

Article

The Role of Entrepreneurial Strategies and Innovation in the Sustainable Growth and Success of a South African Construction Company

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Abstract: The study examines how the South African construction industry can nurture an entrepreneur and a large successful entrepreneurial construction company, even though the founder had no formal education and the company was founded during the Apartheid era. The question of whether entrepreneurs are born or are made is based on the age-old question of nurture and nature. The paper presents the narratives of a successful entrepreneur Mr. Sam Lubbe. The narratives presented are collected through a case study research approach. The data collected suggests that although Sam does not have any formal education, he succeeded based on nurturing given to him when he had the opportunity to work for a large South African construction company, his innate characteristics of self-confidence, task-result orientation, originality, future direction, and a unique business model which also helped him access international construction work opportunities.

Keywords: entrepreneurship; innovation; management; performance; sustainability

1. Introduction

This paper examines how the South African construction environment can nurture an entrepreneur and a large entrepreneurial construction company, even though the founder had no formal education. The construction industry plays a major role in the economy of any nation. The Industry is very vital because of its characteristics. Firstly, its size, secondly because it provides investment goods predominantly, and thirdly, that government is the major client. Also, the construction industry provides one of the three basic needs of humanity (Maslow's Needs Theory) i.e. shelter. In the construction industry, it is evident from the number of small contractors operating in the industry, that there is a belief that there is more return to be made from being an entrepreneur/ "tenderpreneur" [1].

The term entrepreneur emerges from the French vocabulary meaning to take or go between. Over the years, the word has evolved to mean landowners who exploited the resources on the lands to inventors, creators and businesspeople or undertakers usually associated with large government contractors. In all the preceding, the words Undertaker, Projector and Entrepreneur were used to describe individuals who risked their wealth in establishing a business concern. The question of whether entrepreneurs are born or made is based on the age old question of nature versus nurture. According to Seelig [2], knowledge is the toolbox for imagination. Imagination transforms knowledge into fresh ideas. This process is deeply influenced by resources, habitat and culture. While attitude, which is shaped by an individual's beliefs and factual knowledge, is the spark that sets the entire innovation engine into action (see Figure 1).

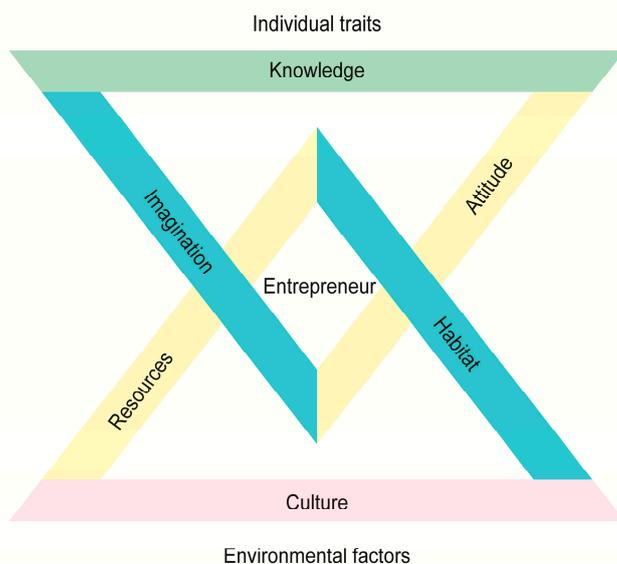


Figure 1. The internal traits and environmental factors that shape the entrepreneur
After Seelig [2]

The history of South Africa was one of segregation between the races and discrimination under Apartheid regime. As a result of this, individuals like Mr. Sam Lubbe who founded the construction company that was examined in this study were not able to access formal education and this coupled with poverty, meant that they had to start work at a young age. Even though Sam had no formal education and during the Apartheid regime of the time in South Africa, he has been able to do the impossible, by founding and developing a largely successful international construction company. The study reported therefore examines whether Sam acquired informal knowledge and used this knowledge in recognizing business opportunities and in nurturing a largely successful international construction company. It also seeks to understand the characteristics and traits of this successful entrepreneur.

2. Overview of the Characteristics and Traits of Entrepreneurs

This section reviews the features and traits that shape an entrepreneur in the following subsections.

