8	80,8	85,9
20	87,1	85,2	84,9	88,9
25	90,3	87,8	87,9	91,0

Source: Savage (1984:3).

4. Adapted from Bulletin for Statistics (1982).
5. Lombard (1984) found a strong inverse correlation between labour intensity and the concentration of economic power. He reports that whilst 20% of firms in the manufacturing sector contributed 92% of the gross product in this sector in 1979, they only employed 81% of the employees in this sector.
6. Max Weber (1978) called this type of power 'Rational-legal Authority'.
7. Robin McGregor quoted in The Star, 10 August 1983.
8. The Manpower Survey (1982) reported that the capital: labour ratio in the non-agricultural sectors rose from a base of 100 in 1970 to 143,1 in 1980. See also Jeremy Keenan (1983:189).
9. J.A. Schumpeter (1950) contrasted the 'circular-flow' economic system with the 'developing system'. This contrast relates directly to the bureaucratic-entrepreneurial dichotomy.
10. Weber (1978) uses the term 'iron cage' with reference to a way of thinking resulting from the radical rationalization of life.

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