2.1. Entrepreneurs: Born or Made?

The model shown in Figure 1 will be used in understanding the concept of innovation and entrepreneurship because an entrepreneur is also an innovator. Seelig [2] posits that there are two parts to the innovation engine – the environment and the individual traits. According to Seelig [2], knowledge is the toolbox for imagination. Imagination transforms this knowledge into fresh ideas, and this process is deeply influenced by resources, habitat and culture. While attitude, which is shaped by an individual's beliefs and factual knowledge, is the spark that sets the entire innovation engine into action.

It can be surmised from the presentation made by Seelig [2] that education is not enough to provide a person with the knowledge base required to recognize innovation and potential business opportunity. While solid education can help an individual in their ability to recognize a business opportunity, the educational system is linear and one-dimensional and is not flexible enough to encourage an entrepreneurial spirit to be realized. Knowledge is intangible, boundary less and dynamic and it is of two types – explicit and tacit [3]. The tacit knowledge that an entrepreneur has been instilled into his/her mental (with) from a young age and it is deep rooted in solid education, upbringing, life experiences and exposure (resources, habitat and culture). This knowledge helps an individual in their ability to recognize business opportunities. However, the individual must also

be able to turn that opportunity into reality, and this is where his attitude to and passion for the particular endeavor comes into play. An education/knowledge acquired helps a person foster these characteristics, but it is ultimately the person who must pursue their development or simply recognize their existence. This study will seek to find out what tacit knowledge was acquired by the founder of Lubbe and Company that enabled him to see business opportunities and develop a large construction company.

While Zawdie [4] mentions that innovation occurs through organizational learning, knowledge accumulation and knowledge sharing, Egmond [5] states that knowledge accumulation and learning is a driver for innovation. Therefore, the occurrence of innovation would be expected to be highly likely where there is “cultural readiness” arising from exposure to new ideas and practices.

2.2. Characteristics and Traits of Entrepreneurs

Entrepreneurs are people who have developed the ability to see and evaluate business opportunities; to gather the necessary resources; to take advantage of the resources gathered, and to initiate an appropriate action plan to ensure success. Entrepreneurial process is faced with a diversity of approaches, which makes it difficult to appraise the concept and to identify who the entrepreneur is. Entrepreneur can be defined as a person who sets up a business or businesses, taking on financial risk in the hope of profit; an individual who undertakes an enterprise or an employer of workmen; and an organizer of an economic venture, especially one who organizes, owns, manages and assumes the risk of a business [6].

From the above definitions, it is evident that entrepreneurs are action – oriented, highly motivated individuals who take on risks to achieve the goals of the business. According to Fini and Grimaldi [7], the entrepreneurial intention is a cognitive representation of the actions to be implemented by individuals to either establish new independent firms, and the creation of new value in existing ones. The following list of characteristics and traits presented in Table 1 provide a working profile of entrepreneurs.

Table 1. Characteristics and Traits of Entrepreneurs.

| Characteristics | Traits |
|------------------------|---|
| Self confidence | Confidence, individuality, optimism |
| Task – result oriented | Need for achievement, profit-oriented, persistence, perseverance, determination, hard work, drive, energy, initiative |
| Risk – Taker | Risk-taking ability, likes challenges |
| Leadership | Leadership behavior, gets along with others, responsive to suggestions and criticisms |
| Originality | Innovative, creative, flexible (openness of mind), resourceful, versatile, knowledgeable |
| Future – Oriented | Oversight, perceptive |

Table 1 lists traits possessed by individuals or which individuals have potential to develop. Individuals may not have all these traits; but the more they have, the greater the chances of becoming an entrepreneur. It should be mentioned that many of these traits are highly inter-related i.e. people who are self-confident will probably accept responsibility for their own decisions, be willing to take on risks, and become leaders. These traits are enhanced and developed over a period leading to a mindset change/turn around.

Not all entrepreneurs are alike, either in these 25 traits listed or in their qualities. Often, entrepreneurs differ distinctly from each other; some are aloof and arrogant; some are warm and friendly; some are withdrawn and shy. However, when measured on various personality traits and skills, it is clear that as a group, entrepreneurs differ substantially from non-entrepreneurs. The second objective of the study is to establish the characteristics and traits of Mr. Sam Lubbe and whether these can be aligned to those of entrepreneurs.

While some scholars have voiced scepticism concerning whether or not leaders can make a difference in organizational performance [8-10], others have found that leadership is critical to the survival of any organization [11-14]. Leadership is significant, especially regarding its effect on organizational performance. Leadership means success, efficiency, effectiveness, and improved performance, all of which result in higher profitability. Success is dependent on the ingenuity of the Chief Executive Officer.

Human behaviour and attitude is a combination of hereditary (inherited or inborn factors such as genetic characteristic) and environmental factors (those things we learn from other people and places in the form of the manner of speaking, walking, work ethics, and so forth). These factors can affect behaviour. Well-mannered behaviour in a leader, such as trust, contentment, commitment, determination, dedication, discipline, savvy, integrity, hard work, fairness, honesty, empathy and sharing the attitude, can lead to positive organizational growth. However, misplaced behaviour such as acquisition syndrome, greed, envy, jealousy, selfishness, apathy, unnecessary competition, arrogance and dishonesty, can lead to negative growth.

3. Research Methods

The study employed a case study approach in eliciting research information from the founder of Lubbe Construction (Pty) Ltd, a large construction company listed in Grade 9 General Building and Civil Engineering (Potentially Emerging) on the Construction Industry Development Board (cidb) Register of Contractors in South Africa. Personal interviews were conducted with Mr. Sam Lubbe, the Chief Executive Officer of the company, using an interview protocol. The purpose of the interview was to document and develop an understanding of how the company was started, the type of knowledge acquired by Sam and personal traits, characteristics and ingenuity that enabled the establishment and development of a widely successful international construction company during Apartheid South Africa. The personal interview was the main instrument used in the investigation. The interview was administered by visiting the respondent in his place of work. The type of information required was sent to the respondent in advance with the request for an interview invite. The steps followed in the data collection were as follows: Historical case material was gathered and a 'story' covering technological progress, business and construction processes was obtained from the company; Basic information on the business's history, number of employees, turnover, product markets, technologies, leadership type and resources required was also checked and updated during the interview; data collected was also supplemented (in advance of the interview) by secondary sources (mainly the company annual reports), web searches of business news and stock market analysts' assessments, and so forth.

In particular, answers were sought to the following questions: -

1. What is the experience and knowledge of the founder before setting up the company?
2. What is the mission of the founder in establishing the company?
3. What were the strengths/capabilities of the founder at inception?
4. What factors aided the growth and success of the construction company– characteristics and traits of the founder?

Sample and Result Limitations: It should be noted that the ability to generalize the findings of this study to the population of successful cidb-registered contractors or population of contractors is limited. However, the results of the case study are probably indicative of what would be found in the larger population.

4. Case Study Results and Discussion

This section is divided into the following subheadings.

4.1. Company Profile

Lubbe Building and Electrical Contractors South Africa was founded in 1981 when Sam Lubbe started out as a one-man operation, installing electricity in homes when the greatest part of Soweto

Johannesburg South Africa, was as yet un-electrified. Sam used his R1500 severance pay and his R2000 savings to purchase materials for his electrical installation contracts in 1981. According to Sam, "at that time, Soweto was in the process of being electrified, and I was able to grow the business by installing electrical outlets in households". By 1985, his capital had grown to R43000, which served as the initial funding for his first two outbuildings in Soweto. The company has expanded its horizons internationally, and has set up businesses and offices in Botswana, Mozambique, Sudan and England and has shown exceptional growth and leadership not only in its home country of South Africa but internationally. The company's gross turnover was more than 200 million Rand for the year ended February 2016. Lubbe Construction is active in the provision of housing, building and civil engineering infrastructure. Bonded properties form a large part of its housing portfolio. In recognition of the company's efforts it has been awarded the South African National Award of Best Emerging Builder and for Outstanding Performance and Service in the Provision of Housing; and the Southern African Entrepreneurial Development Award of 1999.

4.2. Experience and Knowledge of the Founder before setting up Lubbe Construction Company

Mr. Sam Lubbe entered the building industry at the age of 12 after failing Standard One and worked first as a tea-boy, then on site as a labourer. According to Sam, he speaks *Kitchen English*. He also learnt the skills of bricklaying and plastering. Assisting the foreman as a toolbox boy, and Electricians on-the-job, he was able to read plans and electrical drawings. According to Sam, "I was a toolbox boy carrying the tools, I used to assist the foreman in doing the measurement for buildings, using the plan, tape-measure and started getting experience. He (the foreman) was also doing electrical, and so, I know how to do the electrical installation and how to build".

Sam gained rapid promotion in the company such that by the time he was 19, his boss gave him a company car for transporting his team. He was responsible for quality control. Sam mentions that he was in charge of checking the quality of the work and preparing the snag list. He goes through the building and records his observations in a tape recorder in the local Zulu language. The tape is transcribed and translated into English at the office and used in preparing the snag list. His boss had so much confidence in his report that he became the last line of quality control. He opined that "now if I say the job is okay, my boss can book for handover, because if I say it is good, everybody if they come there, they will agree that it is good".

Within the space of four years, Sam was able to read house plans and electrical drawings and do quality control. When he was retrenched for being highly paid in 1981 (his salary was R25 per week), he had worked for the company for 12 years, and given a severance pay of R1500. The only weakness acknowledged by Sam at the inception of Lubbe Construction is the fact that he was uneducated. Incidentally, the company that was instrumental in nurturing Sam closed shop according to him a long time ago. The company failed where his – Lubbe Construction Company is now succeeding. Sam's boss was instrumental in the establishment of his business. Upon his advice to open a construction company, Sam asked his boss how he expects him to open a company with no money, the boss told him "you are very clever and can do something".

The interview conducted with Sam suggests that he acquired tacit knowledge, which is highly personal and deeply rooted in an individual's actions and experience [3]. This tacit knowledge was gained in the technical dimension – which encompasses the kind of simple personal skills or crafts often referred to as 'know-how'.

4.3. Mission of the founder in establishing the company and entrepreneurial intention

To understand Sam's entrepreneurial intention, he was asked to provide an indication of his mission and vision for the company at inception. Sam identified his mission as to be his own boss, and make enough money to buy a "bakkie" (a pick-up truck). His aspiration embodied in his vision for the company showed a quest for survival on a monthly basis and later on, on a yearly basis. He did not appear to have long-term goals.

Sam was so steadfast in his vision that after two years in the business, he did not realise he had made enough money to buy a "bakkie". He recounted that his former boss enquired after his progress

and demanded to see his savings account book. Sam's boss did not believe him when Sam told him he had about R50000 in his savings account. The boss commended him on this achievement and said: "*now you will have to buy a bakkie*". The boss then took him to the car dealer, and he bought a Ford Cortina "*bakkie*". Before that, Sam used a bicycle as his mode of transport (see Picture A1 in Appendix A). Sam recognised the need to establish a construction company to fulfil his quest to be his own boss.

4.4. *Strengths and capabilities of the founder at inception*

Stinchcombe [15] and Eisenhardt and Schoonhoven [14], found that a factor underlying the failure of young organizations is their limited resources and consequently if resources are abundant, they will grow. It emerged that the key resources possessed by Sam at the inception of his company – Lubbe Construction, were necessary specialist expertise and technical ability in construction; ability to spot quality; a unique ability to persuade people to do what he said, and innovative abilities. He always found new ways of doing the same thing and was able to spot a need. He also had the financial strength and access to finance that suited his unique business model.

Sam confirmed that these resources were used to the advantage of the company at inception. Sam used the balance of R25000 he had after purchasing his "*bakkie*" as a seed capital for his construction business. When he went to the bank to enquire whether the bank would provide Mortgage for customers that he brings from Soweto Township. The bank informed him that this would not be possible because of his age and because he could run away if funds are advanced to him. He said he told the bank that he had got money – R25000 and he would use his money to build a garage and two rooms for his clients. All he wants is that the bank should approve his customers' mortgage application. He was asked how much he would charge customers for this service to which he said R12000, and therefore, he will start with only two customers. The bank found this agreeable and said to Sam "*as long as you use your money in the first instance, we will approve your clients' bond when the bond is approved, you go and build with your money, and then our inspector will come and inspect. If you finish and the job is nice, then we will recommend that you build houses for the bank*".

It can be inferred from the preceding that Lubbe construction had the financial capacity and access to finance, a primary construction resource, at inception. This mirrors Stinchcombe's [15], and Eisenhardt and Schoonhoven's [14] finding that lack of access to finance is often a factor underlying the failure of young organizations, and that company growth is dependent on sufficient finance.

4.5. *Factors that aided the growth and success of Lubbe Construction Company – Characteristics and traits of the founder*

It also emerged from the study of Lubbe Construction that the features and traits; unique abilities and personality; and the strategic decisions made by Sam at the inception and during the life of the company were crucial to the company's survival, growth and success. This finding is aligned with the results of previous studies by [11-14] that leadership is essential to the survival of any organization. Sam exhibited a combination of the following leadership style: strategic: one who knows how to achieve the company mission and vision; and authentic: a leader 'who is' - someone who does not pretend to be a leader simply because they hold a leadership position. Rather, as founders of companies, they have to steer them in the direction they believe they should go. Sam was also described by an employee (the Chief Financial Officer) as providing, in addition to the above, visionary leadership, that is both charismatic and transformational, with the effect of motivating their followers. Based on the concept of how leaders execute their functions, Sam was described as both an employee oriented (Democratic) and production oriented (autocratic) leader. It was alleged that he provides some rewards and benefits to his employees, such as bonuses whenever they exceed a given target, empowerment, pension funds, death benefits and training while at the same time focussing on delivering quality and timely services to clients. His employee alleged that Sam built up a culture of teamwork, and commitment to his vision among his staff.

Following the company interview, in which Sam and his employee were asked to describe his leadership values and convictions it emerged, that Sam is described as having a well-mannered disposition. While Sam saw himself was a hardworking, honest and trustworthy, disciplined, and

task result oriented person. The interview findings also suggest that Sam is quite productive, thrifty and not covetous, with an ability to increase profits and turnover, to sector profits back into the business and who will not use his hard-earned money for anything that is considered unproductive/frivolous. For example, he continued using a bicycle to transport his building materials for more than two years even though he had accumulated enough money to buy a “bakkie”. He seemed to view a personal vehicle as a bad investment.

4.6. Innovative business model used by the founder of Lubbe Construction in achieving competitive advantage

Lubbe Construction got its first real big break when Perm Building Society offered 100% mortgage bonds to any of their clients wishing to make improvements to their properties. Furthermore, by 1990 on the recommendation of Perm Building Society, based on his high standards of workmanship and integrity, Lubbe Construction was awarded a major contract to build a high-rise block of flat in Israel, and this is where according to him, the business took off. Sam notes that “I used my savings to build a two room and a garage house, we built two of them, the bank came to inspect – they passed. They said that the job is very nice, they registered the client’s bond the next week, and after the bond was registered, the bank paid him all his money”. When he requested to know from the bank how much money they want his clients to pay as a deposit, the bank officials told him, “Sam, we do not need a deposit, as long as you build it, we pay you, and then the owner can pay us”. The innovative business model used by Sam in creating work opportunities for Lubbe Construction is shown in Figure 2.

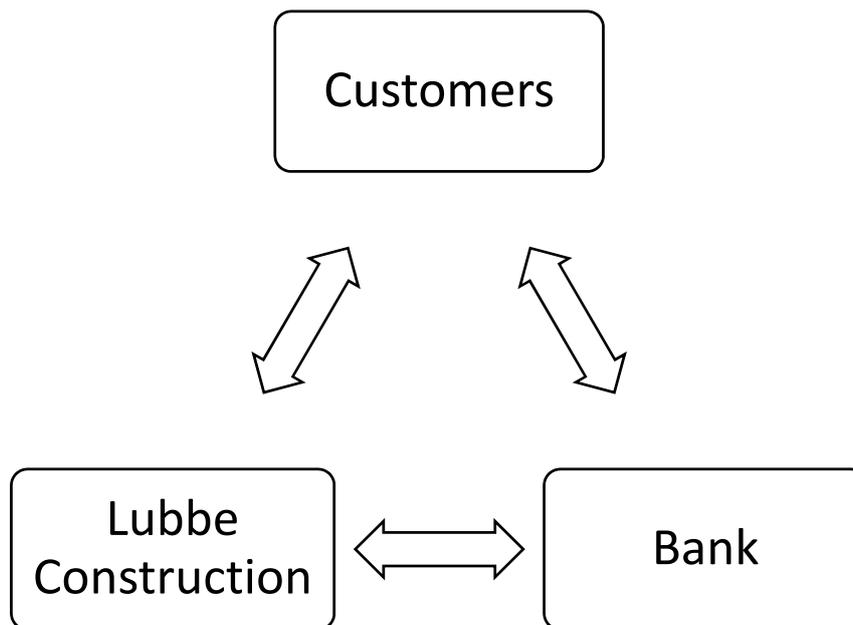


Figure 2. Innovative Business Model employed by Lubbe Construction in achieving Competitive Advantage

As mentioned above, Sam looks for customers who were desirous of owning a home in Soweto township, he used his money to build a two room house and garage which met the clients’ requirements, he takes the client to the bank, the housing customer and the bank signs a bond agreement using the house as surety, Lubbe construction gets paid once the bond is finalized, and the client starts paying back his bond/mortgage in installments to the bank. There was no loser only a win-win situation. According to Sam Lubbe, he came out stronger, in housing construction adverts, which he distributed at the Railway Station; he averred that Lubbe Construction could build two rooms and a garage for no deposit for R12000. People started applying through his company for houses, and within a short space of time, his business became a household name. After getting enough customers, Sam through Lubbe Construction Company started buying tracts of land for

housing development. Lubbe Construction Company has expanded organically to include buying its property for development and other related business ventures.

The data collected is aligned to the findings of Seelig [2] and presented in Figure 1. It suggests that there are environmental factors such as culture, habitat and resources that shape the mindset of an innovator/entrepreneur. In the case of Sam, the company (environment) in which he worked for twelve years nurtured and made it possible for him to acquire the technical skills that he needed to survive in the construction business. Sam also had a positive attitude to life; he was attentive, perceptive and future oriented, resourceful, creative and a risk taker. These traits, coupled with the environment within which Lubbe was nurtured (though this happened mostly during the period of Apartheid in South Africa, the Soweto uprising and black power), helped shaped Sam into an entrepreneur of note who built a successful black construction business from nothing at a time when there were few black construction businesses.

In the course of the interview, he mentioned the fact that he was awarded a 15 storey-building contract by the Israeli government in 1990. He spent two years in Israel with 60 bricklayers and labourers. He came about this project because of his exceptional track record with Perm building society that recommended his company and because the Israeli government was looking for a black construction business to which they can award the construction contract. Getting a black construction company was an uphill task for the Israeli government that they had to look for one even in Apartheid South Africa.

5. Conclusions

The paper presents the narratives of a successful entrepreneur Mr. M.S. Lubbe and examines how the South African construction industry can nurture an entrepreneur and a large entrepreneurial construction company, even though the founder – Mr. Sam Lubbe, had no formal education. The paper examined the question of whether entrepreneurs are born or are made based on the age-old question of nurture and nature and found evidence to support the fact that Sam had the right disposition and was nurtured in the right environment. The data collected suggests that although Sam does not have any formal education, he succeeded based on nurturing given to him when he had the opportunity to work for a large South African construction company, his innate characteristics of self-confidence, task-result orientation, originality, future direction, and a unique business model which helped him access international construction work opportunities. In the case of Lubbe Construction Company, the interaction of nature and nurture made it possible for its founder – Sam, to establish and grow a large sustainable construction enterprise.

Far from his humble beginnings as a young tea boy and entrepreneur riding to the site on a bicycle, Sam presently sits at the top of a successful construction business. Thanks to hard work and dedication, his small start-up company has grown and now has branches in Botswana, Mozambique, Sudan and England.

Acknowledgments: The author acknowledges Mr. Sam Lubbe, the founder and CEO of Lubbe Construction company for accepting to be interviewed.

Conflicts of Interest: "The author declares no conflict of interest."

Appendix A



Picture A1. Sam transporting building materials on his bicycle (his first mode of transport)

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